Counterfactual Evaluation of the impact of European Structural and Investment Funds on Firm Performance in Portugal, 2007-2015

Cohesion and Development Agency

MAIN FINDINGS

• Positive impact on firm performance regarding investment, growth, productivity, human capital, innovation and internationalization outcomes. In many of these cases, impact levels increases over time (in a 3 to 5 years span).
• Increase on average wages and in the number of workers, but those on temporary contracts outweighing those with permanent contracts.
• Positive impact on gender equality for some specific policy instruments and specific subgroups of supported firms.
• No relevant systematic effects on firms’ financial situation, profitability ratios or on eco-efficiency.
• SI QREN promoted an increase of exports in treated firms, with impacts seeming to be more relevant in the case of companies with an intermediate level of export intensity.
• Impacts tend to be relatively stronger in firms that face higher obstacles in accessing external finance, with SI QREN appearing to be more cost-effective when supporting firms that do not benefit from other policy instruments (such as subsidized and guaranteed credit lines).
• Regarding the intensity of support, results suggest that relatively low intensities lead to more cost-effective results for most of the outcome variables.

CONCLUSIONS

Overall, the heterogeneity analysis of impacts tends to confirm that different policy instruments under SI QREN have fulfilled different objectives for different types of firms, in line with the objectives for which they were conceived.

Impact Chain of the Incentive Schemes

- Design and implementation
- Change in firm resources
- Behavioral change of firms
- Direct results
- Desired policy outcomes

Eligibility Criteria: Reduction of Financing Costs
- Higher Investment in Innovation (broad sense)
- Improvement of Firm Performance and Competitiveness
- Increase in aggregate Value Added and Employment

Selection Criteria: Increase in Highly Qualified Staff
- Higher Investment in Internationalization
- Increased Export Orientation
- Increased aggregate Productivity

Eligible Expenses: Increased Solvency Ratio
- Increase in Collaborative Activities
- Increased Knowledge Externalities
- Increased in National Exports

Allocation of Funds in each Call: Improved Liquidity
- Increase in Qualified Entrepreneurship
- Increased share of innovative and internationalized activities
- Sustained Growth

Form of Support: Increased Financial Autonomy
- Procedures and Conditionality

PROBLEM SETTING

• Estimation of the impact of SI QREN – a set of enterprise support instruments funded by ERDF under the 2007-2013 period – on the performance of supported firms, using a counterfactual methodology.
• Merging different datasets from various sources (namely the National Statistics Institute, the financing OP among other national agencies) enabled for an unprecedented broad dataset and an impact analysis over close to 50 performance variables in a highly robust impact assessment.