Evaluating the effects of business competitiveness measures (2004-2006) in West Pomerania (Poland)

1. Introduction

West Pomerania (Zachodniopomorskie)[1] is the fifth largest Polish voivodship in terms of area (7.3% of the Polish territory) but accounts for only 4.4% of the Polish population (1.65m inhabitants) and is faced by negative migration trends. The regional capital and largest city is Szczecin (population of 410,000), which is also one of the four main Polish sea-ports. The region borders the Baltic Sea (185km of coastline) to the north and the German region of Brandenburg and Mecklenburg Western Pomerania to the west. The economy is in large part 'natural resource' based with strengths in the maritime economy, tourism and agriculture. In terms of gross domestic product (GDP) per capita, the region ranked fifth in Poland in 2004, however, this was less than a quarter (23%) of the EU27 average (Eurostat). According to the Integrated Regional Operational Programme, 2004-2006, West Pomerania was among the five top regions in terms of the number of small and medium sized enterprises (SME) per 1,000 population. However, this was mainly due to a high number of micro enterprises (notably in tourism sector) while major employers, such as the shipbuilding industry in Szczecin lost competitive advantages as a result of increased globalisation. Such developments negatively affected the region's capacity for generating economic growth and employment.

Given this context, the Structural Fund operational programmes (OP) implemented during 2004-2006 included a number of measures aimed at improving business competitiveness and innovation performance, particularly of small and medium sized enterprises (SMEs). An ex-post evaluation was conducted of business competitiveness and innovation promotion measures, co-financed by the European Regional Development Fund (ERDF), through both the Integrated Regional Operational Programme (IROP) and the (national) Sectoral Operational Programme *'Improvement of the Competitiveness of Enterprises'* (SOP-ICE)[2].

The evaluation is an example of an early attempt to assess the effects of Structural Fund interventions in a 'new' Member State provided through a mix of national (sectoral) and regionally managed interventions. Moreover, the evaluation was faced by the challenge of assessing the impact of a mix of different types of intervention supporting business competitiveness and innovation, namely: business loans, credit guarantees, training and investment grants for new microenterprises, business consulting services and investment grants.

2. Description of the evaluated measure

The evaluation covered seven measures implemented during the 2004-2006 period: five measures from the SOP-ICI and two from the IROP. In total, 345 projects were implemented: 157 within the IROP and 188 within the SOP-ICE. The evaluation assessed the impact of support measures on two main target groups: enterprises; and loan and guarantee funds. Figure 1 summarises the measures in terms of the beneficiaries, objectives, the type of activities and the number of projects.

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[1] http://www.wzp.pl

[2] The IROP and the SOP-ICE were two of seven programmes implemented under the 2004-06 Community Support Framework (CSF). Both OPs were implemented under the Convergence Objective and co-funded by the European Regional Development Fund (ERDF).

The IROP supported start-ups through advisory services and investment grants for newly established companies. Another measure was targeted at micro-enterprises in order to facilitate their access to specialised advisory services and increase the investment rate during the early-stages of company development. The SOP-ICE included a mix of instruments providing support to SMEs access to external sources of funding through loans and guarantee funds and business advisory services. It also co-financed investment grants for new investments and modernisation activities within existing companies with a view to significant changes to their products and/or manufacturing processes. Overall, these two programmes provided very similar types and forms of support.

The IROP was managed at the national level by the Ministry of Regional Development (MRR) and implemented mainly at the regional level. The West Pomeranian Agency for Regional Development (ZARR) was responsible for the implementation of the two measures evaluated. The SOP-ICE was also managed by the Ministry, however, the Polish Agency for Enterprises Development (PARP) was responsible for the implementation for all measures evaluated in co-operation with the ZARR, except the instrument providing financial support to loans and guarantees funds

Under the IROP each region had a specific financial allocation earmarked for every measure. In contrast, since the SOP-ICE was a national programme, the potential beneficiaries were eligible from all Polish regions and projects were chosen through a competitive selection process with no pre-allocated or guaranteed share per region.

Figure 1 Overview of ERDF measures covered by the evaluation

Measure (operational programme)	Beneficiaries	Objective	Type of support	Number of projects
Measure 2.5 Promoting entrepreneurship (IROP)	Enterprises	Promoting entrepreneurship	Trainings for new microenterprises Investment grants for new microenterprises Financial support (for one year)	23
Measure 3.4 Microenterprises (IROP)	Enterprises	Supporting microenterprises during the start-up phase	Specialised consulting services for enterprises Investment grants for enterprises	121
Measure 1.2.1 Contribution of capital to micro-loan funds (SOP-ICE)	Loan and guarantee funds	Facilitate access to external sources of investment financing	Loan for enterprises	4
Measure 1.2.2 Contribution of capital to guarantee funds (SOP-ICE)	Loan and guarantee funds	Facilitate access to external sources of investment financing	Credit guarantees	6
Measure 2.1 Improvement of competitiveness of SMEs through management advice (SOP-ICE)	Enterprises	Facilitating access to specialised consulting/ advisory services	Consulting/Advisory services	51
Measure 2.2.1 Support for enterprises making initial investments (SOP-ICE)	Enterprises	Improving the competitiveness of enterprises through support for new investments	Investment grants	29
Measure 2.3 Improvement the competitiveness of SMEs through investments (SOP-ICE)	Enterprises	Increasing business competitiveness by modernising production processes and technologies	Investment grants	70
Total				304

3. Designing the evaluation study

The idea to launch an evaluation was sparked by discussions between staff of the Managing Authority of the Regional Operational Programme for West Pomeranian Region. Once the green light was given to launch an evaluation, the official in charge of programme evaluation in the Managing Authority took responsibility for drafting the terms of reference (ToR). The same person remained responsible for selecting the contractor, overseeing the implementation of the evaluation, formal acceptance of the evaluation report and organising a process of feedback on the conclusions with the contractor and stakeholders.

In total, it took eight months to draft the ToR due to the need to consult with various stakeholders including the unit within the MA responsible for specific IROP measures, the IROP evaluation Steering Committee (including external experts and representatives of regional institutions supporting entrepreneurship), etc. Several versions of the ToR were drafted in consultation with employees of the Managing Authority and this led to a number of changes to the original draft, notably: an increased budget, an expanded scope to include the net effect of the intervention, adding the need to conduct a peer analysis to the evaluation methods and rewording/altering of the original evaluation questions. The call for tenders was published mid-December 2009, while the programming period 2007-2013 was already fully operational. This raises a question about the timing to commission and launch the evaluation given that it addressed both summative and formative issues.

In terms of the budget, the original plan was to spend PLN 150,000 (~€35,700, €1 = 4.2 PLN) on the evaluation. However, the evaluation steering committee decided, given the expanded scope, to increase the budget to PLN 250,000 (~€60,000). The selected contractor's proposal was for a budget of PLN 239,000 (~€57,000.)

The study, conducted between April and September 2010, evaluated the implementation of business support policy in West Pomerania between 2004-2006, through the IROP and the SOP-ICE. The specific evaluation questions were as follows:

1. To evaluate the results of the Integrated Regional OP and the Sectoral OP 'Improvement of the Competitiveness of Enterprises' and their sustainability;
2. To what extent were the objectives met for the SME support measures within the IROP and SOP-ICE?
3. Evaluate the impact of capital contribution to loan and guarantee funds on their activity and on the enterprises which made use of their offer;
4. Identify best practices from the projects undertaken under the IROP and SOP-ICE and the scope for adopting such practices more widely in the Regional Operational Programme for West Pomerania for 2007-2013;
5. Evaluating the relevance of the Regional Operational Programme (ROP) for West Pomerania for 2007-2013 given the changes to SME competitiveness and innovativeness after the completion of the IROP and the SOP-ICE;
6. Make recommendations to the Managing Authority of the ROP for West Pomeranian Region concerning the implementation of Priority I 'Economy – Innovation – Technology' with a view to the objective of supporting competitiveness and innovativeness of regional SMEs (and taking account of the economic development plans of the West Pomeranian region).

As the contractor was selected through a competitive dialogue tender procedure, the final scope of the questions and the methods adopted were ultimately fixed based on the proposed approaches of individual tenders. However, the managing authorities aim was to ensure that both primary quantitative and qualitative data and secondary data were collected and analysed and that the evaluation took into consideration the

points of view of various stakeholders (beneficiaries of the analysed measures/ sub-measures, entrepreneurs, officials responsible for implementing analysed measures/ sub-measures, experts in enterprise competitiveness and innovativeness). A key concern was that the evaluation approach should avoid one-sided judgments.

The evaluation was expected to draw on the monitoring data available in the Managing Authority, as well as on the data of the ZARR for the IROP measures. However, it proved more difficult to ensure access to the monitoring data related to individual measures of the Sectoral OP *'Improvement of the Competitiveness of Enterprises'*, which were held by the PARP. This data, needed for evaluating the regional impact of the national measures, was collected only once the evaluation was underway.

4. Implementing the evaluation: methodology and process

An external contractor was selected to carry out the evaluation through a 'competitive dialogue' tender procedure. This two-stage tender procedure means that after an initial public call for proposals the contracting authority can open a dialogue with selected contractors invite them to submit an offer. A characteristic of this procedure is that the final specifications of the contracting authority are only fixed after the dialogue with the contracting parties. A risk of this mode is that the final scope of the study reflects more the sum of experiences of the contractors participating in a tender rather than the actual needs of the contracting authority. Indeed, given the broad scope of the study, it seems that this type of negative outcome occurred as the scope of reflects more the ideas presented during the competitive dialogue than the previously defined needs of the managing authorities.

The following evaluation methods were used: document and literature analysis, telephone questionnaires with beneficiaries, in-depth interviews with beneficiaries, case studies, interviews with experts and focus groups. The interviewees argued that this mix of methods and survey techniques was necessary to achieve the evaluation objectives. Indeed, the case studies, focus groups and interviews with experts helped to improve the quality of the evaluation results. The expert interviews were particularly useful as they provided greater insight into the implementation of specific measures as well as gathering opinions on the effectiveness of the expenditure programmes in the region. This method also provided complementary evidence on the results of and the degree of impact of projects. Focus groups (or group interviews) were also helpful in gathering experts and were organised at the end of the study with a view to validating conclusions and formulating recommendations. The interviewees stressed that the participation of representatives from the managing authorities to the focus group was an important factor to enhance the usefulness of this method. It was felt that such methods are particularly useful in innovation support evaluations since there is a need to gather and take account of opinions of different stakeholders.

While the range of methods (in-depth interviews, phone survey, case studies, documentary analysis) used is not specific to evaluation of innovation and entrepreneurship support, the evaluation adopted an approach that triangulated both:

- research techniques: by applying various complementary data collection methods,
- information sources: collecting data from various groups in order to gather diverse information concerning a given topic from persons with different points of view regarding the analysed issue and/or had a specific scope of information.

In the evaluation, a thorough assessment was made of programme and strategic documents, methodological studies as well as reports from earlier evaluation studies.

As noted above, the evaluation was undertaken ex-post (i.e. after the interventions were completed) and aimed to provide a summative assessment of the SME support policy for the 2004-2006 for both regional and national measures implemented in the region. Accordingly, the contractor applied all the standard evaluation criteria:

relevance, efficiency, effectiveness, impact and sustainability. According to the interviewees, while the overall methodology applied was pertinent, the range of qualitative methods could have been broader. From the regional point of view the studies as well as the scope of the applied methods were both sufficient, whereas expanding the scale of the study to the whole country would have required applying another, already expanded catalogue of research methods and techniques.

The contractor was responsible for collecting the data required to conduct the evaluation study. This required a high degree of flexibility and initiative on the part of the contractor due to the lack of data available to the contracting authority: the managing authority for the 2007-2013 West Pomeranian Regional Operational Programme was not the same as the implementing agencies for the previous IROP and SOP-ICE programmes. As a result, in order to begin the study, the contractor had to collect data from the Polish Agency for Enterprise Development and the West Pomeranian Agency for Regional Development. In the first case, in particular, data collection proved highly troublesome for the contractor.

As noted above, only 304 out of 345 completed projects were analysed due to the lack of projects' activity reports and monitoring data. The evaluator underlined that different terminology was used for setting out the baseline indicators and reporting on targets. The indicators were also sometimes defined in percentages. All this rendered the interpretation of progress made against the originally set targets impossible. To overcome the issue of missing data in relation to measure 2.2.1 of the SOP-ICE, the evaluator had to rely on the computer-assisted telephone interviewing (CATI). In other cases like loans and guarantees funds the data on the number of created jobs was missing because it had not been a formal requirement.

The study was also based on data available from the Central Statistical Office. The evaluator was able to construct a number of indicators and indices to track the level and the changes in innovativeness and competitiveness of supported enterprises.

The interviewees considered that a key element that ensured a high quality evaluation was the close working relationship maintained during the evaluation process and the good degree of co-operation between the contractor and the managing authority. A direct working relationship was maintained between the official responsible for the study and the evaluation team principally through regular telephone calls and e-mail. Moreover, regular meetings between the management authority and the contractor took place, notably to present the methodological report, the study results and the recommendations. In addition, the evaluator conducted individual interviews with employees of the managing authority and representatives of the managing authority participated to the focus group interview. In the opinion of the management authority, the contractor demonstrated a high degree of involvement, which was highly important given that the evaluation consortium was formed by two companies located in different parts of Poland (from outside the region).

The final report was structured according to the six, above-mentioned, evaluation questions reflecting the objectives specified by the contracting authority. The evaluator drafted initial recommendations on the basis of these structured findings and these were then subject to a focus group discussion. As a result, the management authority considered that the final recommendations were well balanced and robust drawing on both the evaluation findings and a broad consultation of stakeholders. Moreover, the interviewees considered that the discussion on the recommendations enhanced their usefulness. The recommendations were directed at three entities: the Managing Authority, the National Bank of Economy (BGK) of the JEREMIE Initiative and the Voivodship's Labour Office (the current beneficiary of Measure 6.2 of the Human Capital Operational Programme which extends the previous IROP Measure 2.5). Some examples of the influence of the evaluation at the level of programme management include adaptations to the selection criteria for priority 1 of the 2007-13 ROP and a change from closed to open calls for projects.

5. Effectiveness and efficiency of the evaluation

The main methodological problem was undoubtedly access to data on the projects supported regionally under the Sectoral OP *'Improvement of the Competitiveness of Enterprises'* by the Polish Agency for Enterprise Development. The contractor was forced to spend a considerable time to collect basic monitoring data and indeed, this only proved possible, in part, due to good relations of the contracting authority with the previous implementing agency, the West Pomeranian Agency for Regional Development. Moreover, as noted above, the contractor and management authority showed flexibility concerning the scope of information gathered.

Despite the time that had passed since the implementation of the majority of the projects analysed, there were no major problems in reaching the beneficiaries of individual measures: enterprises as well as loan and guarantee funds. The high rates of return of questionnaires from beneficiaries can be seen in Figure 2.

Figure 2 Questionnaire return rate per measure

Measure	Number of realised projects	Number of analysed projects
Measure 2.5, Integrated Operational Programme on Regional Development	23	23
Measure 3.4, Integrated Operational Programme on Regional Development	134	121
Measure 1.2.1, Sectoral Operational Programme "Improving Enterprise Competitiveness"	4	4
Measure 1.2.2, Sectoral Operational Programme "Improving Enterprise Competitiveness"	6	6
Measure 2.1, Sectoral Operational Programme "Improving Enterprise Competitiveness	64	51
Measure 2.2.1, Sectoral Operational Programme "Improving Enterprise Competitiveness	29	29
Measure 2.3, Sectoral Operational Programme "Improving Enterprise Competitiveness	85	70
Total	345	304

No other major problems or difficulties were identified by the interviewees: the time available to conduct the evaluation and the size of the budget were both sufficient given the scope and methodology of the evaluation. One issue was that it proved complicated to cover such a broad range of activities in the evaluation study and it proved necessary to analyse many detailed aspects of specific projects. This, in turn, made it difficult to present general conclusions for the entire intervention.

In terms of the evaluation process, the work was structured according to the evaluation questions derived from the overall objective specified by the contracting authority. According to the managing authority interviewee, the evaluation criteria, focused on individual aspects of support for SMEs and loan and guarantee funds, helped to play a role in structuring the evaluation. However, it seems that the evaluation questions were too loosely formulated in relation to the overall objective. The simultaneous examination of past effects, results of implemented projects and issues related to the changing business environment for SMEs and priorities for the future programming period, constituted a significant restriction. This was a weak point of the evaluation and influenced negatively the effectiveness of the study.

The analysis of evaluation study shows that conclusions were drawn much too early, with sections of the first chapter of the report dedicated to the assessment of effectiveness. For example, the introduction of new products on the market was interpreted automatically as an increase of company competitiveness and/or the introduction of innovative technology as an increase in innovativeness. Based on the findings, which indicated that the outcomes of interventions had been used, it was automatically concluded they were sustainable. This clearly implies that the

assessment of sustainability could have been more detailed with a clear focus on assessing the effectiveness rather than impacts.

The evaluation approach implied that the results of quantitative research would be verified through the qualitative research. The contracting authority considered such an approach necessary given the scope of the evaluation, which included a large number of issues related to innovativeness and competitiveness. Indeed, these concepts proved to be understood ambiguously so that during the first phase of the evaluation, it was necessary to spend time in agreeing on definition of a number of terms that were included in the methodological report. Only once such 'semantic' issues were resolved was it possible to develop analytical tools and evaluation criteria that fully reflected the study objectives. However, a reading of the evaluation report suggests that concepts like 'competitiveness' and 'innovativeness' created unnecessary confusion and even led to the presentation of contradictory findings in different parts of the evaluation report.

Apart from the issues relating to evaluation criteria, some evaluations methods were also used without adequate attention to detail. The main cause for concern is the material collected through the case studies and the approach to the control group. The case studies were of poor quality, were not clearly linked to other methods used in the evaluation and did not provide significant value-added in terms of policy learning. The control group analysis was formulated on the basis of a restricted set of questions that were open to a subjective interpretation. The assessment was based on basically two questions on the increase in competitiveness/innovativeness. The choice of possible answers was such as to make it difficult for companies that had received support to give anything other than a favourable assessment. There was no attempt to gather more detailed information that could reveal other factors differentiating the performance of the beneficiaries from that of the control group enterprises.

The mix of methods was appropriate, however, as noted above, the evaluation covered a broad range of activities that required tailoring the methods to account for specific intervention logics, etc. The interviews felt that a better solution might have been to split the evaluation into two separate studies: the first on direct (grant-based) enterprise support and the other on loan and guarantee funds. Although this would have required the application of an increased range of methods, and a higher budget, it would have fulfilled better the overall evaluation objectives. Moreover, in terms of research methods and techniques, it seems that more robust findings could have been reached if a more advanced methodology had been used, such as studying the net effect of the intervention. This would have helped to understand the real effects of the support; instead the evaluation limited the analysis to comparing project results in the region with overall national statistics for the same measures.

The method of estimating the extent to which the projects achieved the intended outcomes was based on calculating averages. On the one hand, this allowed comparisons at an aggregate level. However, on the other it was impossible to give a more nuanced appraisal of the effectiveness of the interventions, which is crucial for improving the design of new forms of support in the future.

Finally, it would have been advisable to adopt a different methodological approach to specific evaluation questions and notably those issues concerning either future programming period or adequacy of SMEs sector support. The methods used were more adapted to the study of the results of past interventions. The evaluation attempted to use several different evaluation methods, which in such complex study was not the most optimal approach. The evaluation is mainly descriptive and lacks an assessment of the underlying success factors of support measures under review, even though the main body of report is 233 pages long. Overall, the normative part is largely underdeveloped.

6. Conclusions and lessons learned

The evaluation includes a number of positive aspects including:

- A highly relevant focus, given the development priorities of the region and the need to support entrepreneurship and innovativeness;
- It was the first attempt to sum up results from the previous programming period and draw lessons for the current period of Structural Fund spending;
- a good and flexible co-operation between the contractor and the study stakeholders (e.g. West Pomeranian Agency for Regional Development).

The most significant issues identified by the present case study were the following:

- the issue of a timely commissioning and launch of evaluation study;
- the lack of projects' activity reports and monitoring data;
- issues related to the evaluation criteria (effectiveness and sustainability);
- inappropriate use of certain evaluation methods, especially case studies and control group;
- calculating averages to estimate the extent to which the projects achieved the intended outcomes;
- issues related to definitions and difficulties for stakeholders to accept a single definition of certain concepts (e.g. innovation);
- the broad scope of evaluation which involved both criteria more relevant for ex-post assessment of results and impact of interventions as well as issues related to future programming and the relevance of planned interventions;
- the need to evaluate different target groups (SME sector and loan and guarantee funds) and types of activities with different intervention logics;
- the use of multiple methods in such complex evaluation resulted in the normative part being underdeveloped.

More positively, according to the interviewees, the evaluation was conducted in an appropriate and efficient way. This was, in part, due to strong co-operation between the contracting authority and the contractor that enabled a rapid and joint resolution of problems that arose (e.g. difficulty with access to the data). The adoption of a participatory approach (e.g. focus groups involving the management authorities and stakeholders), notably at the stage of drawing conclusions and formulating recommendations, had a positive influence on the utility and effect of the evaluation. Finally, there were no significant problems encountered with the specific evaluation methods (e.g. a high rate of return for surveys, etc.).

A key finding is that an evaluation of business support instruments should adapt methods and approaches to the specific types of support measures. Indeed, it proved difficult to combine in a single evaluation both direct support instruments (such as investment grants for enterprises) and financial engineering support (loan and guarantee funds). Covering both types of measures in an evaluation requires a broader range of evaluation methods. Moreover, there is a need for a more systematic and rigorous use of qualitative methods to capture effects on SME competitiveness and innovativeness.

One criticism of the evaluation is that only more 'standard' evaluation methods were used and did not apply more advanced research methods and techniques. Although the research methods and techniques used by the contractor met the broad objectives of the study, a wider range of methods were required given the scope of the study.

Another drawback was that the managing authorities did not have in-house specialist know-how available when preparing the terms of reference; nor were any specific guidance materials available. Hence, the terms of reference were drafted based largely on the knowledge acquired by management authority staff from more 'theoretic' university courses in the field of evaluation. In the opinion of interviewees, there is a need for increased knowledge on the evaluation of entrepreneurship and innovation support instruments, both in the form of training and guidelines on methods.

Finally, the study was ostensibly an ex-post evaluation of instruments from the 2004-2006 programming period. However, the study also focused on developing good practices and conclusions, that could be useful to make changes to the present programming period (West Pomeranian ROP 2007-13) as well as to draw lessons for the future programmes (2014-2020). Indeed, the analysis of the final report shows that most of the recommendations concerned the future programming period. However, due caution is needed when drawing conclusion for current or future programming on the basis of results from past programmes and changes in the intervention context (socio-economic environment, etc.) must be taken into account.

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