Evaluation brief: *Evaluation of Grant for Research and Development & Smart* (UK)

Key words: economic impact assessment, large-scale survey, econometric analysis, grants for research and development

1. Introductory information

- This case study presents a review of the Evaluation of [the] Grant for Research and Development & Smart (2009). This evaluation is an economic impact assessment of an innovation support measure that started life known as Smart in 1998, although it was renamed in 2003, rather prosaically, as the Grant for Research and Development (GRD).
- The Smart/GRD scheme provides grants to Small and Medium-sized Enterprises (SMEs) to cover part of the costs of carrying out in-house research projects.
- The evaluation is a nationwide scheme that was conducted in the UK, and was run and managed by the London Development Agency on behalf of the Regional Development Agencies. However, the Department for Innovation, Universities and Skills gave advice and support throughout. It was carried out by PACEC, an independent consultancy.
- The evaluation took around seven months to carry out and the budget was just under £100,000 (€120,000).

2. Summary

The Smart / GRD scheme was set up to address national priorities concerning the promotion of innovation. In particular, it was designed to encourage the amount businesses spend on R&D and innovation; to increase the number of firms that innovate and to increase the take-up of new technologies created by R&D in UK businesses.

The evaluation had three main dimensions. These were:

- To understand whether the scheme had been successful in meeting its **target outputs**, in terms of funding SMEs to carry out innovative projects;
- To understand what the **full economic impacts** of the scheme had been, including whether the scheme increases beneficiary firm's profitability, but also in terms of the wider such as whether the scheme is causing other businesses in the region to become less profitable;
- To understand whether the scheme is still **relevant**, by assessing the whether there is still a need for publicly provided finance to fill a gap in the financial market.

The main source of evidence came in the form of a large-scale survey of both firms that were beneficiaries of the scheme (700 responses) and a control group of unsuccessful applicants (200 responses). This evidence was supplemented by desk research and interviews with key stakeholders such as other organisations in the innovation system, policy-implementers and firms with particularly successful innovative projects.

The analysis also used two evaluation frameworks. The first was an analysis of the full range of economic impacts that have occurred as a result of the scheme, both positive

and negative, using the mandatory Impact Evaluation Framework (IEF) guidelines.[1] These are basic guidelines that ensure that all the necessary factors are taken into account when calculating the full economic impact, as a simple comparison that the change beneficiary firms experience after receiving a grant would be an overestimate of the real effect.

The second framework was used to estimate the effect the scheme had on the growth of beneficiary firms, measured in terms of turnover and employment levels, by comparing them to a control of unsuccessful applicants using econometric statistics.

The approach and methodology was rigorous and offered good value for money. It could be used as an example to evaluations of similar business support-measure schemes.

3. Further information

- The full case study can be found at: http://ec.europa.eu/regional_policy/archive/projects/practices/index_en.cfm
- Link to the evaluation study: www.bis.gov.uk/files/file52026.pdf.
- Link to the Managing Authority that commissioned the evaluation: www.lda.gov.uk. The Department for Business, Innovation and Skills (the successor of DIUS) can be found at www.bis.gov.uk.

[1] The Terms of Reference required proposers to draw up proposals with a methodology that was in line with the ministry's Impact Evaluation Framework (IEF), which is a standard evaluation methodology developed in 2004/05 by DTI economists in collaboration with the Treasury and several economic consultancies. The IEF guidelines can be found at www.bis.gov.uk/files/file54095.pdf.