# Evaluation brief: *The impact of the State's enterprise support on the competitiveness of the Estonian economy* (Estonia)

*Key words: enterprise support, impact, counterfactual impact evaluation*

## 1. Introductory information

- An evaluation of the implementation of the Estonian Government's enterprise policy implemented by two agencies, Enterprise Estonia and KredEx, during the period 2004-2009.
- The evaluation took place between October 2009 and June 2010 (final report published in September 2010), had an estimated cost of €70,000.
- The evaluation covered 57 enterprise policy measures, co-financed by the Structural Funds, of six main types: start-up grants, export support, product development grants, productivity improvement grants, loan guarantees, loans and export guarantees.
- The evaluation was a performance audit of Estonian enterprise policy carried out by the Estonian National Audit Office (NAOE) with support from the national statistical agency (Statistics Estonia) for an enterprise survey.

## 2. Summary

The evaluation assessed the outcome of close to €0.5 billion of public funding for enterprise development (including R&D and innovation) disbursed by the Enterprise Estonia and KredEx agencies during 2004-2009. The aim was to assess whether and to what extent enterprise policy measures influenced the competitiveness of supported businesses and, thereby, the Estonian economy. The evaluation focused on support given to those business sectors considered by the Ministry of Economic Affairs and Communications to have the highest growth potential: information and communication technologies, electronics, bio- and material technologies, etc. The NAOE sought to measure the outcomes of seven broad types of measures (grouping the 57 specific measures) on the supported enterprises and to do so selected a limited number of indicators for each group in line with the specific intervention logic.

The evaluation involved a survey of supported enterprises and a double control of non-successful applicant and non-applicant companies. The survey covered not only the enterprises' views on the outcomes resulting from the public intervention but also other factors such as the assessment of the activities of chambers of commerce and specialist business support organisations, the difficulties faced by the enterprises (market situation, in introducing innovations and in the development of cooperation with R&D institutions). Moreover, the questionnaire sent to enterprises aimed to capture how the strategic behaviour of supported enterprises had changed and what influenced the strategic choices of the control group. A key parameter of the survey was that enterprises were allowed to estimate the likely future impact of the support received and not only the observable current outcomes. This was important given that the survey was launched during the financial crisis and that it also allows for the 'time-lag factor' for the impact of certain measures to take effect.

The control groups were used in both the survey and comparison of business performance using statistical data. The use of a double control group enabled conclusions to be drawn on the extent to which policy had influenced the relative performance of supported enterprises.

The robustness of the enterprises' self-assessment of outcomes was double-checked by comparing survey responses to business statistics held by Statistics Estonia and the tax board. An extensive literature review, over 50 interviews and two focus groups enabled the evaluation team to examine the efficiency and effectiveness of policy target setting and implementation.

The NAOE came to the conclusion that the support measures "have not improved the competitiveness of the audited fields of activity". In particular, it was found that only one-fifth of companies who received support to increase productivity reported any significant impact on their productivity. Equally, while the survey found that export support did lead to increased exports (16–57%, growth depending on the measure), the NAOE considered this as insufficient, given that the support is aimed directly at increasing export capacity. The evaluation results contributed to a review of enterprise policy priorities and of monitoring and evaluation techniques and capabilities in the Ministry and two agencies.

This case is pertinent for public authorities seeking to carry out an evaluation of firm-level and sectoral level outcomes of direct financial support for business development. The evaluation applied a combination of quantitative and qualitative approaches drawing on survey and business statistics data to triangulate findings. A key lesson from the evaluation is to construct control groups so as to ensure their representativeness pre- and post-survey. The evaluation suggests that statistical methods are more robust and cost-effective when applied to measures with a sufficiently large number of beneficiaries. A case study approach examining the impact of a series of supports provided to a group of enterprises over time may also allow for a more precise estimation of outcomes.

## 3. Further information

- Full case study can be found at: (url)
- Link to the evaluation study: http://www.riigikontroll.ee/DesktopModules/DigiDetail/FileDownloader.aspx?FileId=11131&AuditId=2148 (Official text in Estonian); http://www.riigikontroll.ee/DesktopModules/DigiDetail/FileDownloader.aspx?FileId=11203&AuditId=2148 (English translation).
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