

Theory based evaluation in practice

Experience of conducting a theory based impact evaluation in the field of Enterprise Support

András Kaszap Lake Balaton DG REGIO Summer School 24 May 2018

Objectives



Share knowledge



ToCs in practice
Challenges around reconstructing ToCs
Aggregating ToCs
Testing ToCs
Combining TBE with other methods



Discuss



Clarification questions

Discussing practical details



Inspire



Translation to your own context
Using TBE in relation to your OPs
Discussing advantages and challenges





Background

Context of the evaluation (Work Package 4)

Collaborating partners





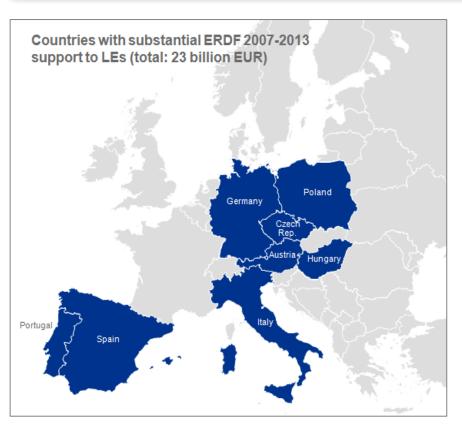


Prof. Elliot Stern

Prof. Dirk Czarnitzki







Objective: evalute of large enterprise support to

- take stock of the support (quantify and qualify commitments)
- identify policy rationales, theories of change (ToC) and existing contribution stories
- integrate results of previous studies & evaluations
- assess its effectiveness and the materialisation of ToCs (test ToCs, identify contribution stories)
- delineate policy implications, good practices and lessons learnt



6 billion EUR support to 3,700 LEs in the EU-28

Background

Ongoing political discussion, every state gives financial support to large enterprises while its effectiveness is often questioned.

Past studies

Past studies question the impact of public financial support on LEs.

CIEs could not open the "black box" of LE support and focus on direct effects only.

This ex post evaluation

Applies theory-based evaluation.

Explores the cause-effect relationship.

Methodology

Contribution analysis.
Theories of change.
130 interviews, 45 company case studies, stakeholder workshop in 8 Member States



of total ERDF spending on LEs

6,000 projects



Average support size

1 EUR million



■ 34%High-tech





Approach

Challenge: what is the net impact of this 6.1 bn?

Case study EUR 6 mn of public support

Large multinational firm

>200,000 employees

>EUR 40 bn revenues

Region

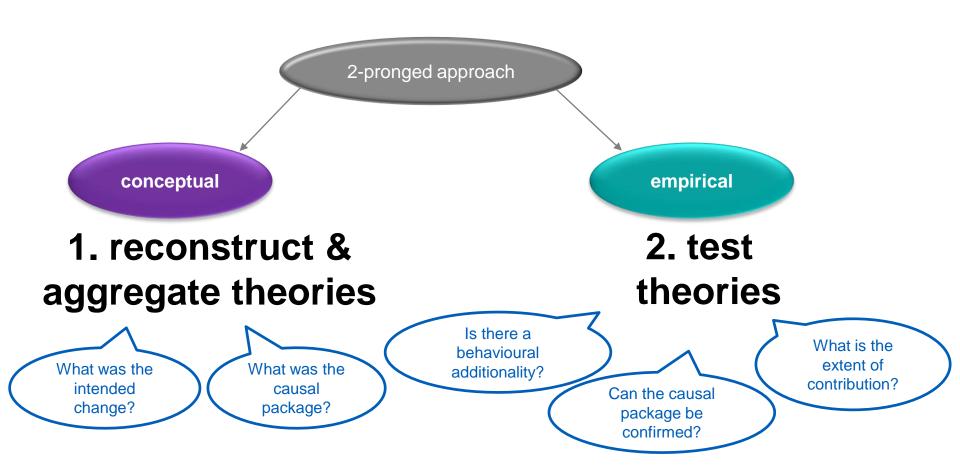
Capital city of the region

>15 mn private investment
Millions of new products
>250 jobs (main
employer)

- Opportunity for suppliers
- Attracting other large firms to the region
- University cooperations
- Social infrastructure (education, culture)
- Working culture
- Workforce mobility
- CSR



TBE (Contribution Analysis): **opening the "black box"**



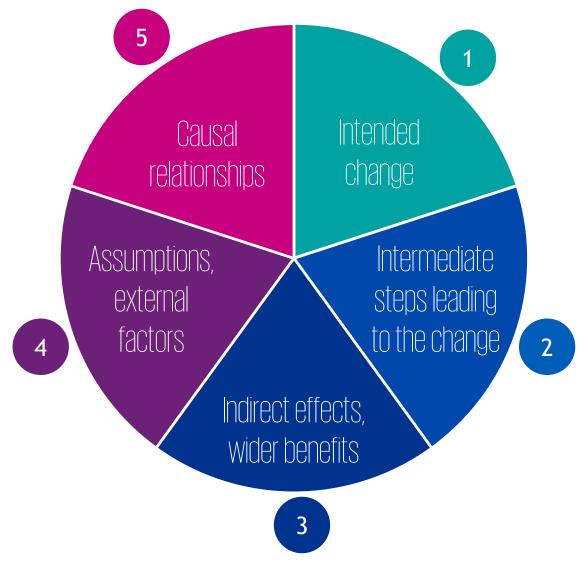


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Part I.

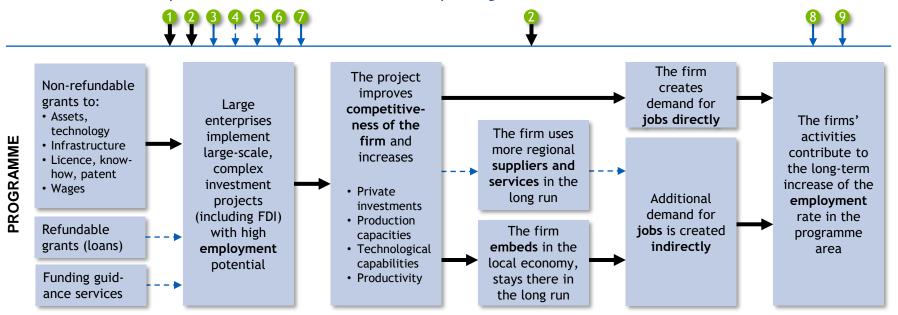
Reconstructing the theory

The 5 key components of a ToC





An example: focus on employment



Assumptions and external factors

- Tax incentives are competitive (internationally)
- Company strategy supports long-term stay in the country
- 3. Developed basic infrastructure (motorways, airport access, ICT infrastructure)
- 4. Business / industry "heritage" is present in the area
- 5. Supportive local government (permits, procedures)
- 6. Selection criteria facilitate selection of projects with high employment impact
- Labour market supplies labour in required number and qualification levels
- Investment is large enough to influence the labour market
- O. General economic conditions enable growth

Indirect and wider effects

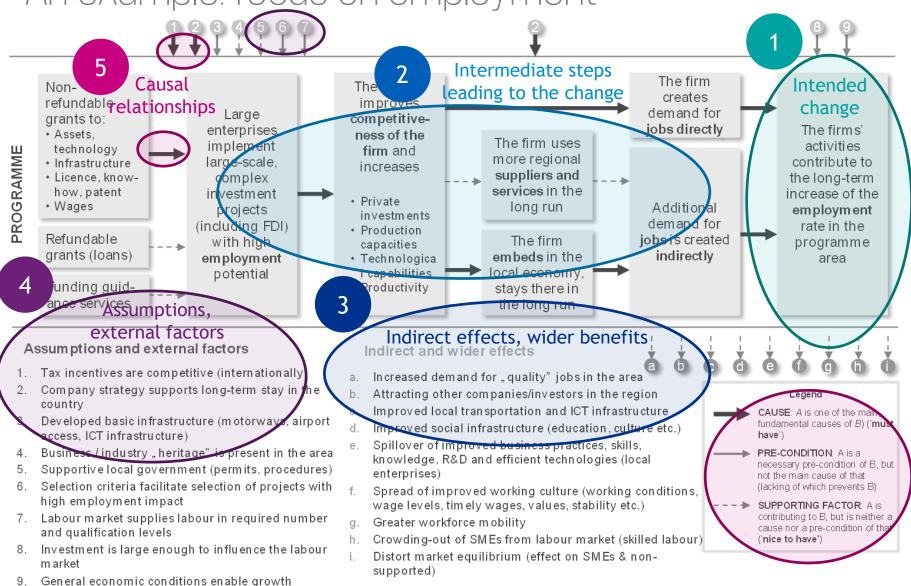
- a. Increased demand for "quality" jobs in the area
- b. Attracting other companies/investors in the region
- c. Improved local transportation and ICT infrastructure
- d. Improved social infrastructure (education, culture etc.)
- e. Spillover of improved business practices, skills, knowledge, R&D and efficient technologies (local enterprises)
- f. Spread of improved working culture (working conditions, wage levels, timely wages, values, stability etc.)
- g. Greater workforce mobility
- h. Crowding-out of SMEs from labour market (skilled labour)
- . Distort market equilibrium (effect on SMEs & non-supported)

Legend CAUSE: A is one of the main, fundamental causes of B) ('must have') PRE-CONDITION: A is a necessary pre-condition of B, but not the main cause of that (lacking of which prevents B) SUPPORTING FACTOR: A is

contributing to B, but is neither a cause nor a pre-condition of that ('nice to have')

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An example: focus on employment



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Why is it difficult to reconstruct a Theory of Change?



Underlying theories are not explicit in OPs

(intervention logic ≠ Theory of change, e.g. causal patterns, assumptions, external factors, wider benefits etc.)



Behavioural change at the supported firms is not explained in OPs

(how the support is supposed to change the behaviour and business decisions of an enterprise)



Original theories are hard to remember, policy planners can be hard to reach (risk of making up a theory for what really happened)



Broader context of the programme can be easily overlooked

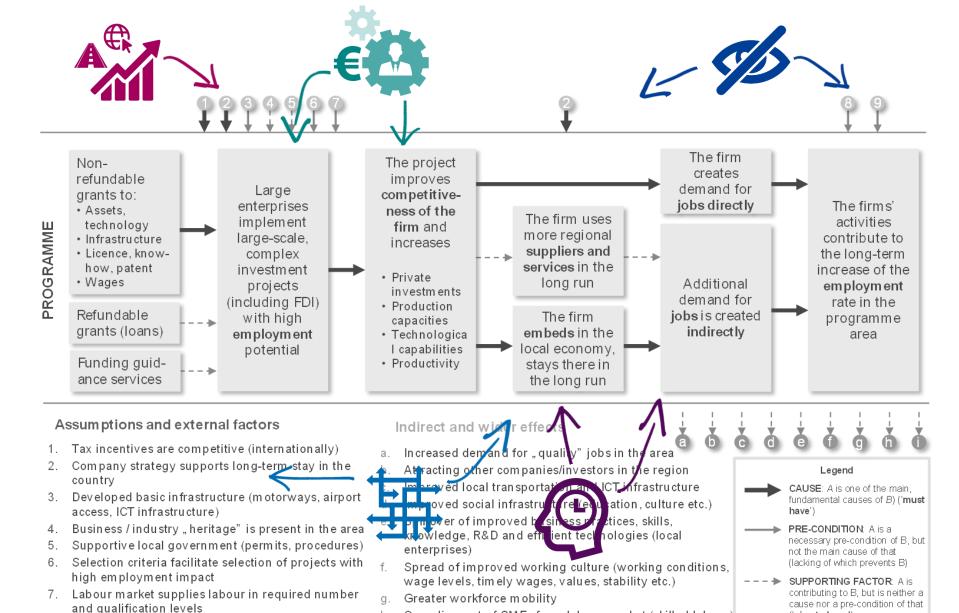
(e.g. general macroeconomic trends, tax incentives, availability of labour force, availability of ITC infrastructure etc.)



Temptation to achieve perfection and go too much into detail

(risk of over-complication)





9. General economic conditions enable growth

m arket

8. Investment is large enough to influence the labour

supported)

Crowding-out of SMEs from labour market (skilled labour)

Distort market equilibrium (effect on SMEs & non-

('nice to have')

	LE1 LARGE-SCALE BUSINESS INVESTMENTS	LE2 TECHNOLOGY UPGRADING	LE3 INNOVATION SUPPORT	LE4 Investment in R&D capacities	OTHER
LARGE FOREIGN MNC / GLOBAL	IT1 Large strategic investments	DE1 Home base augmenting	IT2 Innovation & technology transfer	DE3 Innovation-driven FDI	
LARGE	PL4 Investments of considerable importance	AT2 Leitunternehmen home base augmenting	DE2 Value chain upgrading		
	HU1 Large-scale investment for employment	AT3 Home base expansion	ES1 Corporate R&D&I PT2	PL1 First research then invest	
	ES2 Industry and tourism in less developed regions	CZ2 Strategic services, ICT solutions and applications	R&D&I for industry specialisation	HU4 RTDI centres and science parks	HU5 Logistic centres
	ES3 Re-industrialisation aid	PT1 Innovative investments	Environmentally friendly innovation PL3 Highly innovative	AT1 R&D for innovation dynamics	
SNOUS	HU3 Development in disadvantaged regions		technological solutions PL2 Development of R&D companies		AT4 Upskilling of LE knowledge base
SMALL INDIGENOUS / DOMESTIC		IT4 Law 488 enterprise development	CZ1 Corporate innovation		PL4 Promote Polish economy



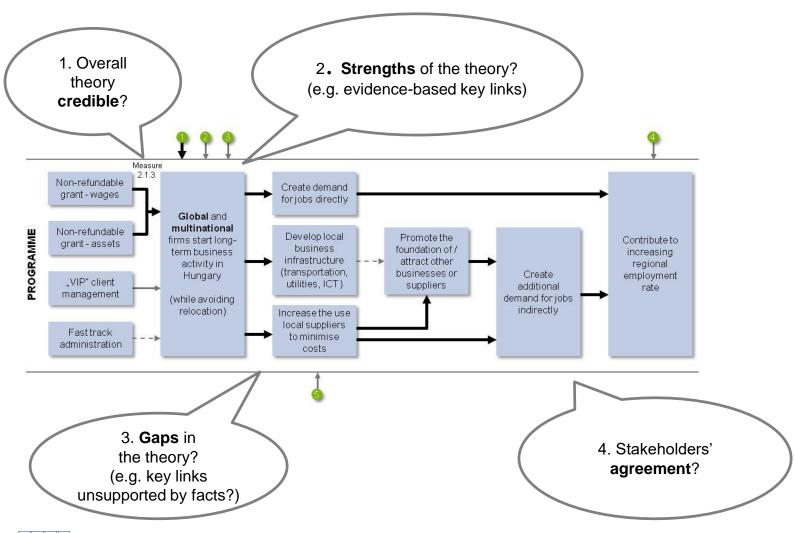
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Part II.

Testing the theory

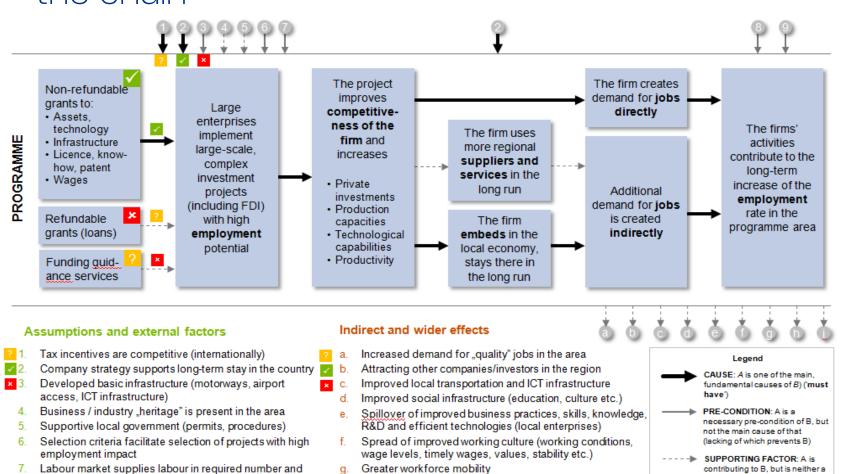
How can theories be tested?

KPING





A pragmatic approach: testing each element of the chain





qualification levels

Investment is large enough to influence the labour market

General economic conditions enable growth

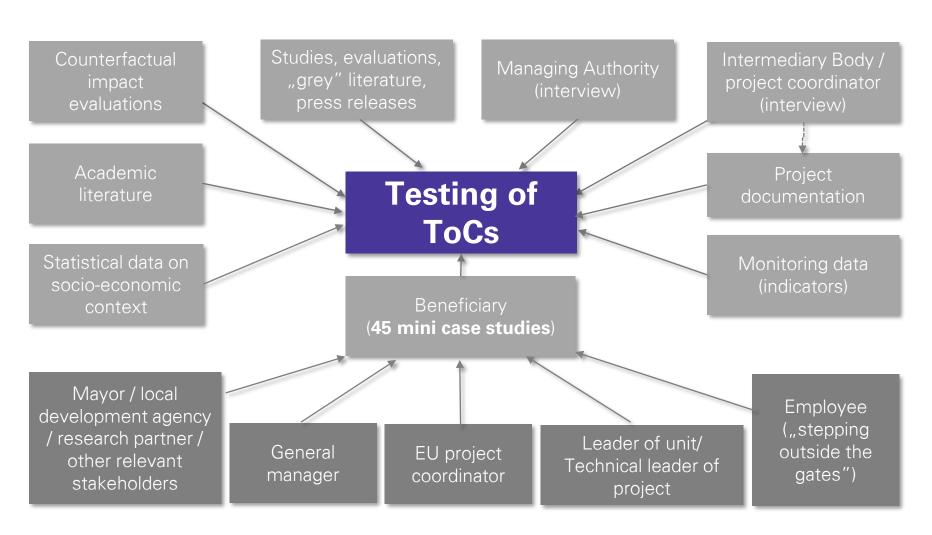
Crowding-out of SMEs from labour market (skilled labour)

Distort market equilibrium (effect on SMEs & non-supported)

cause nor a pre-condition of that

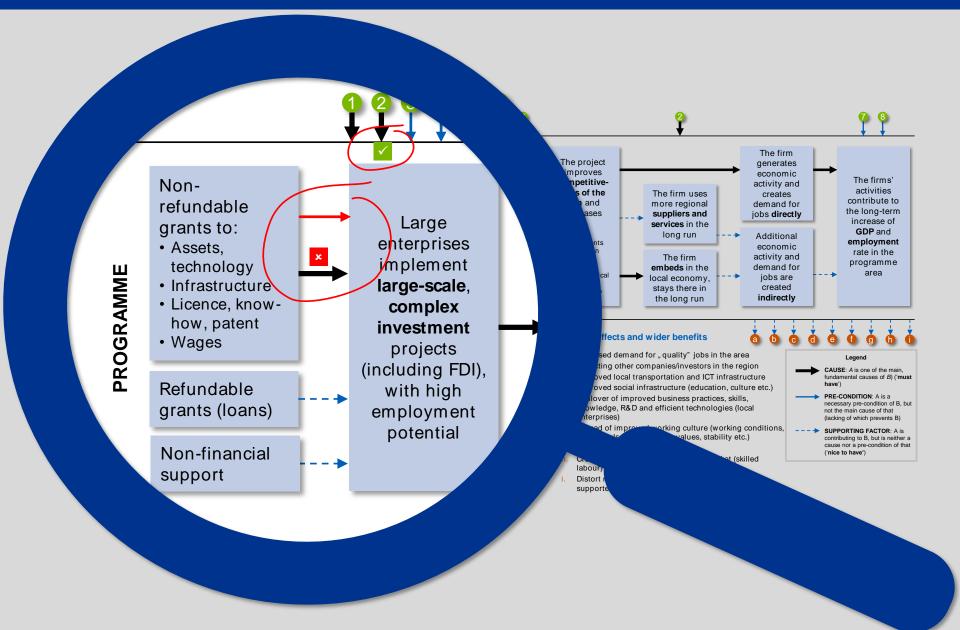
('nice to have')

Testing: multi-respondent design & triangulation

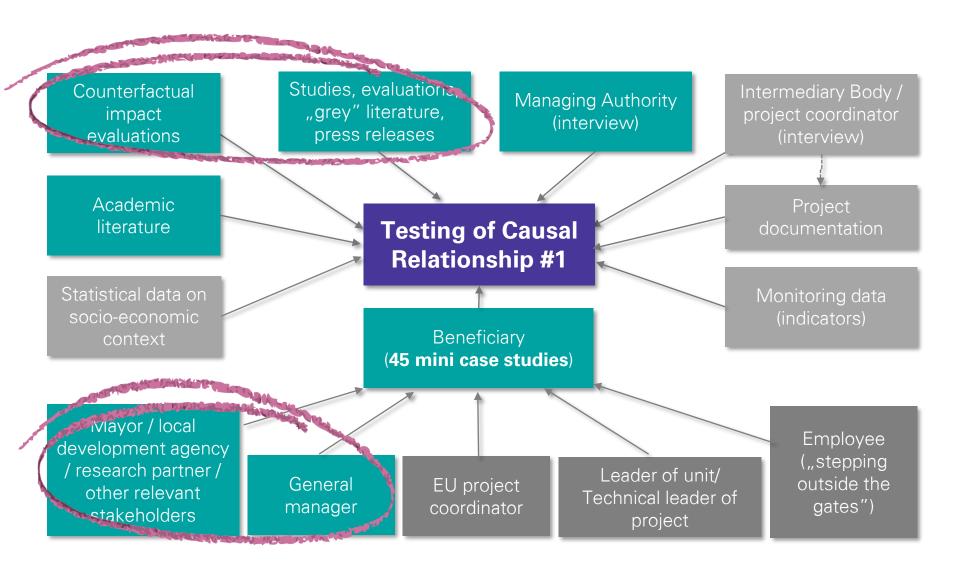




E.g. was the support the **main cause** of the project?

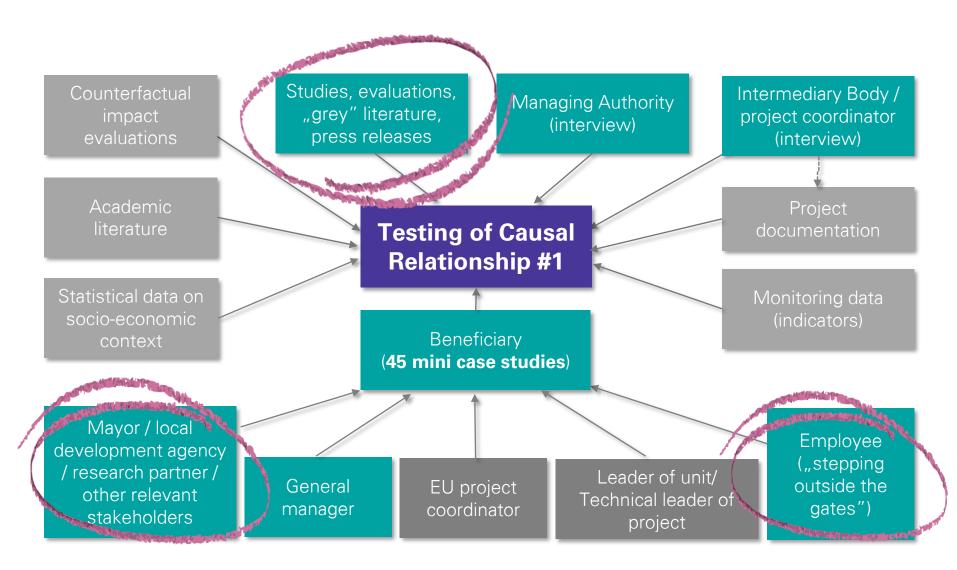


E.g. was the support the **main cause** of the project?





E.g. did the support result in wider benefits?





Examples: testing sheets

	e following direct outcome Observed Was the			Vas th	е			Evidence		
	Observed		previous ToC		ToC					
	Yes	No	cause?	pre-condition?	supporting factor?	Comments (If yes, to what extent? If not, why not?)	Strong - facts		Weak - speculation	Source, comments
increased private investments?	х		х			EUR 8.3 million support generated EUR 21.7 million private investment (2.61 EUR leverage for 1 EUR)	х			
increased production level and capacities?	х		х			production of 1.4 million generators in 2015				CEO, proje documents
involved cutting edge technology?	х		х			Modern computer integrated manufacturing was implemented (with kanban system)				coord., on- visit
improved productivity	х		х		1	Productivity gains were directly linked to the support (decreased unit costs)				
SECTION: Indirect and vider effects D.1 Has the ect contributed to any in the contributed to an									th of	
a) Demand for "quality" jobs	х			х		//// a major employer of engineers from the //// university.	х			Deputy ma CEO, adv
b) Attract other companies, investors or FDI in the region	х					Other large companies (//////) have moved to ////(close proximity)		х		Deputy ma CEO, de
c) Business infrastructure (roads, rail, ICT, etc.)			x			Not material		х		CEO, EU-co advisor



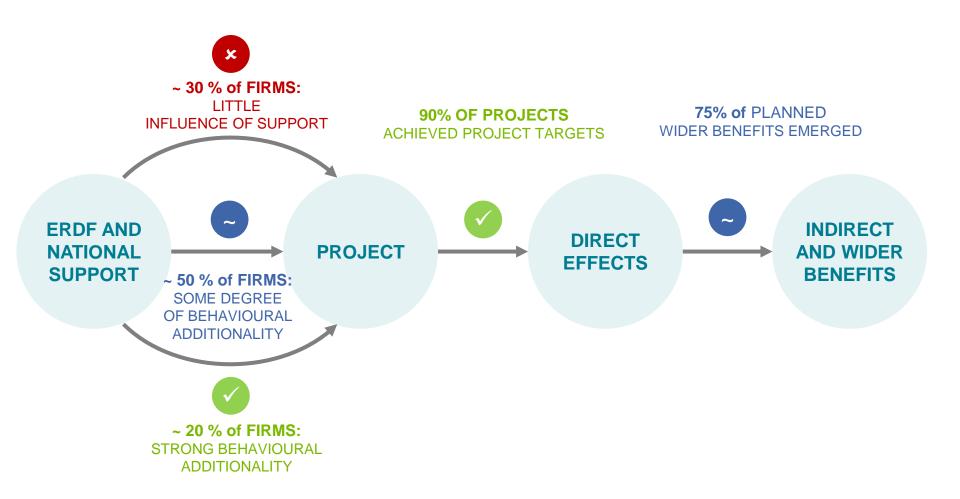
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Outcomes:

Judging behavioural additionality

Summary of results: **behaviour additionality** is key





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Thank you



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Discussion





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