Theory based evaluation in practice

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

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DG REGIO Summer School

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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

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Background

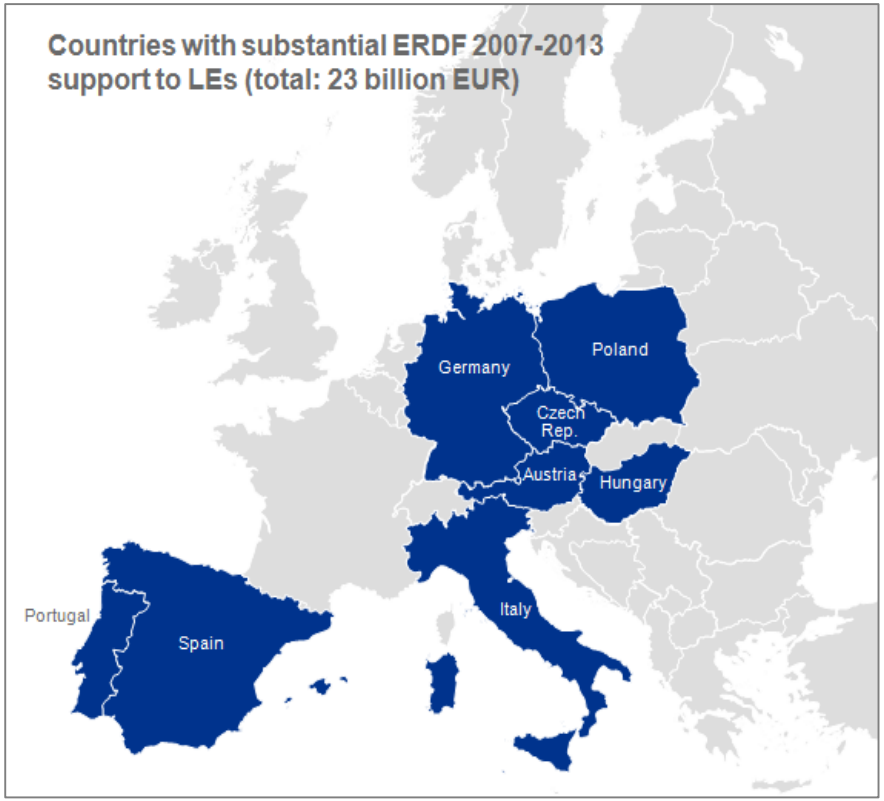
Context of the evaluation (Work Package 4)

Collaborating partners

KPMG prognos IDEA

Prof. Elliot Stern — University of BRISTOL

Prof. Dirk Czarnitzki — KATHOLIEKE UNIVERSITEIT LEUVEN



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

6.1 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

20% of total ERDF spending on LEs

6,000 projects

3,700 supported large enterprises

Average support size **1 EUR million**

70% Manufacturing

34% High-tech

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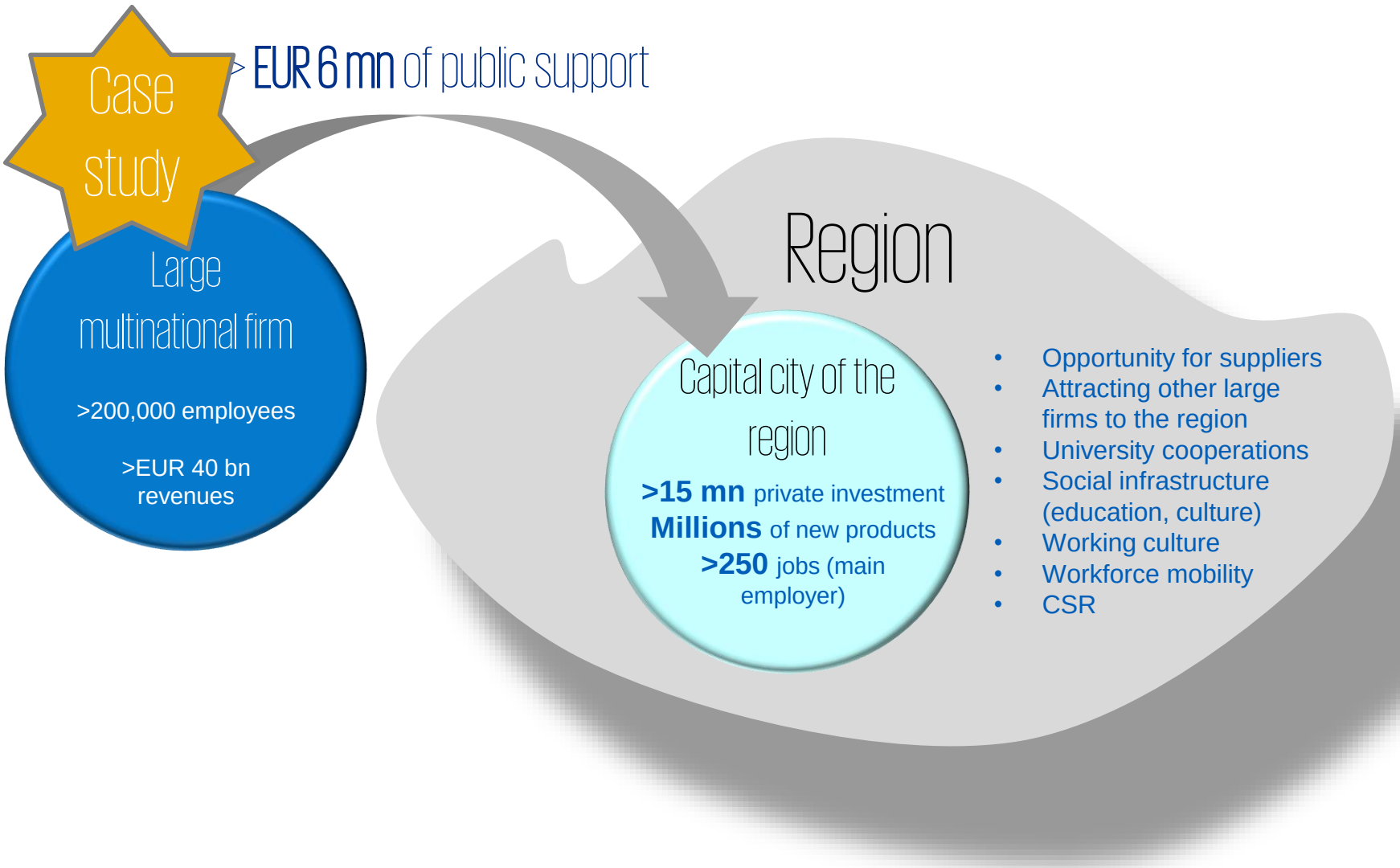
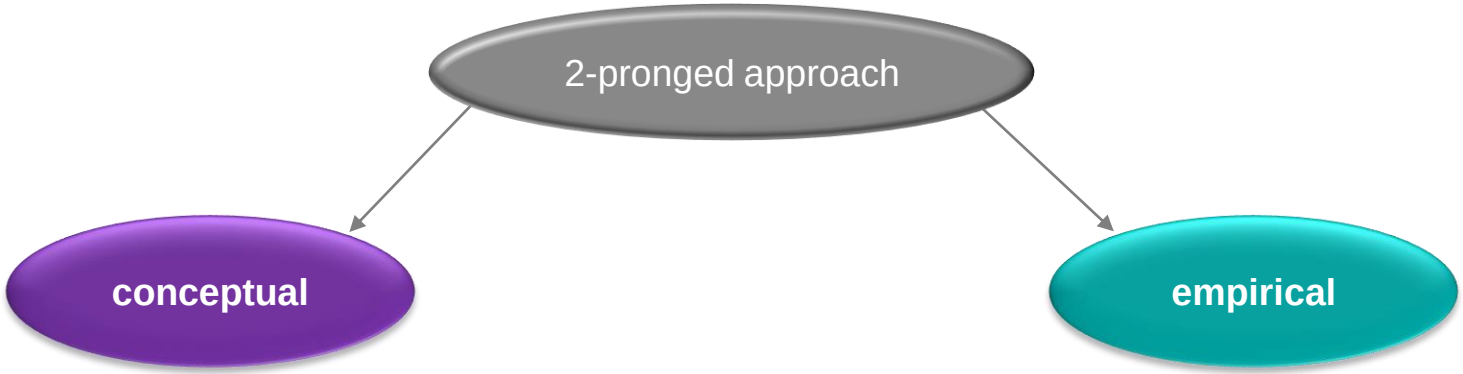
Approach

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



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



1. reconstruct & aggregate theories

- What was the intended change?
- What was the causal package?

2. test theories

- Is there a behavioural additionality?
- What is the extent of contribution?
- Can the causal package be confirmed?

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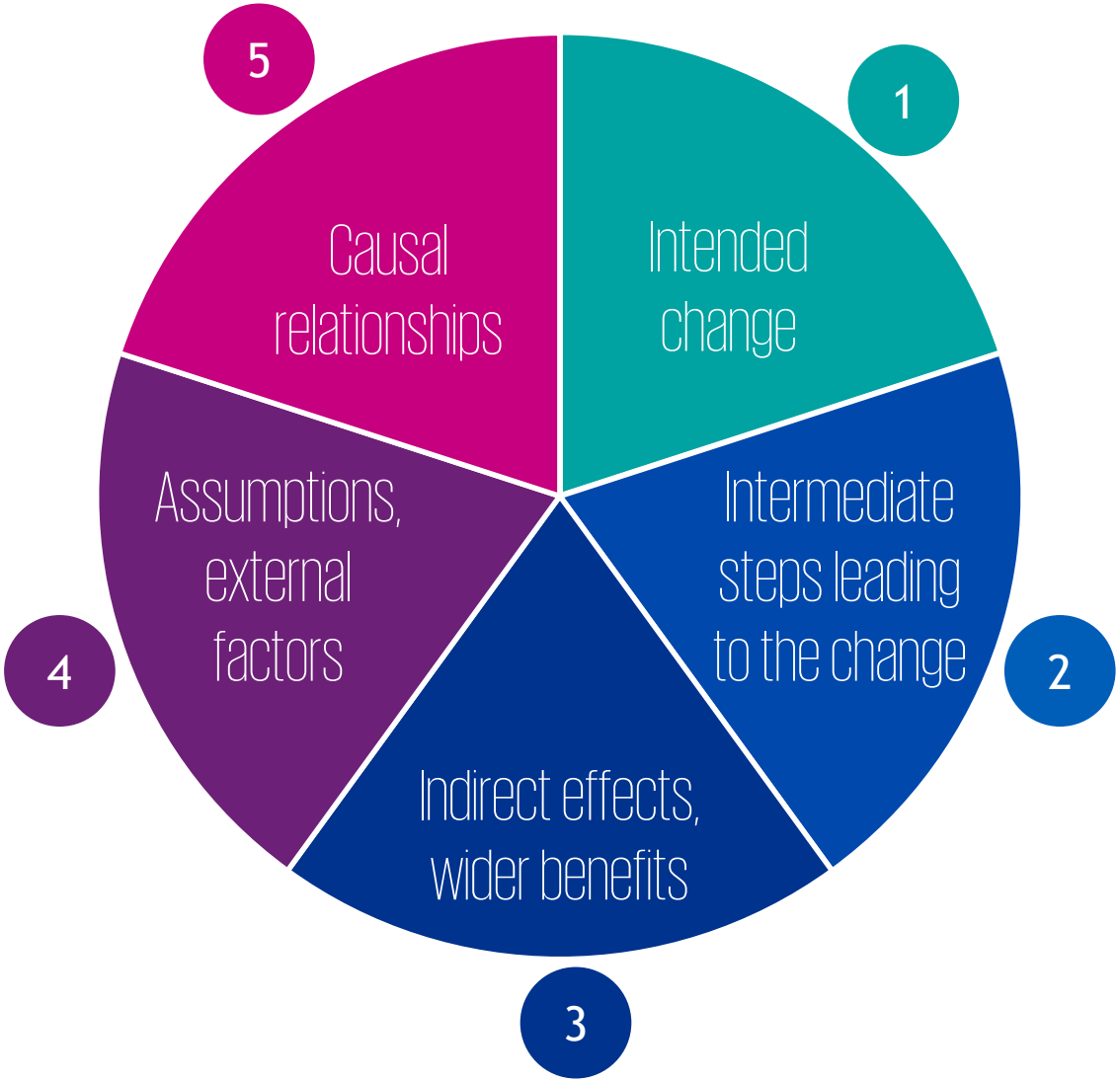
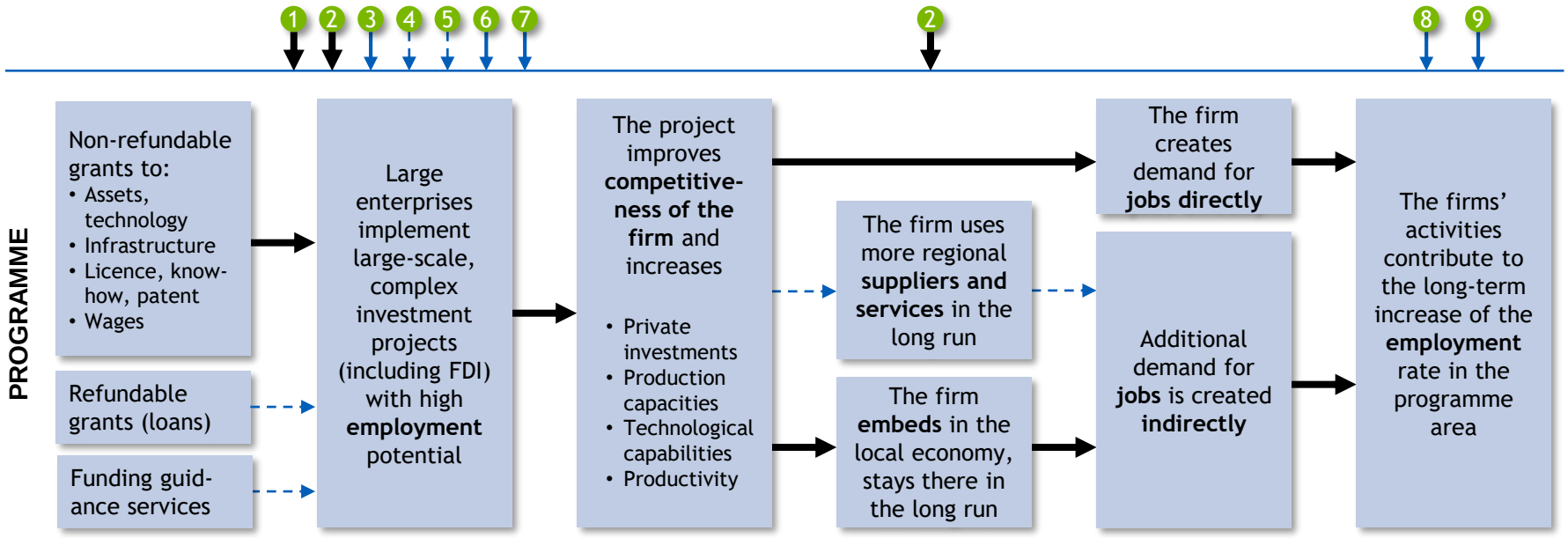
Part I:

Reconstructing the theory

The 5 key components of a ToC



An example: focus on employment



Assumptions and external factors

1. Tax incentives are competitive (internationally)
2. 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
7. Labour market supplies labour in required number and qualification levels
8. Investment is large enough to influence the labour market
9. 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)
i. 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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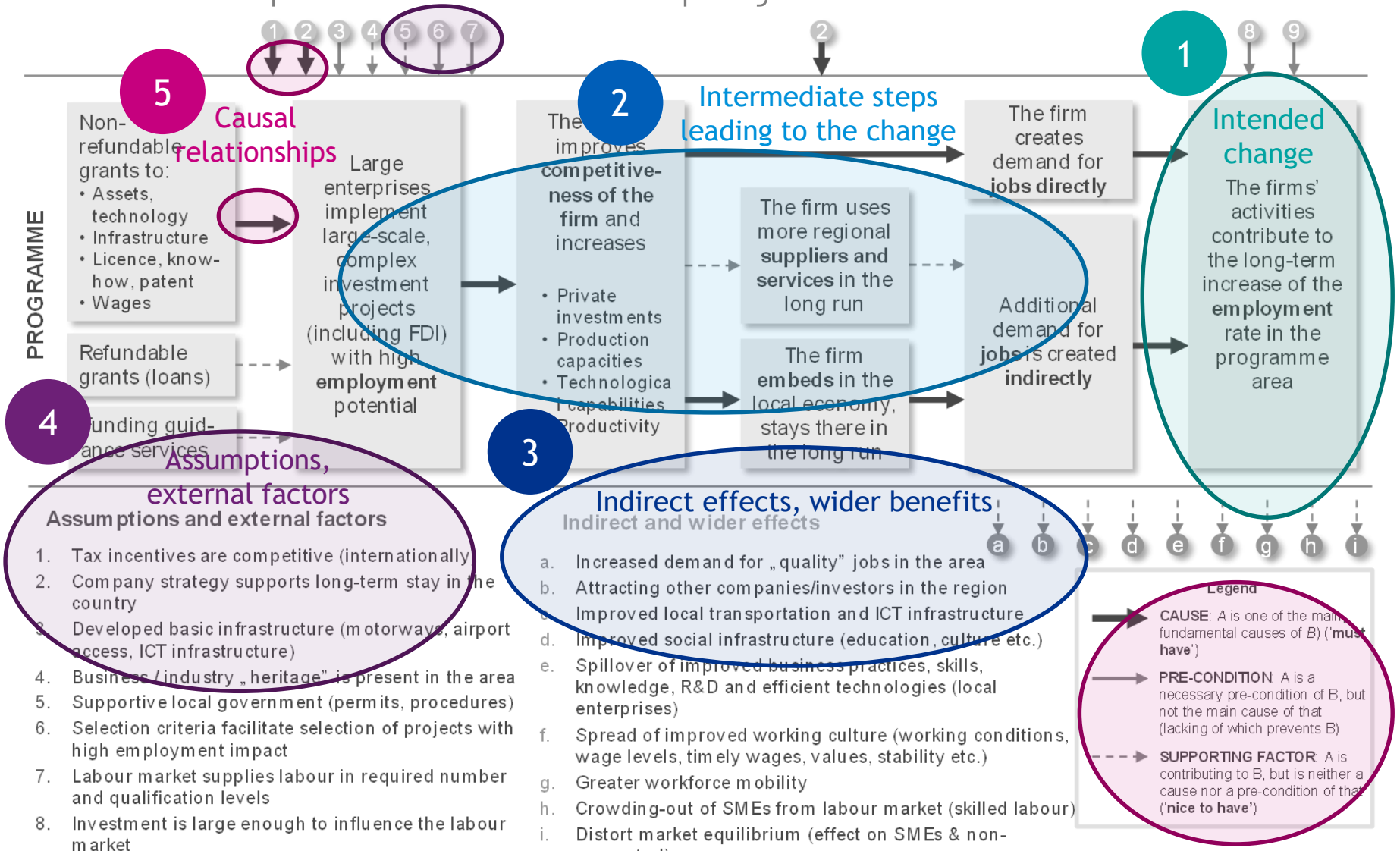

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Why is it difficult to reconstruct a Theory of Change?

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

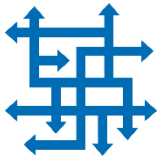
(how the support is supposed to change the behaviour and business decisions of an enterprise)

Original theories are hard to remember, policy planners can be hard to reach

(risk of making up a theory for what really happened)

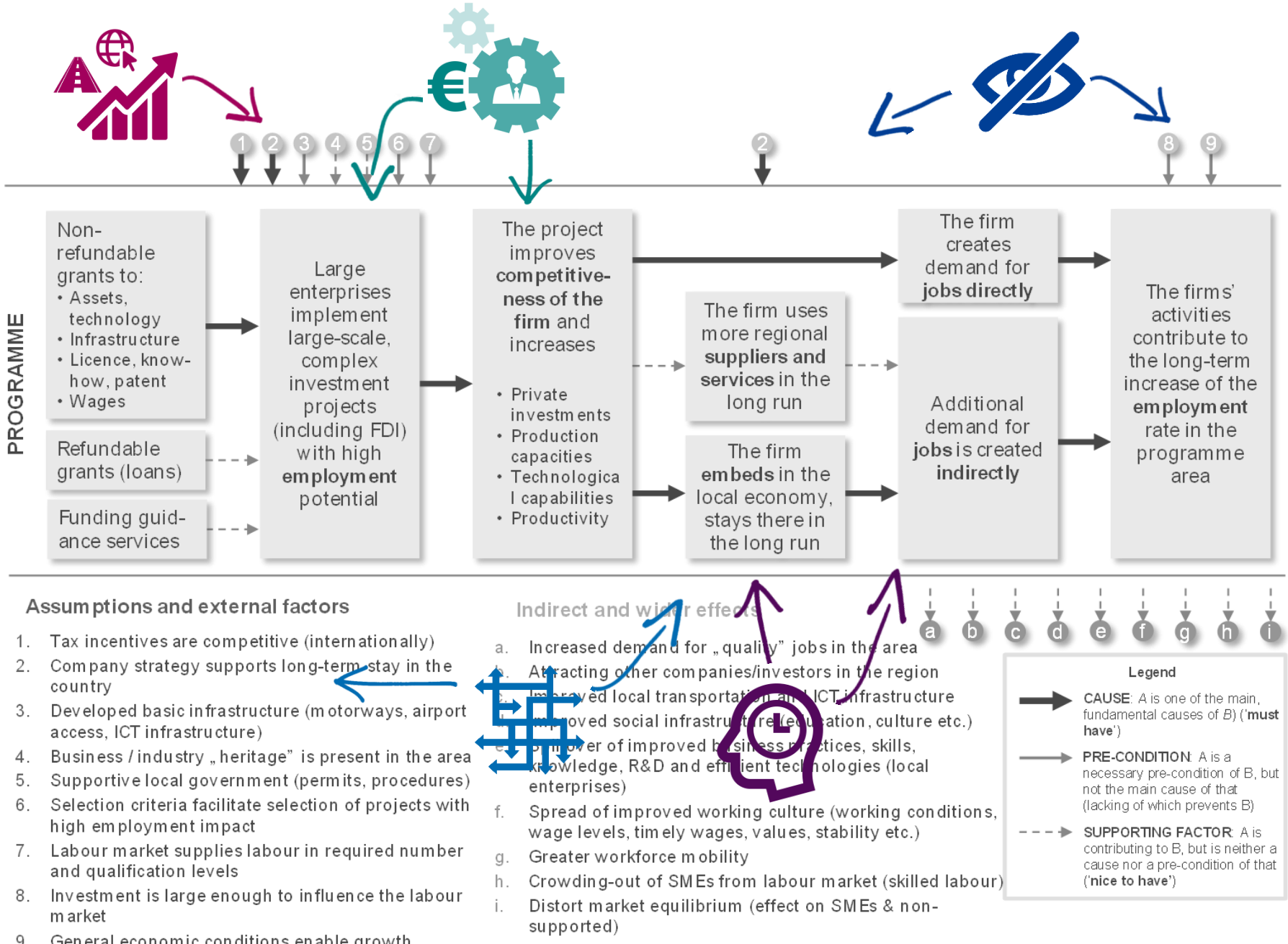
Broader context of the programme can be easily overlooked

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

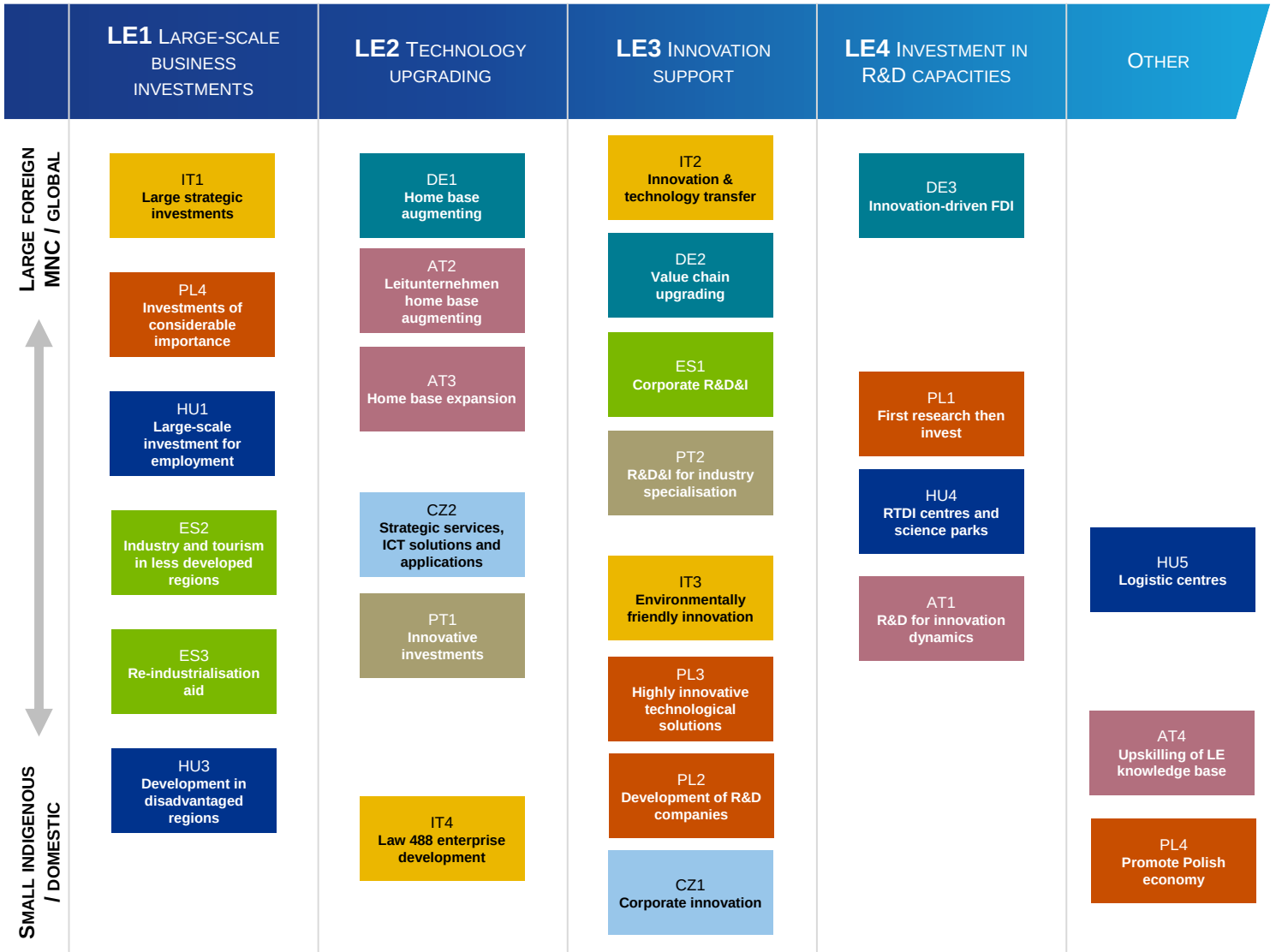


Temptation to achieve perfection and go too much into detail

(risk of over-complication)



27 ToCs in Member States → 4 generalised ToCs



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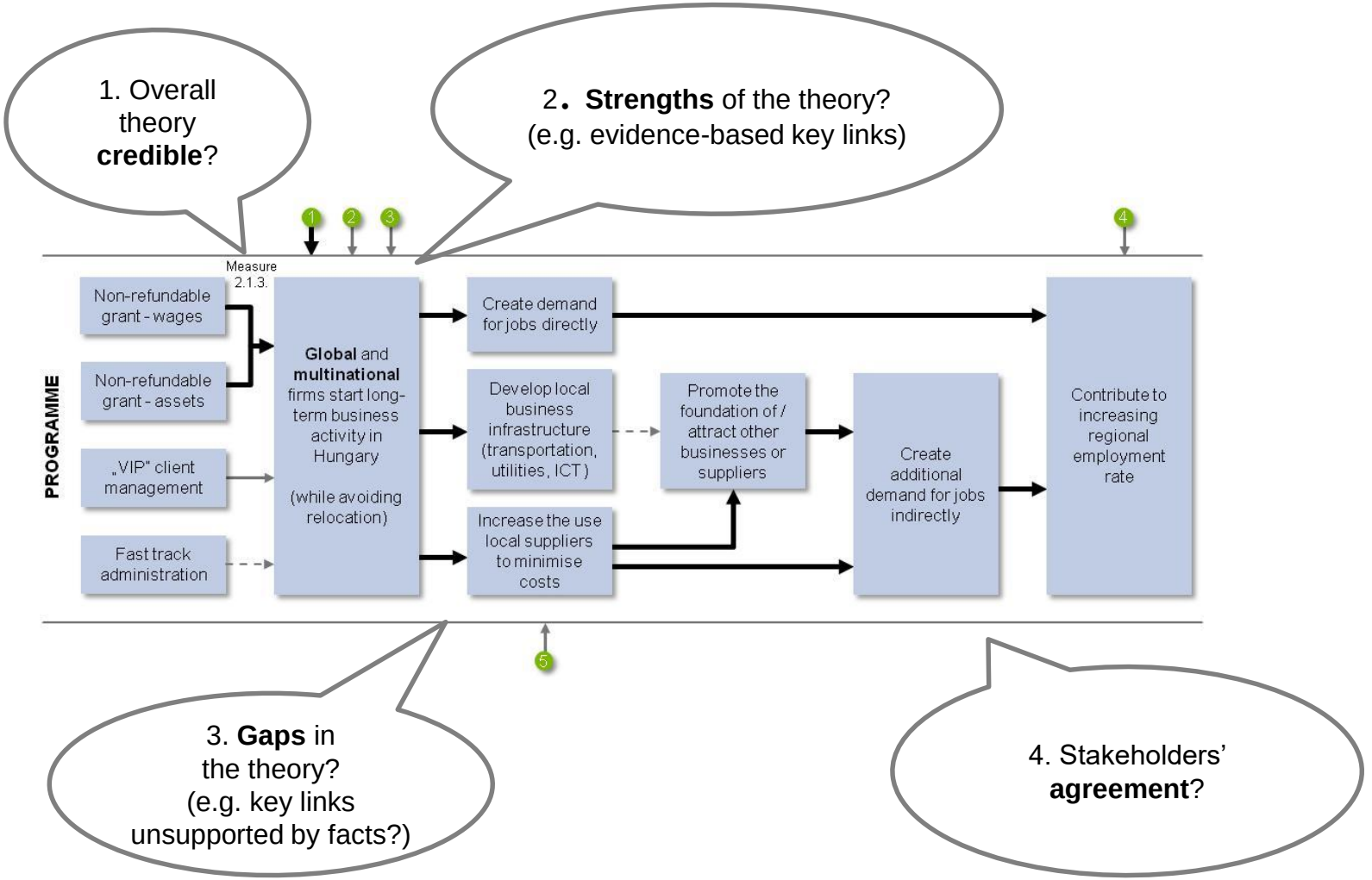
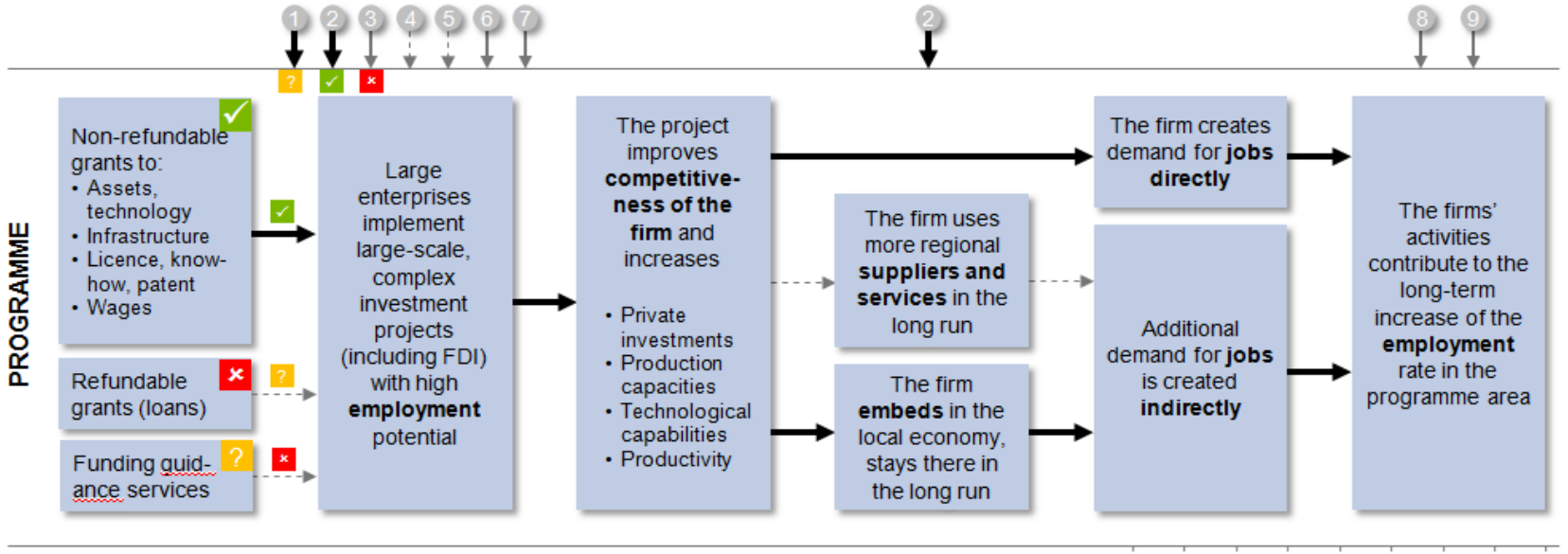
Part II:

Testing the theory

How can theories be tested?



A pragmatic approach: testing each element of the chain



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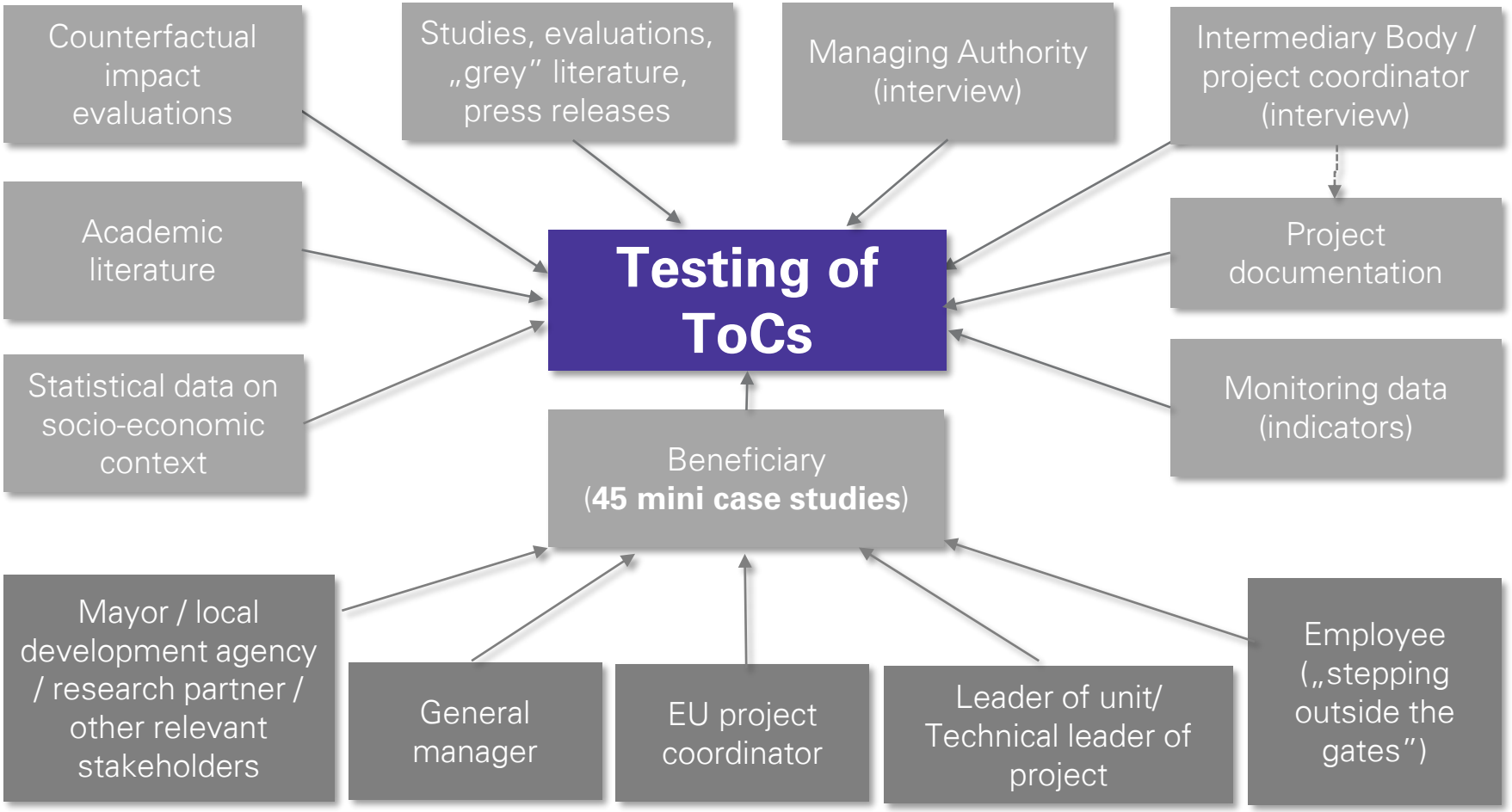
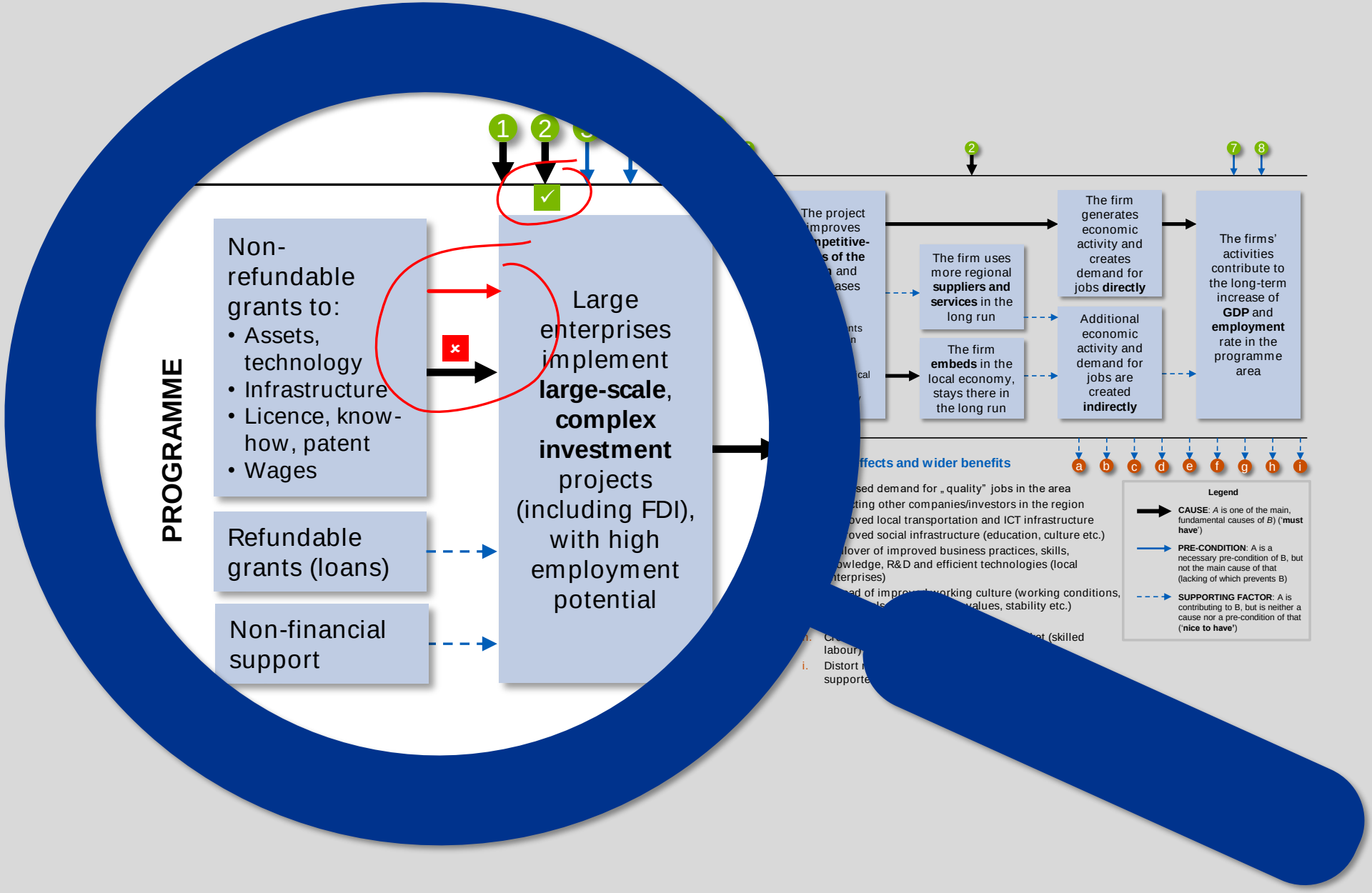
Testing: multi-respondent design & triangulation



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



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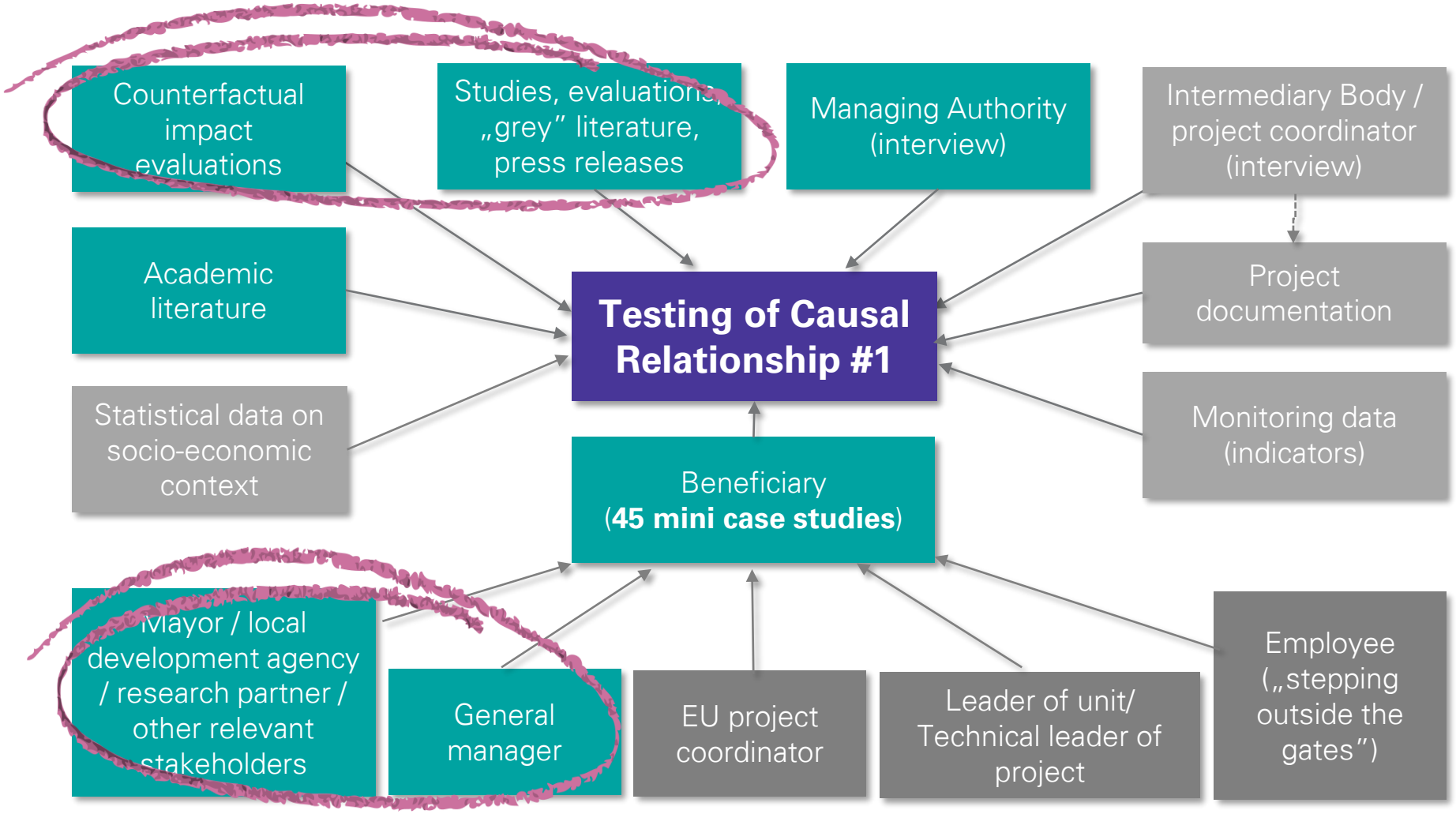
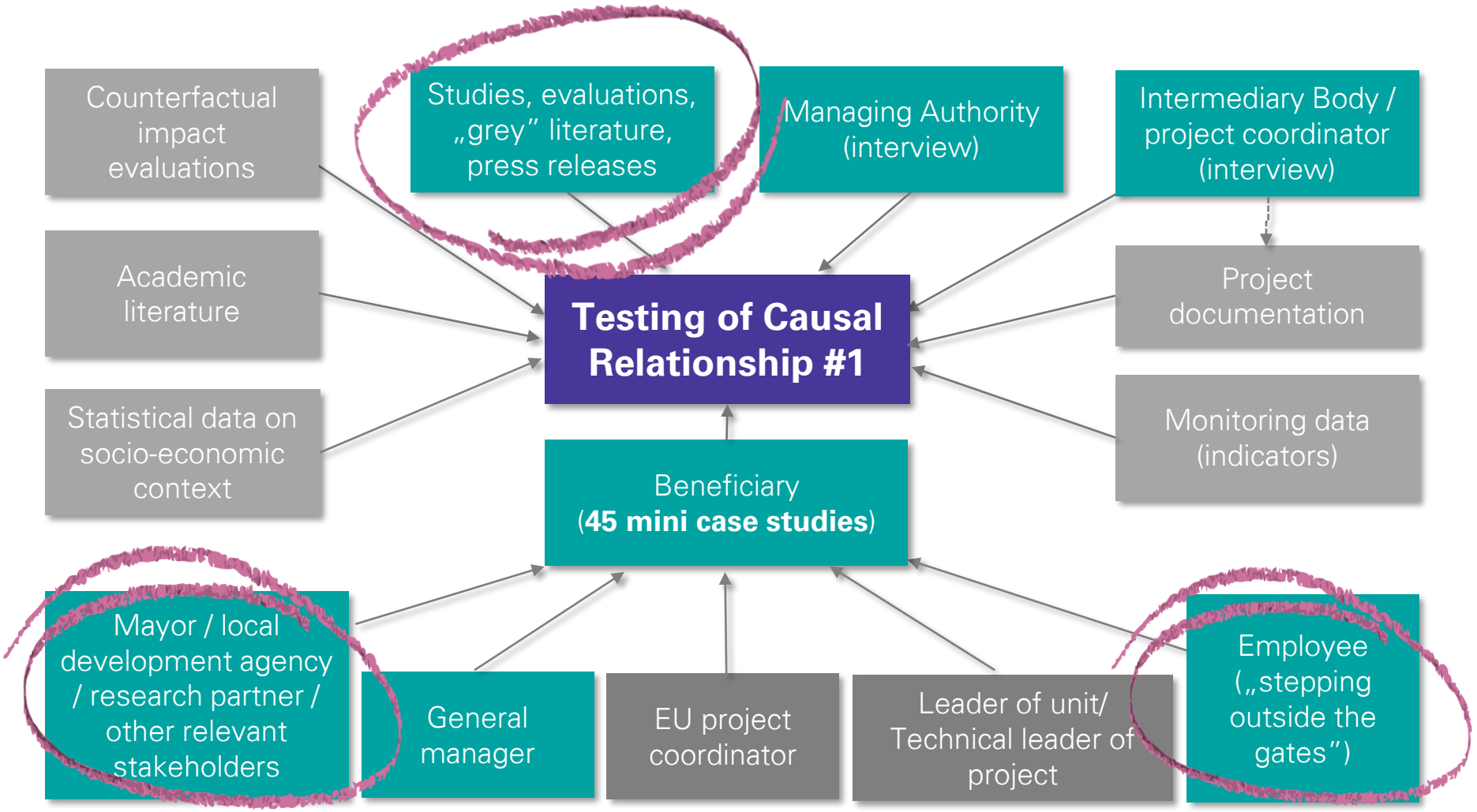


E.g. did the support result in **wider benefits**?



Examples: testing sheets

SECTION C: Direct effects

C.1 Has the project resulted in the following direct outcomes?

	Observed		Was the previous ToC			Comments (If yes, to what extent? If not, why not?)	Evidence			
	Yes	No	… cause?	…pre-condition?	supporting factor?		Strong - facts	Medium - strong belief	Weak - speculation	Source, comments
increased private investments?	x		x			EUR 8.3 million support generated EUR 21.7 million private investment (2.61 EUR leverage for 1 EUR)	x			CEO, project documents, EU coord., on-site visit
increased production level and capacities?	x		x			[redacted] production of 1.4 million generators in 2015	x			
involved cutting edge technology?	x		x			Modern computer integrated manufacturing was implemented (with kanban system)	x			
improved productivity?	x		x			Productivity gains were directly linked to the support (decreased unit costs)	x			

SECTION D: Indirect and wider effects

D.1 Has the project contributed to any indirect or wider effects?

	Observed		Was the previous ToC			Comments	Evidence			
	Yes	No	… cause?	…pre-condition?	…supporting factor		Strong - facts	Medium - strong belief	Weak - speculation	Source, comments
a) Demand for "quality" jobs	x			x		[redacted] a major employer of engineers from the [redacted] university.	x			Deputy mayor, CEO, advisor
b) Attract other companies, investors or FDI in the region	x				x	Other large companies ([redacted]) have moved to [redacted] (close proximity)		x		Deputy mayor, CEO, desk research
c) Business infrastructure (roads, rail, ICT, etc.)			x			Not material		x		CEO, EU-coord., advisor

Elements of the ToC (effects, assumptions, etc.)

Whether the effect was observed

Nature of causal relationship

Summary of evidence

Source and strength of evidence

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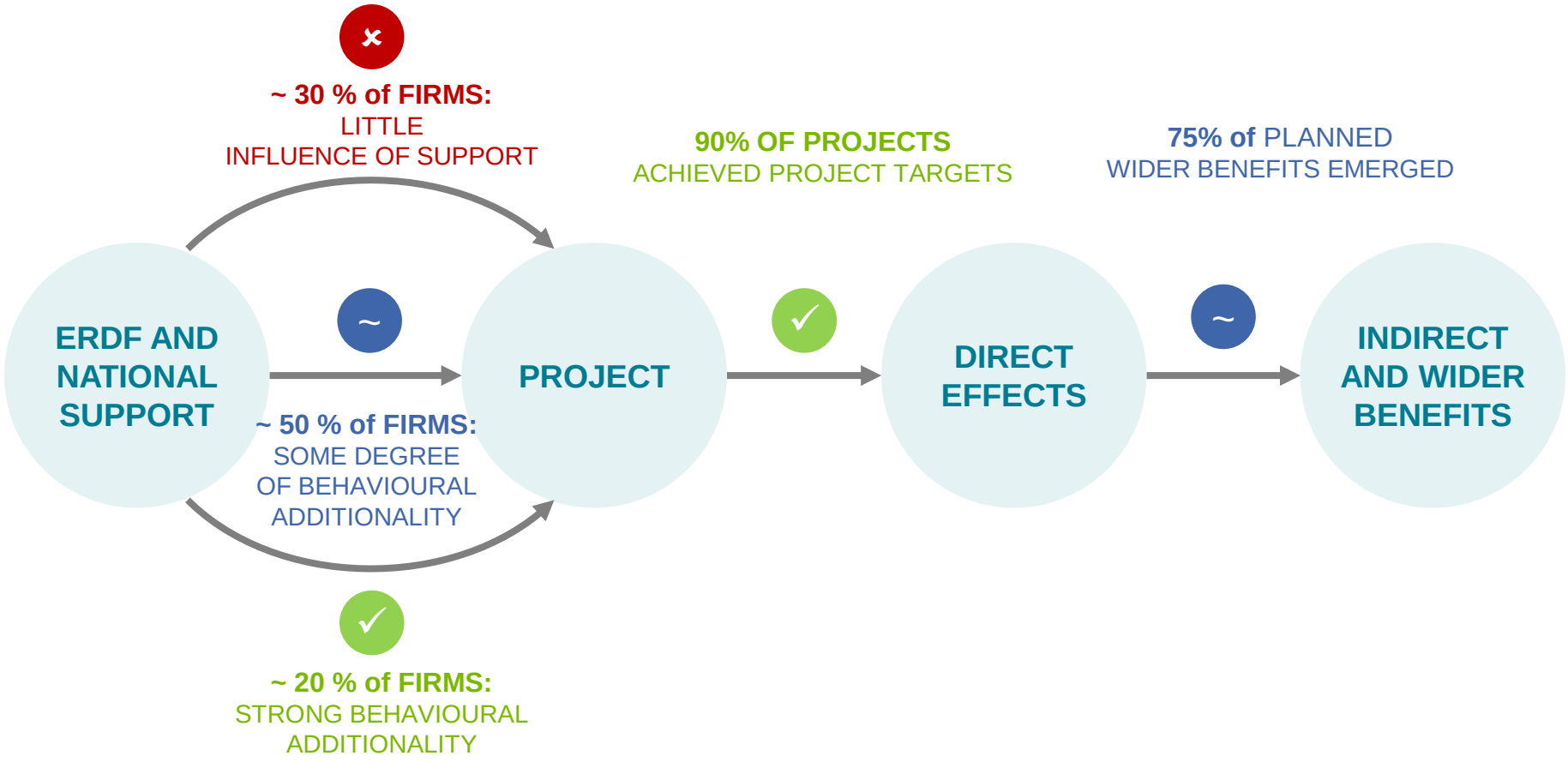
Outcomes:

Judging behavioural additionality

Summary of results: behaviour additionality is key



Thank you

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Discussion

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