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2014 2020

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SUPPORT TO SMALL AND MEDIUM-SIZED ENTERPRISES

FINAL REPORT

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List of abbreviations

CF	Cohesion Fund
CIE	Counterfactual Impact Evaluation
COSME	Competitiveness of Enterprises and Small and Medium-sized Enterprises
CP	Cooperational Programme(s)
CRII	Coronavirus Response Investment Initiatives
CSIL	Centre for Industrial Studies
DG REGIO	Directorate-Generale Regional and Urban Policy
EaSI	Employment and Social Innovation programme
EC	European Commission
ECA	European Court of Auditors
EFSI	European Fund for Strategic Investments
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Fund
EU	European Union
FDI	Foreign Direct Investments
FoI	Field(s) of Intervention
GVC	Global Value Chain(s)
H2020	Horizon 2020
ICT	Information and Communication Technology
IE	Ireland
INNOSUP	Innovation in SMEs Programme
IP	Investment Priority(ies)
KET	Key Enabling Technolog(ies)
LEO	Local Enterprise Office
MS	Member State(s)
NACE	Nomenclature of Economic Activities
OP	Operational Programme(s)
R&D	Research and Development
RDI	Research, Development and Innovation
REACT-EU	Recovery Assistance for Cohesion and the Territories of Europe
RTD	Research and Technological Development
RTDI	Research, Technological Development and Innovation
S3	Smart Specialization Strategies
SME	Small and Medium-Sized Enterprise(s)
SMEi	SME Initiative
SO	Specific Objective
TBIE	Theory based Impact Evaluation
TO	Thematic Objective

ToR	Terms of References
ToC	Theory(ies) of Change
UK	The United Kingdom
WP	Work Package

ABSTRACT

As part of the comprehensive exercise of ex post evaluations of the European Regional Development Fund (ERDF) and Cohesion Fund (CF) for the 2014–2020 programming period, this evaluation (Work Package 6 – SME support) assesses how ERDF interventions strengthened the competitiveness of small and medium-sized enterprises (SMEs). Combining qualitative and quantitative methods, it examines the relevance, effectiveness, efficiency, coherence and EU added value of ERDF support, analysing the functioning and performance of different policy instruments implemented under national and regional programmes.

SME competitiveness was the second largest ERDF objective after research and innovation, with EUR 45.4 billion of ERDF resources (EUR 62.5 billion with national co-financing) supporting around 1.8 million SMEs—about 8% of all EU SMEs. Most funding concentrated in Southern and Eastern EU Member States and focused on expanding and modernising existing businesses, followed by liquidity and working capital support, which proved crucial during the COVID-19 crisis. Findings show that more ambitious and larger projects, particularly those promoting digitalisation and technological upgrading, generated stronger and more sustained effects, mainly among more capable SMEs. Overall, the evaluation calls for coherent, long-term, place-based competitiveness strategies tailored to regional strengths and challenges, guided by Smart Specialisation Strategies (S3) and anchored in key regional actors capable of driving positive regional transformation.

EXECUTIVE SUMMARY

SMEs face significant barriers and evolving challenges that require targeted support.

Small and Medium Enterprises (SMEs) are vital to the European economy, representing the majority of businesses in the European Union (EU). They contribute to over half of the total value-added and generate two-thirds of private-sector jobs. SMEs face various barriers that hinder their development potential, including limited access to financial, informational, and human capital resources, as well as organisational constraints and dependencies on the external environment. New challenges such as the digital and green transition goals require SMEs to adapt their business models and production processes. The influence of local context (such as infrastructure quality, skill availability, market size, access to credit, and regulatory environment) on SME performance means these barriers vary significantly from one region to another, contributing to territorial disparities and development traps.

Recent trends indicate a decline in SME competitiveness compared to large enterprises, measured in terms of growth in employment, turnover, value added, and productivity. The period from 2014 to 2020 was marked by recovery from the 2008-2009 financial crisis, only to be followed by a new economic crisis triggered by the COVID-19 pandemic in 2020. These challenges further impacted SMEs, necessitating appropriate forms of support to increase their resilience amidst evolving macroeconomic conditions, while also contributing to reversing the negative trend and strengthening their competitiveness in the long run.

The ERDF programmes allocated EUR 62.5 billion for SME competitiveness in the 2014-2020 period.

The European Regional Development Fund (ERDF) helps small businesses expand and excel, competing in international markets, fostering the growth of new industries and transforming existing ones towards more competitive, innovative, and value-adding activities. The ERDF is expected to tailor its support to local needs and challenges to reduce disparities across regions and territories.

During the 2014-2020 period, the ERDF allocated over EUR 45.4 billion to enhance the performance and productivity of Europe's SMEs. Combined with national co-financing, this allocation amounted to a total support of EUR 62.5 billion. Notably, 85% of ERDF expenditure for SME competitiveness was concentrated in twelve Member States, mainly in Southern and Eastern Europe, including Italy, Greece, Poland, Portugal, and Hungary, and in the less developed regions of the EU.

The ERDF supported SMEs across all stages of their life cycle, with a significant focus on production expansion and liquidity support during the COVID-19 crisis.

The range of ERDF instruments mobilised during the 2014-2020 programming period supported SMEs throughout their entire life cycle, from the inception of new companies to their development and maturation phases. The majority of ERDF expenditure (54%) was directed towards business production expansion, productivity enhancement, and modernisation investments for existing SMEs. The second-largest allocation provided liquidity and working capital support (18%), particularly crucial in the aftermath of the COVID-19 crisis.

Member States in Central and Eastern Europe, particularly in less developed regions, allocated relatively higher expenditure on

instruments aimed at strengthening the overall business ecosystem (e.g., services for business growth and regional promotional activities) or providing essential infrastructure for business operations (incubators and industrial areas). Meanwhile, expenditure aimed at fostering company creation and boosting exports was primarily concentrated in urban areas, where mature business ecosystems facilitate entrepreneurial and international activities. A smaller portion of the funding was sector-specific, targeting the cultural and creative industries, tourism, and the social economy.

SMEs were the primary direct beneficiaries of ERDF support, receiving about 61% of the total public expenditure allocated. Financial institutions played a significant role as intermediaries of support, especially for financial instruments, accounting for 25% of the expenditure. Public administrations and business support organisations were also significant beneficiaries, receiving ERDF funding to provide infrastructure and services ultimately targeted at SMEs.

As the largest EU support policy for SME competitiveness, ERDF benefitted approximately 8% of all European SMEs.

During the 2014-2020 period, ERDF programmes were the largest source of EU support for SME competitiveness and the latter was the second biggest ERDF objective, following research, development, and innovation support. The initial goal was to assist around 800,000 enterprises, a target that was successfully surpassed. In total, ERDF instruments for SME competitiveness benefited nearly 1.8 million SMEs, either through direct investment support or as end beneficiaries of indirect support services. This represented approximately 8% of all European SMEs, though there were significant variations across Member States and policy instruments. For instance, less than 1% of SMEs in Austria and Czechia received support, compared to around 20% in Spain and Italy, and over 27% in Greece. ERDF initiatives providing liquidity and working capital to alleviate the impact of the COVID-19 crisis reached the highest number of SMEs.

According to the monitoring indicators, ERDF instruments supported approximately 500,000 newly established enterprises, representing about 3% of the total number of SMEs created during the 2014-2020 period. Additionally, these instruments led to the creation of more than 320,000 jobs, which accounts for less than 1% of the total SME employment stock in a given year.

In light of these figures that position the ERDF within the broader economy, the evaluation aimed to find evidence of effectiveness and highlights the conditions necessary to maximise such effectiveness on supported SMEs, as well as its more systemic effects and long-term structural transformation goals.

More ambitious and long-term investment strategies facilitate positive and durable effects…

Qualitative and quantitative evidence, gathered through interviews with 410 stakeholders and econometric analyses, including new counterfactual impact evaluations, consistently showed that more ambitious investment projects had more positive and durable effects on SMEs. Such investments were generally larger in size, often focusing on digitalisation or new technologies, included multiple activities and were guided by a structured development strategy. They were associated with higher turnover growth rates and

increased employment for beneficiary companies. Competitive selection procedures were more effective in selecting high-quality projects, which in turn had a higher probability of success.

The ability of SMEs to manage complex investment projects and their previous experience with similar investments have been identified as key factors contributing to their success. This means that more capable SMEs, often larger and more export-oriented, experienced greater benefits compared to less capable ones, often micro-sized and operating in traditional, local markets.

…also with the use of financial instruments.

The risk that these more capable SMEs could cover at least part of the investment costs with their own resources without the need for EU support could be mitigated by utilising financial instruments instead of grants. The evaluation shows that EU Member States allocated approximately EUR 17.7 billion to financial instruments and other repayable forms of support by the end of 2023, with EUR 12.4 billion covered by the ERDF. This was a significant increase compared to the previous programming period. The use of loans for financially stronger SMEs and economically viable projects could facilitate a more efficient use of resources, especially in more developed Member States where the ERDF aid intensity was relatively low. When more ambitious projects were also significantly riskier, albeit potentially more rewarding, the use of equity investments appeared particularly appropriate. Specifically, there is evidence that ERDF-backed equity investments could effectively support newly created and young companies with substantial growth potential, and in regions with thin financial markets.

Combining advisory services and follow-up investments is crucial for enhancing SME capabilities.

There is more limited evidence of effectiveness for less capable and less resourced companies. These firms often benefitted from relatively simple projects and investments, as well as advisory services usually delivered through local intermediary organisations and support structures, such as incubator centres and industrial parks. However, analyses revealed uncertain evidence of impact on the behaviour and performance of these SMEs. Longer durations may be needed to realise the benefits of these forms of support.

There is evidence that effectiveness can be enhanced by orchestrating a blend of different operations intended to accompany SMEs over time. The combination of advisory services and the implementation of follow-up investments is found to be particularly effective in pushing less capable SMEs along the pathway of behavioural change and incremental improvement of capabilities.

The spectrum of SMEs benefiting from ERDF funding, especially those facing higher entry barriers, can be expanded.

The ERDF, thanks to the continuity of its programming and funding over multiple years and subsequent programming periods, holds significant potential for enabling incremental improvement and sustained investments. However, many SMEs, particularly micro-sized ones, faced entry barriers due to their lack of familiarity with the ERDF funding system and risk being excluded from its benefits. The evaluation shows that a consistent group of SMEs (over 15% according to our estimates) tended to participate in ERDF calls repeatedly. These SMEs were often small or medium-sized, having accumulated experience in navigating the application process, receiving funding, and undergoing post-implementation audits associated with ERDF initiatives.

To broaden the spectrum of SMEs benefiting from funding under the ERDF, effective strategies revealed by the case studies include targeted outreach and support, such as capacity-building workshops and technical assistance to help SMEs navigate the application process. Simplifying and streamlining application, selection and reporting processes through digitalisation and clear guidance, as well as diversifying funding criteria to prioritise new or underrepresented SMEs can enhance access to EU support.

COVID-19 liquidity support stabilised SMEs …

In addition to long-term structural transformation objectives, the ERDF has also provided crucial liquidity and working capital support, particularly during the COVID-19 crisis. Often in the form of loan guarantees, these instruments provided small amounts of money to help large numbers of SMEs withstand the crisis. This support resulted in high survival rates for beneficiaries, exceeding 90%, and generally surpassing the average survival rate of SMEs across all Member States. This outcome can be attributed to massive public aid and numerous stimulus policies rolled out in 2020, including ERDF support.

.. and fostered administrative simplification...

Additionally, policy instruments designed to tackle the COVID-19 crisis had some positive unintended effects. Simplifications, such as streamlined selection criteria and easier reimbursement rules, were implemented to expedite fund absorption and reduce the administrative burden for both SMEs and the public authorities. Digitalisation and data interoperability in public administration were significantly enhanced. These administrative changes are expected to persist in future periods.

…although they may have lacked clear targeting.

While primarily aimed at helping SMEs maintain operations and survive the economic downturn, the analysis of operations shows that around one-fourth of the liquidity support expenditure was also used to initiate new investments. These investments included renovation works in the hospitality sector and the implementation of new digital solutions, particularly e-commerce. This finding suggests a possible lack of clarity in the design of crisis relief measures, as broad targeting allowed funds to be directed toward both immediate needs and longer-term investments. While this flexibility provided SMEs with options, it underscores the importance of clearly defining objectives in crisis funding to ensure effective resource allocation.

Key lessons indicate the need to have a comprehensive long-term strategy for regional competitiveness, guiding all instruments for SME support in a coherent and synergistic manner.

It remains unclear to what extent ERDF instruments for SME competitiveness have contributed to broader systemic effects, such as enhancing regional competitiveness and fostering convergence. This uncertainty reflects the need for a different type of evaluation, one that assesses the impact of the entire ERDF programme by considering how various forms of support can work together and contribute to regional objectives. While in less developed regions, where ERDF plays a larger role in SME support, positive effects on regional competitiveness may be more likely to emerge in principle, no clear evidence has been collected. This is partly because some effects may only materialise over longer term and because policy instruments were rarely designed to maximise synergies and combinations across different ERDF or non-ERDF instruments and funding opportunities at regional, national and EU level.

The evaluation's lessons learned emphasise the need for a comprehensive, long-term strategy to enhance regional competitiveness by promoting a more coherent and synergistic design and implementation of instruments. This strategy should be tailored to the strengths and challenges of the region's SMEs. It should build on past experiences but also leave room for incremental adjustments and more risky experimentation to ensure alignment with evolving needs and to find more effective ways of support. It should identify key regional actors in the best position to drive positive regional transformation with the ability to undertake ambitious investments. The implementation of Smart Specialisation Strategies (S3) could provide a place-based framework to support such identification.

While alignment between S3 priorities and SME competitiveness instruments was not mandatory in the 2014-2020 period, some Managing Authorities have already begun applying preferential criteria for projects under the SME competitiveness objective that align with the S3. Preliminary quantitative analysis, which would require further exploration in a separate study, suggests that concentrating ERDF expenditure on business investments in sectors prioritised by the S3 is associated with improved post-project performance for beneficiaries. In addition, the alignment of S3 with the EU's industrial and technological priorities can ensure that regional development strategies not only enhance SME growth and innovation but also contribute to broader EU industrial and technological ambitions.

At the same time, the ERDF should continue to support less capable and dynamic SMEs in developing sustainable business practices and a mindset of continuous improvement, particularly in adopting digital and green technologies. This approach ensures that even if these SMEs are not at the forefront of innovation, they can contribute to the overall twin transition goals through technology uptake without exacerbating existing territorial disparities.

RÉSUMÉ ÉXÉCUTIF

Les PME sont confrontées à des obstacles importants et à des défis en constante évolution qui nécessitent un soutien ciblé.

Les petites et moyennes entreprises (PME) sont vitales pour l'économie européenne, puisqu'elles représentent la majorité des entreprises de l'Union Européenne (UE). Elles contribuent à plus de la moitié de la valeur ajoutée totale et génèrent les deux tiers des emplois du secteur privé. Les PME sont confrontées à divers obstacles qui entravent leur potentiel de développement, notamment un accès limité aux ressources financières, informationnelles et en capital humain, ainsi que des contraintes organisationnelles et des dépendances à l'égard de leur environnement extérieur. Les défis émergents tels que les objectifs de transition numérique et écologique exigent des PME qu'elles adaptent leurs modèles commerciaux et leurs processus de production. L'influence du contexte local (comme la qualité des infrastructures, la disponibilité des compétences, la taille du marché, l'accès au crédit et l'environnement réglementaire) sur la performance des PME signifie que ces obstacles varient considérablement d'une région à l'autre, ce qui contribue aux disparités territoriales et aux pièges du développement.

Les tendances récentes indiquent une baisse de la compétitivité des PME par rapport aux grandes entreprises, mesurée en termes de croissance de l'emploi, du chiffre d'affaires, de la valeur ajoutée et de la productivité. La période 2014-2020 a été marquée par la reprise après la crise financière de 2008-2009, suivie d'une nouvelle crise économique déclenchée par la pandémie de COVID-19 en 2020. Ces défis ont eu une incidence supplémentaire sur les PME, nécessitant des formes appropriées de soutien pour accroître leur résilience dans un contexte macroéconomique en évolution, tout en contribuant à inverser la tendance négative et à renforcer leur compétitivité à long terme.

Les programmes du FEDER ont alloué 62,5 milliards d'euros à la compétitivité des PME au cours de la période 2014-2020.

Le Fonds européen de développement régional (FEDER) aide les petites entreprises à se développer et à rayonner, à être compétitives sur les marchés internationaux, à favoriser la croissance de nouvelles industries et à transformer celles qui existent déjà en activités plus compétitives, innovantes et à forte valeur ajoutée. Le FEDER est censé adapter son soutien aux besoins et aux défis locaux afin de réduire les disparités entre les régions et les territoires.

Au cours de la période 2014-2020, le FEDER a alloué plus de 45,4 milliards d'euros pour améliorer les performances et la productivité des PME européennes. Combinée aux cofinancements nationaux, cette dotation s'est élevée à un soutien total de 62,5 milliards d'euros. En particulier, 85 % des dépenses du FEDER en faveur de la compétitivité des PME ont été concentrées dans douze États membres, principalement en Europe du Sud et de l'Est, dont l'Italie, la Grèce, la Pologne, le Portugal et la Hongrie, ainsi que dans les régions moins développées de l'UE.

Le FEDER a soutenu les PME à tous les stades de leur cycle de vie, en

L'éventail des instruments du FEDER mobilisés au cours de la période de programmation 2014-2020 a soutenu les PME tout au long de leur cycle de vie, depuis la création de nouvelles entreprises jusqu'à leurs phases de développement et de maturation. La

mettant particulièrement l'accent sur l'expansion de la production et le soutien à la liquidité pendant la crise de la COVID-19.

majeure partie des dépenses du FEDER (54 %) a été consacrée à l'expansion de la production des entreprises, à l'amélioration de la productivité et aux investissements dans la modernisation des PME existantes. La deuxième allocation la plus importante a apporté un soutien en liquidités et en fonds de roulement (18 %), ce qui a été particulièrement crucial suite à la crise de la COVID-19.

Les États membres d'Europe centrale et orientale, en particulier dans les régions moins développées, ont consacré des dépenses relativement plus élevées à des instruments visant à renforcer l'écosystème commercial global (par exemple, les services pour la croissance des entreprises et les activités de promotion régionale) ou à fournir des infrastructures essentielles pour les opérations commerciales (incubateurs et zones industrielles). Dans le même temps, les dépenses visant à favoriser la création d'entreprises et à stimuler les exportations étaient principalement concentrées dans les zones urbaines, où des écosystèmes d'entreprises matures facilitent les activités entrepreneuriales et internationales. Une plus petite partie du financement était spécifique à des secteurs donnés, ciblant les industries culturelles et créatives, le tourisme et l'économie sociale.

Les PME ont été les principaux bénéficiaires directs du soutien du FEDER, recevant environ 61 % du total des dépenses publiques allouées. Les institutions financières ont joué un rôle important en tant qu'intermédiaires, en particulier pour les instruments financiers, représentant 25 % des dépenses. Les administrations publiques et les organisations de soutien aux entreprises ont également été des bénéficiaires directs importants, recevant des fonds du FEDER pour fournir des infrastructures et des services destinés en fin de compte aux PME.

En tant que principale politique de soutien de l'UE à la compétitivité des PME, le FEDER a bénéficié à environ 8 % de l'ensemble des PME européennes.

Au cours de la période 2014-2020, les programmes du FEDER ont été la principale source de soutien de l'UE à la compétitivité des PME. Ce dernier a été le deuxième objectif du FEDER, après le soutien à la recherche, au développement et à l'innovation. L'objectif initial était d'aider environ 800 000 entreprises, un objectif qui a été atteint avec succès et même dépassé. Au total, les instruments du FEDER en faveur de la compétitivité des PME ont bénéficié à près de 1,8 million de PME, soit par un soutien direct à l'investissement, soit en tant que bénéficiaires finaux de services de soutien indirect. Cela représentait environ 8 % de l'ensemble des PME européennes, bien qu'il y ait eu des variations significatives entre les États membres et les instruments considérés. Par exemple, moins de 1 % des PME en Autriche et en République Tchèque ont bénéficié d'un soutien, contre environ 20 % en Espagne et en Italie, et plus de 27 % en Grèce. Les initiatives du FEDER fournissant des liquidités et des fonds de roulement pour atténuer les effets de la crise de la COVID-19 ont atteint le plus grand nombre de PME.

Selon les indicateurs de suivi, les instruments du FEDER ont soutenu environ 500 000 entreprises nouvellement créées, ce qui représente environ 3 % du nombre total de PME créées au cours de la période 2014-2020. En outre, ces instruments ont permis la création de plus de 320 000 emplois, ce qui représente moins de 1 % du stock total d'emplois des PME au cours d'une année donnée.

À la lumière de ces chiffres qui positionnent le FEDER dans l'économie au sens large, l'évaluation visait à trouver des preuves d'efficacité de ce soutien, et à mettre en évidence les conditions nécessaires pour maximiser cette efficacité pour les PME soutenues. L'évaluation visait aussi à déterminer les effets plus systémiques du soutien du FEDER et son rôle sur la transformation structurelle à long terme.

Des stratégies d'investissement plus ambitieuses et à long terme favorisent des effets positifs et durables...

Des données qualitatives et quantitatives, recueillies au moyen d'entretiens avec 410 parties prenantes et d'analyses économétriques, y compris de nouvelles évaluations d'impact contrefactuelles, ont systématiquement montré que des projets d'investissement plus ambitieux avaient des effets plus positifs et durables sur les PME. Ces investissements étaient généralement plus importants, se concentrant souvent sur la numérisation ou les nouvelles technologies, comprenaient de multiples activités et étaient guidés par une stratégie de développement structurée. Ils ont été associés à des taux de croissance du chiffre d'affaires plus élevés et à une augmentation de l'emploi pour les entreprises bénéficiaires. Les procédures de sélection concurrentielles étaient plus efficaces pour sélectionner des projets de haute qualité, qui avaient à leur tour une plus grande probabilité de succès.

La capacité des PME à gérer des projets d'investissement complexes et leur expérience antérieure avec des investissements similaires ont été identifiées comme des facteurs clés contribuant à leur succès. Cela signifie que les PME plus performantes, souvent plus grandes et davantage tournées vers l'exportation, ont bénéficié de plus d'avantages que les PME moins performantes, souvent des micro-entreprises (moins de 11 salariés) opérant sur les marchés locaux traditionnels.

...de même que l'utilisation d'instruments financiers.

Il existe un risque d'effet d'aubaine pour les PME les plus performantes. En effet, ces PME pourraient couvrir au moins une partie des coûts d'investissement avec leurs propres ressources sans avoir besoin d'un soutien de l'UE. Ce risque pourrait être atténué par l'utilisation d'instruments financiers au lieu de subventions. L'évaluation montre que les États membres de l'UE ont alloué environ 17,7 milliards d'euros à des instruments financiers et à d'autres formes de soutien remboursables d'ici à la fin de 2023, dont 12,4 milliards d'euros couverts par le FEDER. Il s'agit d'une augmentation significative par rapport à la période de programmation précédente. L'utilisation de prêts en faveur de PME financièrement plus fortes et de projets économiquement viables pourrait faciliter une utilisation plus efficace des ressources, en particulier dans les États membres plus développés où l'intensité de l'aide du FEDER était relativement faible. Lorsque des projets plus ambitieux étaient également beaucoup plus risqués, bien que potentiellement plus rentables, le recours à des prises de participation semble particulièrement approprié. Plus précisément, il est prouvé que les investissements en fonds propres soutenus par le FEDER pourraient soutenir efficacement les jeunes entreprises nouvellement créées ayant un potentiel de croissance important, ainsi que dans les régions où les marchés financiers sont peu développés.

Combiner des services de conseil et des investissements ultérieurs (après les initiaux) est essentiel pour renforcer les capacités des PME.

Il existe des preuves plus limitées de l'efficacité du soutien du FEDER pour les entreprises disposant de capacités plus faibles et moins dotées de ressources. Ces entreprises bénéficiaient souvent de projets et d'investissements relativement simples, ainsi que de services de conseil généralement fournis par l'intermédiaire d'organisations intermédiaires locales et de structures de soutien, comme des centres d'incubation et des parcs industriels. Cependant, les analyses ont révélé des preuves incertaines de l'impact de ces actions sur le comportement et les performances de ces PME. Des durées plus longues peuvent être nécessaires pour tirer parti des avantages de ces formes de soutien.

Il est prouvé que l'efficacité peut être améliorée par une combinaison de différentes interventions destinées à accompagner les PME au fil du temps. La combinaison de services de conseil et la mise en œuvre d'investissements de suivi (après de premiers investissements) s'avèrent particulièrement efficaces pour pousser les PME moins performantes sur la voie du changement de comportement et de l'amélioration progressive des capacités.

L'éventail des PME bénéficiant d'un financement du FEDER, en particulier celles confrontées à des barrières à l'entrée plus élevées, peut être élargi.

Grâce à la continuité de sa programmation et de son financement sur plusieurs années et périodes de programmation ultérieures, le FEDER recèle un potentiel important pour permettre des améliorations progressives et des investissements durables dans le temps. Toutefois, de nombreuses PME, en particulier les micro-entreprises, se sont heurtées à des barrières à l'entrée en raison de leur méconnaissance du système de financement du FEDER et risquent d'être exclues de ses avantages. L'évaluation montre qu'un groupe de PME (plus de 15 % selon nos estimations) a eu tendance à participer de manière récurrente aux appels du FEDER. Ces PME étaient souvent de petite ou moyenne taille, ayant accumulé de l'expérience dans la conduite du processus de demande de soutien, recevant un financement et faisant l'objet d'audits post-mise en œuvre associés aux initiatives du FEDER.

Afin d'élargir le spectre des PME bénéficiant d'un financement au titre du FEDER, les stratégies efficaces révélées par les études de cas comprennent une sensibilisation et un soutien ciblés, tels que des ateliers de renforcement des capacités et une assistance technique pour aider les PME à appréhender le processus de candidature à un soutien. La simplification et la rationalisation des processus de candidature, de sélection et de reporting, au moyen de la numérisation et d'orientations claires, ainsi que la diversification des critères de financement afin de donner la priorité aux PME nouvelles ou sous-représentées peuvent améliorer l'accès au soutien de l'UE.

Le soutien à la liquidité lié à la COVID-19 a stabilisé les PME ...

Outre les objectifs de transformation structurelle à long terme, le FEDER a également apporté un soutien crucial en matière de liquidités et de fonds de roulement, en particulier pendant la crise de la COVID-19. Souvent sous la forme de garanties de prêts, ces instruments ont fourni de petites sommes d'argent pour aider un grand nombre de PME à résister à la crise. Ce soutien s'est traduit par des taux de survie élevés pour les bénéficiaires, supérieurs à 90 %, et dépassant généralement le taux de survie moyen des PME dans tous les États membres. Ce résultat peut être attribué à une

aide publique massive et à de nombreuses politiques de relance déployées en 2020, y compris le soutien du FEDER.

.. et a favorisé la simplification administrative...

En outre, les instruments conçus pour faire face à la crise de la COVID-19 ont eu des effets positifs imprévus. Des simplifications, telles que la rationalisation des critères de sélection et l'assouplissement des règles de remboursement, ont été mises en œuvre afin d'accélérer l'absorption des fonds et de réduire la charge administrative tant pour les PME que pour les pouvoirs publics. La numérisation et l'interopérabilité des données dans l'administration publique ont été considérablement améliorées. Ces changements administratifs devraient persister au cours des périodes à venir.

...bien qu'il ait peut-être manqué de ciblage clair.

Bien qu'elle vise principalement à aider les PME à maintenir leurs opérations et à survivre au ralentissement économique, l'analyse des mesures montre qu'environ un quart des dépenses de soutien à la liquidité a également été utilisé pour lancer de nouveaux investissements. Ces investissements comprenaient des travaux de rénovation dans le secteur hôtelier et la mise en œuvre de nouvelles solutions numériques, en particulier pour le e-commerce. Ce constat suggère un éventuel manque de clarté dans la conception des mesures de soutien en cas de crise, étant donné que leur large ciblage a permis d'orienter les fonds à la fois vers les besoins immédiats et vers les investissements à plus long terme. Si cette flexibilité offrait des options aux PME, cela souligne aussi l'importance de définir clairement les objectifs du soutien en cas de crise, afin d'assurer une allocation efficace des ressources.

Le principal enseignement de l'évaluation est la nécessité de disposer d'une stratégie globale à long terme pour la compétitivité régionale, guidant tous les instruments de soutien aux PME de manière cohérente et synergique.

La mesure dans laquelle les instruments du FEDER visant à renforcer la compétitivité des PME ont généré des effets systémiques plus larges demeure incertaine. Cela inclut notamment son effet sur le renforcement de la compétitivité régionale et la promotion de la convergence. Cette incertitude reflète la nécessité d'un type d'évaluation différent, qui évalue l'impact de l'ensemble du programme FEDER en examinant comment différentes formes de soutien peuvent fonctionner ensemble et contribuer aux objectifs régionaux. Alors que dans les régions moins développées, où le FEDER joue un rôle plus important dans le soutien aux PME, les effets positifs sur la compétitivité régionale peuvent être plus susceptibles d'émerger en principe, aucune preuve manifeste n'en a été recueillie. Cela s'explique en partie par le fait que certains effets ne peuvent se matérialiser qu'à plus long terme et que les instruments ont rarement été conçus pour maximiser les synergies et les combinaisons entre les différents dispositifs et possibilités de financement du FEDER ou non au niveau régional, national et européen.

Un message clé de l'évaluation est la nécessité d'une stratégie globale à long terme pour renforcer la compétitivité régionale en promouvant une conception et une mise en œuvre plus cohérentes et synergiques des instruments de soutien. Cette stratégie devrait être adaptée aux atouts et aux défis des PME de la région. Elle devrait s'appuyer sur les expériences passées, mais aussi laisser la place à des ajustements progressifs et à des expérimentations plus risquées afin de s'aligner sur l'évolution des besoins et de trouver des moyens de soutien plus efficaces. Elle devrait identifier les acteurs régionaux clés les mieux placés pour conduire une

transformation régionale positive avec la capacité d'entreprendre des investissements ambitieux. La mise en œuvre de stratégies de spécialisation intelligente (S3) pourrait fournir un cadre territorial pour soutenir ce processus.

Si l'alignement entre les priorités des S3 et les instruments de compétitivité des PME n'était pas obligatoire au cours de la période 2014-2020, certaines autorités de gestion ont déjà commencé à appliquer des critères préférentiels pour les projets relevant de l'objectif de compétitivité des PME qui s'alignent sur les S3. Une analyse quantitative préliminaire, qui nécessiterait un examen plus approfondi dans une étude distincte, suggère que la concentration des dépenses du FEDER sur les investissements des entreprises dans les secteurs priorisés par les S3 est associée à une amélioration des performances post-projet pour les bénéficiaires. En outre, l'alignement des S3 sur les priorités industrielles et technologiques de l'UE peut garantir que les stratégies de développement régional renforcent non seulement la croissance et l'innovation des PME, mais contribuent également aux ambitions industrielles et technologiques plus larges de l'UE.

Dans le même temps, le FEDER devrait continuer à soutenir les PME disposant de capacités plus faibles et moins dynamiques dans le développement de pratiques commerciales durables et d'un état d'esprit d'amélioration continue. Cela concerne en particulier leur adoption des technologies numériques et vertes. Cette approche garantit que, même si ces PME ne sont pas à la pointe de l'innovation, elles pourront contribuer à la réalisation des objectifs globaux de double transition par l'adoption des technologies pertinentes, et ce sans exacerber les disparités territoriales existantes.

ZUSAMMENFASSUNG

KMU stehen vor erheblichen Hindernissen und sich wandelnden Herausforderungen, die eine gezielte Unterstützung erfordern.

Kleine und mittlere Unternehmen (KMU) sind für die europäische Wirtschaft von entscheidender Bedeutung und stellen die Mehrheit der Unternehmen in der Europäischen Union (EU) dar. Sie tragen mehr als die Hälfte zur gesamten Wertschöpfung bei und schaffen zwei Drittel der Arbeitsplätze im privaten Sektor. KMU sind mit verschiedenen Hindernissen konfrontiert, die ihr Entwicklungspotenzial behindern, darunter der eingeschränkte Zugang zu Finanz-, Informations- und Humankapitalressourcen sowie organisatorische Zwänge und Abhängigkeiten vom externen Umfeld. Neue Herausforderungen wie die Ziele des digitalen und grünen Wandels erfordern, dass KMU ihre Geschäftsmodelle und Produktionsprozesse anpassen. Der Einfluss des lokalen Kontexts (wie Infrastrukturqualität, Verfügbarkeit von Kompetenzen, Marktgröße, Zugang zu Krediten und Regulierungsumfeld) auf die Leistung von KMU führt dazu, dass diese Hindernisse von Region zu Region sehr unterschiedlich sind, was zu territorialen Ungleichheiten und Entwicklungsfallen beiträgt.

Jüngste Trends deuten auf einen Rückgang der Wettbewerbsfähigkeit der KMU im Vergleich zu Großunternehmen hin, gemessen am Wachstum der Beschäftigung, des Umsatzes, der Wertschöpfung und der Produktivität. Der Zeitraum von 2014 bis 2020 war von einer Erholung von der Finanzkrise 2008-2009 geprägt, gefolgt von einer neuen Wirtschaftskrise, die 2020 durch die COVID-19-Pandemie ausgelöst wurde. Diese Herausforderungen wirkten sich weiter auf KMU aus und erforderten angemessene Formen von Unterstützung, um ihre Widerstandsfähigkeit angesichts der sich wandelnden makroökonomischen Bedingungen zu erhöhen und gleichzeitig dazu beizutragen, den negativen Trend umzukehren und ihre Wettbewerbsfähigkeit auf lange Sicht zu stärken.

Im Rahmen der EFRE-Programme wurden im Zeitraum 2014-2020 62,5 Mrd. EUR für die Wettbewerbsfähigkeit von KMU bereitgestellt.

Der Europäische Fonds für regionale Entwicklung (EFRE) hilft kleinen Unternehmen, sich zu entwickeln, hervorragende Leistungen zu erbringen und auf internationalen Märkten zu konkurrieren, und fördert das Wachstum neuer Branchen und die Umwandlung von bestehenden Branchen in wettbewerbsfähigere, innovativere und wertschöpfendere Tätigkeiten. Es wird erwartet, dass der EFRE seine Unterstützung auf die lokalen Bedürfnisse und Herausforderungen anpasst, um die Unterschiede zwischen den Regionen und Gebieten zu verringern.

Im Zeitraum 2014-2020 wurden aus dem EFRE über 45,4 Mrd. EUR bereitgestellt, um die Leistung und Produktivität der europäischen KMU zu steigern. Zusammen mit der nationalen Kofinanzierung belief sich diese Mittelzuweisung auf insgesamt 62,5 Mrd. EUR. 85 % der EFRE-Ausgaben für

die Wettbewerbsfähigkeit von KMU konzentrierten sich auf zwölf Mitgliedstaaten, hauptsächlich in Süd- und Osteuropa, darunter Italien, Griechenland, Polen, Portugal und Ungarn, sowie auf die weniger entwickelten Regionen der EU.

Der EFRE unterstützte KMU in allen Phasen ihres Lebenszyklus, wobei ein erheblicher Schwerpunkt auf der Produktionsausweitung und Liquiditätsunterstützung während der COVID-19-Krise lag.

Die Bandbreite der EFRE-Instrumente, die im Programmplanungszeitraum 2014-2020 mobilisiert wurden, unterstützte KMU während ihres gesamten Lebenszyklus, von der Gründung neuer Unternehmen bis zu ihren Entwicklungs- und Reifephasen. Der Großteil der EFRE-Ausgaben (54 %) war auf die Ausweitung der Unternehmensproduktion, die Produktivitätssteigerung und Modernisierungsinvestitionen für bestehende KMU ausgerichtet. Die zweitgrößte Mittelzuweisung bot Liquidität und Betriebskapital (18 %), was besonders nach der COVID-19-Krise von entscheidender Bedeutung war.

Die Mitgliedstaaten in Mittel- und Osteuropa, insbesondere in weniger entwickelten Regionen, haben relativ höhere Ausgaben für Instrumente zur Stärkung des gesamten Unternehmensökosystems (z. B. Dienstleistungen für das Unternehmenswachstum und regionale Werbemaßnahmen) oder zur Bereitstellung wesentlicher Infrastrukturen für die Geschäftstätigkeit (Inkubatoren und Industriegebiete) getätigt. Unterdessen konzentrierten sich die Ausgaben zur Förderung der Unternehmensgründung und zur Steigerung der Exporte in erster Linie auf städtische Gebiete, in denen ausgereifte Geschäftsökosysteme unternehmerische und internationale Aktivitäten erleichtern. Ein kleinerer Teil der Mittel war sektorspezifisch und richtete sich an die Kultur- und Kreativwirtschaft, den Tourismus und die Sozialwirtschaft.

KMU waren die wichtigsten direkten Begünstigten der EFRE-Unterstützung und erhielten etwa 61 % der gesamten zugewiesenen öffentlichen Ausgaben. Finanzinstitute spielten eine wichtige Rolle als Vermittler von Unterstützung, insbesondere für Finanzinstrumente, auf die 25 % der Ausgaben entfielen. Behörden und Organisationen zur Unterstützung von Unternehmen waren ebenfalls bedeutende Begünstigte und erhielten EFRE-Mittel für die Bereitstellung von Infrastruktur und Dienstleistungen, die letztlich auf KMU ausgerichtet waren.

Als größte EU-Fördermaßnahme für die Wettbewerbsfähigkeit von KMU kam der EFRE etwa 8 % aller europäischen KMU zugute.

Im Zeitraum 2014-2020 waren die EFRE-Programme die größte Quelle von EU-Unterstützung für die Wettbewerbsfähigkeit von KMU. Nach Forschungs-, Entwicklungs- und Innovationsförderung, war Wettbewerbsfähigkeit von KMU das zweitwichtigste EFRE-Ziel. Das ursprüngliche Ziel war es, rund 800.000 Unternehmen zu unterstützen, ein Ziel, das erfolgreich übertroffen wurde. Insgesamt kamen EFRE-Instrumente für die Wettbewerbsfähigkeit von KMU fast 1,8 Millionen KMU zugute, entweder durch direkte Investitionsförderung oder als Endbegünstigte indirekter Unterstützungsdienste. Dies entsprach etwa 8 % aller europäischen KMU, wenngleich es erhebliche Unterschiede zwischen den Mitgliedstaaten und

den Instrumenten gab. So erhielten beispielsweise weniger als 1 % der KMU in Österreich und Tschechien Unterstützung, verglichen mit etwa 20 % in Spanien und Italien und über 27 % in Griechenland. EFRE-Initiativen zur Bereitstellung von Liquidität und Betriebskapital zur Abmilderung der Auswirkungen der COVID-19-Krise erreichten die höchste Zahl von KMU.

Den Indikatoren zufolge wurden mit den EFRE-Instrumenten rund 500.000 neu gegründete Unternehmen unterstützt, was etwa 3 % der Gesamtzahl der im Zeitraum 2014-2020 gegründeten KMU entspricht. Darüber hinaus führten diese Instrumente zur Schaffung von mehr als 320 000 Arbeitsplätzen, die weniger als 1 % des gesamten KMU-Beschäftigungsbestands in einem bestimmten Jahr ausmachen.

Angesichts dieser Zahlen, die den EFRE innerhalb der Gesamtwirtschaft positionieren, zielte die Evaluierung darauf ab, Nachweise für dessen Wirksamkeit zu finden. Sie hebt die Bedingungen hervor, die erforderlich sind, um diese Wirksamkeit für unterstützte KMU zu maximieren, sowie die systemischen Auswirkungen und langfristigen Ziele von Strukturwandel.

Ehrgeizigere und langfristigere Investitionsstrategien ermöglichen positive und dauerhafte Effekte...

Qualitative und quantitative Belege, die durch Interviews mit 410 Interessenträgern und ökonometrische Analysen, einschließlich neuer kontrafaktischen Wirkungsanalysen, gesammelt wurden, zeigten durchweg, dass ehrgeizigere Investitionsprojekte positivere und dauerhaftere Auswirkungen auf KMU hatten. Solche Investitionen waren im Allgemeinen größer und konzentrierten sich häufig auf die Digitalisierung oder neue Technologien, umfassten mehrere Aktivitäten und wurden von einer strukturierten Entwicklungsstrategie geleitet. Sie waren mit höheren Umsatzwachstumsraten und einer höheren Beschäftigung für begünstigte Unternehmen verbunden. Wettbewerbsorientierte Auswahlverfahren waren bei der Auswahl hochwertiger Projekte wirksamer, was wiederum eine höhere Erfolgswahrscheinlichkeit aufwies.

Die Fähigkeit von KMU, komplexe Investitionsprojekte zu verwalten, und ihre bisherigen Erfahrungen mit ähnlichen Investitionen wurden als Schlüsselfaktoren für ihren Erfolg identifiziert. Dies bedeutet, dass leistungsfähigere KMU, die oft größer und exportorientierter sind, im Vergleich zu weniger leistungsfähigen KMU, die oft klein sind und auf traditionellen lokalen Märkten tätig sind, größere Vorteile erfuhren.

...auch mit dem Einsatz von Finanzinstrumenten.

Das Risiko, dass diese leistungsfähigeren KMU zumindest einen Teil der Investitionskosten mit eigenen Mitteln decken könnten, ohne dass eine EU-Unterstützung erforderlich wäre, konnte durch den Einsatz von Finanzierungsinstrumenten anstelle von Zuschüssen gemindert werden. Die Evaluierung zeigt, dass die EU-Mitgliedstaaten bis Ende 2023 rund 17,7 Mrd. EUR für

Finanzinstrumente und andere rückzahlbare Formen der Unterstützung bereitgestellt haben, wobei 12,4 Mrd. EUR aus dem EFRE abgedeckt wurden. Dies war ein deutlicher Anstieg gegenüber dem vorangegangenen Programmplanungszeitraum. Die Verwendung von Darlehen für finanziell stärkere KMU und wirtschaftlich tragfähige Projekte konnte eine effizientere Ressourcennutzung erleichtern, insbesondere in stärker entwickelten Mitgliedstaaten, in denen die EFRE-Beihilfeintensität relativ niedrig war. Wenn ehrgeizigere Projekte auch deutlich riskanter waren, wenn auch potenziell lohnender, erschien der Einsatz von Beteiligungen besonders angemessen. Insbesondere gibt es Hinweise darauf, dass EFRE-unterstützte Beteiligungsinvestitionen neu gegründete und junge Unternehmen mit erheblichem Wachstumspotenzial und in Regionen mit dünnen Finanzmärkten wirksam unterstützen konnten.

Die Kombination von Beratungsdiensten und Folgeinvestitionen ist für die Stärkung der Fähigkeiten von KMU von entscheidender Bedeutung.

Es gibt begrenztere Belege für die Wirksamkeit für Unternehmen mit weniger Fähigkeiten und weniger Ressourcen. Diese Unternehmen profitierten häufig von relativ einfachen Projekten und Investitionen sowie Beratungsdiensten, die in der Regel über lokale Mittlerorganisationen und Unterstützungsstrukturen wie Inkubatorzentren und Industrieparks erbracht wurden. Analysen ergaben jedoch unsichere Hinweise auf Auswirkungen auf das Verhalten und die Leistung dieser KMU. Längere Laufzeiten können erforderlich sein, um die Vorteile dieser Formen der Unterstützung zu nutzen.

Es gibt Belege dafür, dass die Wirksamkeit durch die Orchestrierung einer Mischung verschiedener Vorhaben gesteigert werden kann, die KMU im Laufe der Zeit begleiten sollen. Die Kombination von Beratungsdiensten und die Durchführung von Folgeinvestitionen erweist sich als besonders wirksam, wenn es darum geht, weniger fähige KMU auf den Weg der Verhaltensänderung und der schrittweisen Verbesserung der Fähigkeiten zu bringen.

Das Spektrum der KMU, die von EFRE-Mitteln profitieren, insbesondere derjenigen, die mit höheren Eintrittsbarrieren konfrontiert sind, kann erweitert werden.

Der EFRE verfügt dank der Kontinuität seiner Programmplanung und Finanzierung über mehrere Jahre und nachfolgende Programmplanungszeiträume über ein erhebliches Potenzial, um schrittweise Verbesserungen und nachhaltige Investitionen zu ermöglichen. Viele KMU, insbesondere Kleinstunternehmen, sahen sich jedoch mit Eintrittsbarrieren konfrontiert, da sie nicht mit dem EFRE-Fördersystem vertraut waren und Gefahr liefen, von dessen Vorteilen ausgeschlossen zu werden. Die Evaluierung zeigt, dass eine konsistente Gruppe von KMU (nach unseren Schätzungen mehr als 15 %) dazu neigte, sich wiederholt an EFRE-Aufforderungen zu beteiligen. Bei diesen KMU handelte es sich häufig um kleine oder mittlere Unternehmen, die Erfahrung mit der Steuerung des Antragsverfahrens, der Gewährung von Finanzmitteln und der Durchführung von Prüfungen nach der Umsetzung im Zusammenhang mit EFRE-Initiativen gesammelt hatten.

Um das Spektrum der KMU, die Mittel aus dem EFRE erhalten, zu erweitern, umfassen die in den Fallstudien aufgezeigten wirksamen Strategien gezielte Öffentlichkeitsarbeit und Unterstützung, wie Workshops zum Kapazitätsaufbau und technische Hilfe, um KMU bei der Navigation im Antragsverfahren zu unterstützen. Die Vereinfachung und Straffung der Antrags-, Auswahl- und Berichterstattungsverfahren durch Digitalisierung und klare Leitlinien sowie die Diversifizierung der Finanzierungskriterien zur Priorisierung neuer oder unterrepräsentierter KMU können den Zugang zu EU-Unterstützung verbessern.

COVID-19-Liquiditätshilfe stabilisierte KMU ...

Neben den langfristigen strukturellen Transformationszielen hat der EFRE insbesondere während der COVID-19-Krise auch entscheidende Liquiditäts- und Betriebskapitalhilfen bereitgestellt. Häufig in Form von Darlehensgarantien stellten diese Instrumente kleine Geldbeträge bereit, um einer großen Zahl von KMU zu helfen, der Krise standzuhalten. Diese Unterstützung führte zu hohen Überlebensraten für Begünstigte von über 90 % und übertraf im Allgemeinen die durchschnittliche Überlebensrate von KMU in allen Mitgliedstaaten. Dieses Ergebnis ist auf massive öffentliche Beihilfen und zahlreiche Stimulierungsmaßnahmen zurückzuführen, die 2020 eingeführt wurden, einschließlich EFRE-Unterstützung.

.. und förderte Verwaltungsvereinfachung...

Darüber hinaus hatten Instrumente zur Bewältigung der COVID-19-Krise einige positive unbeabsichtigte Auswirkungen. Vereinfachungen wie gestraffte Auswahlkriterien und einfachere Erstattungsregeln wurden umgesetzt, um die Mittelausschöpfung zu beschleunigen und den Verwaltungsaufwand sowohl für KMU als auch für die Behörden zu verringern. Die Digitalisierung und die Dateninteroperabilität in der öffentlichen Verwaltung wurden erheblich verbessert. Es wird erwartet, dass diese administrativen Änderungen in künftigen Zeiträumen anhalten werden.

...obwohl es ihnen vielleicht an klarem Targeting gefehlt hat.

Während in erster Linie darauf abgezielt wurde, KMU dabei zu unterstützen, ihre Geschäftstätigkeit aufrechtzuerhalten und den Konjunkturabschwung zu überstehen, zeigt die Analyse der Geschäftstätigkeit, dass rund ein Viertel der Ausgaben für Liquiditätshilfe auch für die Initiierung neuer Investitionen verwendet wurde. Diese Investitionen umfassten Renovierungsarbeiten im Gastgewerbe und die Einführung neuer digitaler Lösungen, insbesondere des elektronischen Handels. Diese Feststellung deutet auf einen möglichen Mangel an Klarheit bei der Gestaltung von Krisenhilfemaßnahmen hin, da eine breite Ausrichtung es ermöglichte, die Mittel sowohl auf den unmittelbaren Bedarf als auch auf längerfristige Investitionen auszurichten. Diese Flexibilität bot den KMU zwar Optionen, unterstreicht jedoch, wie wichtig es ist, bei der Krisenfinanzierung klare Ziele festzulegen, um eine wirksame Mittelzuweisung zu gewährleisten.

Aus den wichtigsten Erkenntnissen geht hervor, dass eine umfassende langfristige Strategie für die regionale Wettbewerbsfähigkeit erforderlich ist, die alle Instrumente für die KMU-Unterstützung kohärent und synergistisch steuert.

Es bleibt unklar, inwieweit EFRE-Instrumente für die Wettbewerbsfähigkeit von KMU zu umfassenderen systemischen Effekten wie der Stärkung der regionalen Wettbewerbsfähigkeit und der Förderung der Konvergenz beigetragen haben. Diese Unsicherheit spiegelt die Notwendigkeit einer anderen Art von Evaluierung wider, bei der die Auswirkungen des gesamten EFRE bewertet werden, indem geprüft wird, wie verschiedene Formen der Unterstützung zusammenarbeiten und zu regionalen Zielen beitragen können. Während in weniger entwickelten Regionen, in denen der EFRE eine größere Rolle bei der Unterstützung von KMU spielt, positive Auswirkungen auf die regionale Wettbewerbsfähigkeit prinzipiell wahrscheinlicher sind, wurden keine eindeutigen Beweise gesammelt. Dies liegt zum Teil daran, dass einige Auswirkungen nur längerfristig eintreten können und dass Instrumente selten so konzipiert wurden, dass Synergien und Kombinationen zwischen verschiedenen EFRE- oder Nicht-EFRE-Instrumenten und Finanzierungsmöglichkeiten auf regionaler, nationaler und EU-Ebene maximiert werden.

Die aus der Evaluierung gewonnenen Erkenntnisse unterstreichen die Notwendigkeit einer umfassenden, langfristigen Strategie zur Stärkung der regionalen Wettbewerbsfähigkeit durch Förderung einer kohärenteren und synergetischeren Gestaltung und Umsetzung der Instrumente. Diese Strategie sollte auf die Stärken und Herausforderungen der KMU in der Region zugeschnitten sein. Sie sollte auf früheren Erfahrungen aufbauen, aber auch Raum für schrittweise Anpassungen und riskantere Experimente lassen, um die Anpassung an sich wandelnde Bedürfnisse sicherzustellen und wirksamere Unterstützungsmöglichkeiten zu finden. Sie sollte die wichtigsten regionalen Akteure identifizieren, die am besten in der Lage sind, einen positiven regionalen Wandel voranzutreiben, und mit der Fähigkeit, ehrgeizige Investitionen zu tätigen,. Die Umsetzung von Strategien für intelligente Spezialisierung (S3) könnte einen ortsbezogenen Rahmen zur Unterstützung einer solchen Identifizierung bieten.

Während eine Angleichung zwischen den S3-Prioritäten und den Instrumenten für die Wettbewerbsfähigkeit von KMU im Zeitraum 2014-2020 nicht obligatorisch war, haben einige Verwaltungsbehörden bereits damit begonnen, Vorzugskriterien für Projekte im Rahmen des Ziels für die Wettbewerbsfähigkeit von KMU anzuwenden, die mit der S3 in Einklang stehen. Eine vorläufige quantitative Analyse, die eine weitere Untersuchung in einer separaten Studie erfordern würde, legt nahe, dass die Konzentration der EFRE-Ausgaben auf Unternehmensinvestitionen in Sektoren, die von der S3 priorisiert werden, mit einer verbesserten Leistung für die Begünstigten nach dem Projekt verbunden ist. Darüber hinaus kann die Angleichung von S3 an die industriellen und technologischen Prioritäten der EU sicherstellen, dass regionale Entwicklungsstrategien nicht nur das Wachstum und die Innovation von KMU

fördern, sondern auch zu umfassenderen industriellen und technologischen Ambitionen der EU beitragen.

Gleichzeitig sollte der EFRE weiterhin weniger fähige und dynamische KMU bei der Entwicklung nachhaltiger Geschäftspraktiken und einer Denkweise der kontinuierlichen Verbesserung unterstützen, insbesondere bei der Einführung digitaler und grüner Technologien. Dieser Ansatz stellt sicher, dass diese KMU, auch wenn sie nicht an der Spitze der Innovation stehen, durch die Adoption von Technologie zu den allgemeinen Zielen der doppelten Transformation beitragen können, ohne die bestehenden territorialen Unterschiede zu verschärfen.

1. Introduction

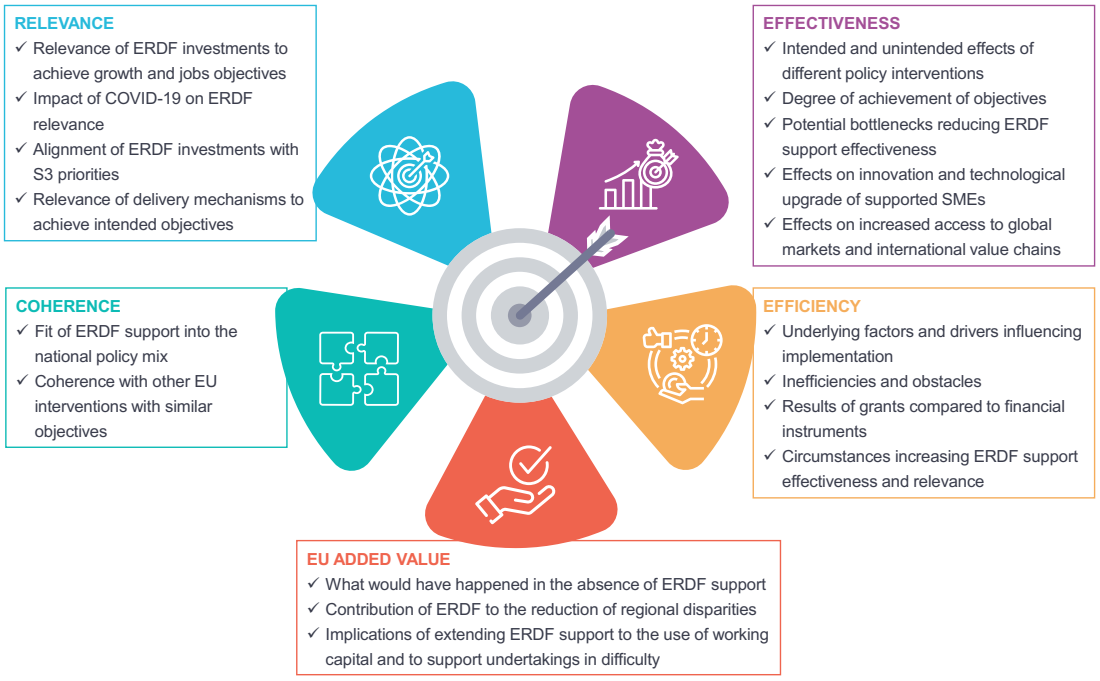
1.1. Objectives of the evaluation

The "Ex post evaluation of Cohesion Policy programmes 2014-2020 financed by the ERDF: Work package 6 – SME support" is part of a comprehensive exercise of ex-post evaluations of European Regional Development Fund (ERDF) and Cohesion Fund (CF) initiated by the European Commission - DG REGIO in 2022. It takes place in the context of the Commission's efforts to fulfil commitments in terms of transparency and accountability and to foster evidence-based and result-oriented policy making.

The evaluation stems from the ambition to build a solid evidence basis on the effects of ERDF support for competitiveness of small and medium enterprises (SMEs) in the 2014-2020 period and understand the factors that influence the generation of these effects to identify good practices that can inform policy-making in the 2021-2027 period and beyond. Aligned with this objective as well as the European Commission's Better Regulation Guidelines, the study has assessed the relevance, effectiveness, efficiency, coherence, EU added value of the ERDF support to investments and activities for SME competitiveness during the 2014-2020 period. The list of evaluation questions is provided in Annex I and sketched in the Figure below.

Unlike previous evaluations that primarily focused on programmes, this evaluation examines specific policy instruments mobilised by the national and regional programmes. This approach allows us to deeper into the mechanisms through which these instruments operate, identifying their relevance, effectiveness, efficiency, coherence, and EU added value. By doing so, it is possible to better gauge how these instruments contribute to the achievement of overarching objectives and the overall success of the programmes they support.

Figure 1: Evaluation criteria and evaluation questions



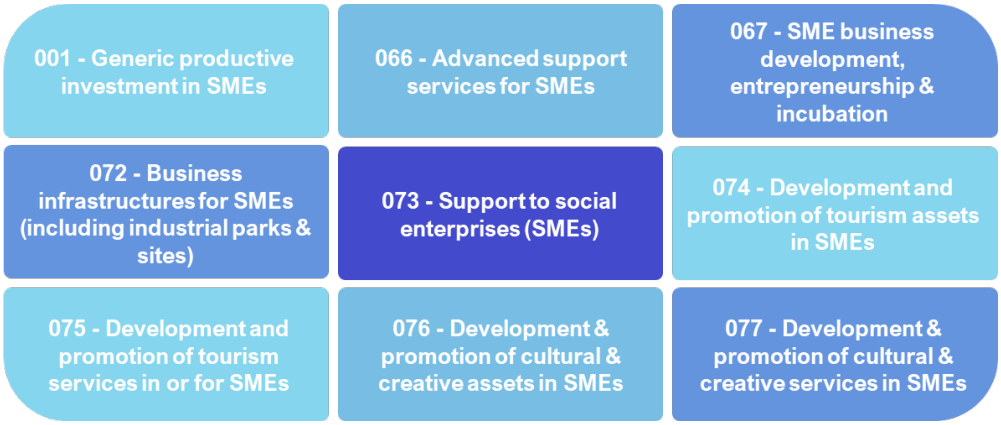
Note: The figure shows our reformulation of the main evaluation questions of the study. The full list by Terms of Reference is in Annex I.
Source: CSIL & Prognos.

1.2. Scope of the evaluation

SME competitiveness can be defined as the advantage that a firm gains by either lowering its unit production costs, increasing productivity, improving the quality of and differentiating and innovating products and services offered, and by improving marketing and branding to achieve greater consumer awareness and loyalty (European Commission, 2014a). It refers to any type of SME, from the most technologically intensive and internationally oriented ones, to those focused on more traditional products and mainly on local and regional markets.

ERDF funding for enhancing SME competitiveness is typically categorised into nine Fields of Intervention (FoIs)[1], as illustrated in the Figure below. However, the classification of expenditures across FoIs by Managing Authorities is somewhat discretionary and may be subject to various interpretations (as noted in the "Report on the clustering of operations and beneficiaries" prepared in the context of Work Package 2 – Preparatory Study[2]). In response, the evaluation team has meticulously examined the funded operations included in the database assembled during the Preparatory Study[3] and categorised them into a coherent set of policy instruments.[4] This typology transcends the mere administrative classification of expenditures. Instead, it identifies policy instruments defined as a consistent set of activities towards a policy goal, i.e., addressing the same market/systemic failures and challenges and having the same expected impact(s).

Figure 2: Nine FoIs in the scope of the evaluation



Source: CSIL & Prognos.

[1] The Field of Intervention is one of the categories of intervention according to which ERDF, ESF and Cohesion Fund operations should be classified by the Managing Authority, as specified in Article 8 of the Regulation (EU) No 215/2014. For ERDF operations, it identifies the type of investment involved. The Regulation identifies a total of 123 distinct Fields of Intervention, but not all fields can be used in the context of ERDF operations. The latter can be categorised in the fields 1-101, 102-121 (only in the case they fall under the European territorial cooperation (ETC) goal and 121-123 in the case of Technical Assistance operations. The other categories listed in Annex I of the aforementioned Regulation, according to which operations are to be classified, are the Form of Finance, the Territory Type, the Territorial Delivery Mechanism, the Thematic Objective, the Economic Activity and the Location.

[2] See https://ec.europa.eu/regional_policy/sources/policy/evaluations/ec/2014-2020/wp2_report_on_clustering_final.pdf

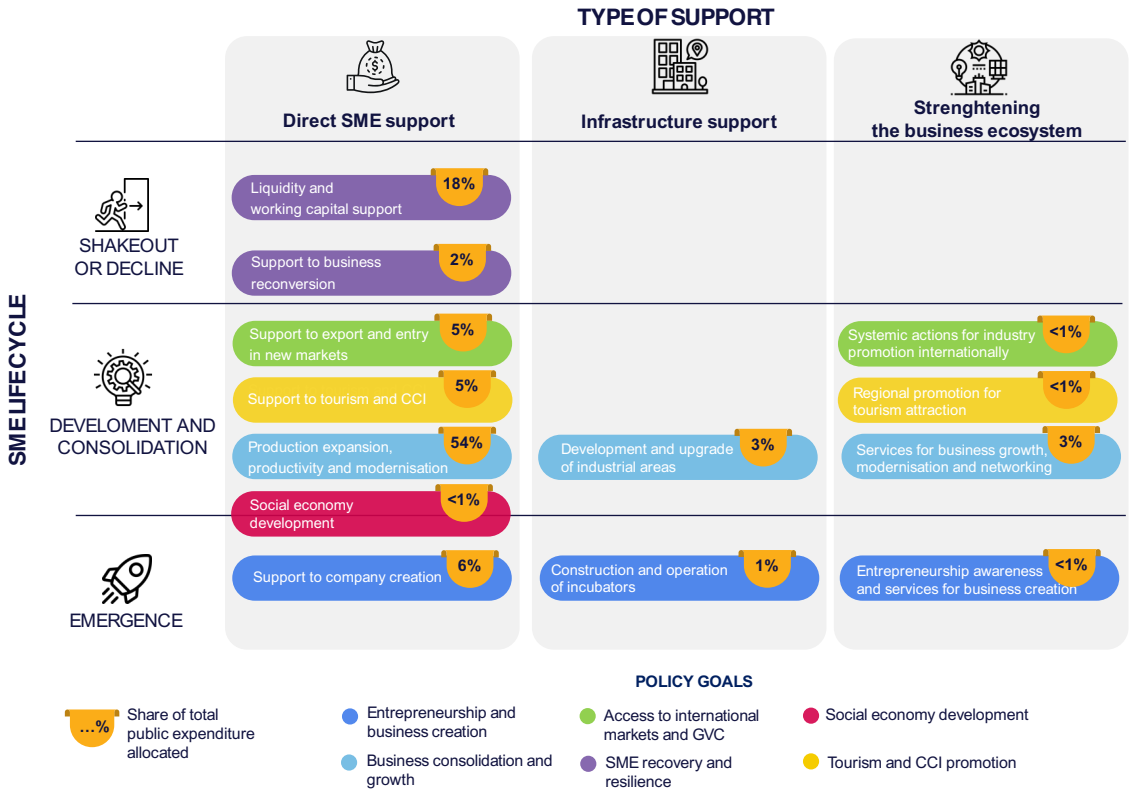
[3] The database covers 215 national and regional programmes co-financed by ERDF and/or CF and 73 programmes for territorial cooperations co-financed during the 2014-2020 period, across the 11 Thematic Objectives, with a cut-off date that ranges from the end of December 2020 for most programmes to July 2021. A more detailed description of the database is provided in the "Report on the Single Database" and the "Cohesion Open Data story presenting the "Single database" on 2014-2020 operations monitoring".

[4] See Annex III for more details on the methodology applied to categorise operations into policy instruments.

The developed taxonomy of ERDF support to SME competitiveness encompasses 13 specific policy instruments, covering the entire lifecycle of an SME, from the emergence of the entrepreneurial idea to the consolidation of business activities, growth, maturity, and transition stages in response to challenges such as declining sales and changing market conditions. These policy instruments include direct financial support to SMEs, advisory services, and the development and upgrading of infrastructures, either individually or in combination.

The total value of expenditure planned for SME competitiveness in the 2014-2020 programming period (in the above mentioned 9 FoIs) **as of the end of 2023 amounts to EUR 62.5 billion, of which EUR 45.4 billion covered by the ERDF**.[5] As Figure 3 shows, most of ERDF expenditure was directed towards supporting production expansion, productivity, and modernisation, accounting for 54% of the total expenditure allocated up to the end of 2020.[6] The second-largest policy instrument was the support provided in the form of liquidity and working capital to help SMEs deal with the COVID-19 crisis or other natural disasters, which represented 18% of the total allocation until the end of 2020.

Figure 3: Taxonomy of ERDF policy instruments for SME support



Source: CSIL & Prognos.

[5] Figures based on ESIF 2014-2020 categorisation ERDF-ESF-CF planned vs implemented considering the variable "Total Eligible Costs Selected" and "EU eligible costs selected" and the year 2023 (forthcoming update).

[6] Figures based on the WP2 database of operations, whose date of update is the end of 2020.

1.3. Methodology

1.3.1. Brief description of the methodology adopted

The evaluation followed the theory-based impact evaluation (TBIE) approach.[7] This approach involved initially reconstructing the Theory of Change (ToC) behind the public intervention, whether at the programme or policy instrument level. This process entailed identifying the articulated set of assumptions regarding how, why, when, for whom, to what extent, and under what conditions an intervention would lead or contribute to expected or unexpected, desired or undesired results within a given context. Subsequently, the initial theory, reflecting the intentions and expectations (both explicit and implicit) of policymakers and programme designers, was tested to determine whether the implementation details of the different support measures aligned with the ex-ante rationale. The evaluation also aimed to identify any possible unanticipated mechanisms through which the interventions achieved positive or negative unexpected results. Additionally, by testing the ToC, the evaluation team attempted to assess whether the policy instrument causally determined or at least contributed to the actual results.

Over a period of 18 months, the evaluation employed various methodological tools to collect and analyse both qualitative and quantitative evidence. Specifically:

- An extensive **literature review** was conducted to establish a robust evaluation framework and capitalise on previous research and evaluations (including those carried out at Member State level) regarding the extent to which and how public support, including ERDF, can enhance SME competitiveness. The findings of the literature review were integrated into all evaluation deliverables, from the First Intermediate Report to the policy instrument case studies.

- **Documentary analysis** of programming and implementation documents was undertaken to gain a comprehensive understanding of programme rationales and the variety of policy instruments utilised in different contexts. The review of programming documents was conducted for a sample of 70 ERDF programmes, representing approximately 80% of the ERDF allocation planned for SME competitiveness during the 2014-2020 period (77% when considering total allocation, including national co-financing).[8] These programmes span across 25 Member States and the UK,[9] ensuring a robust geographical representation across national, multiregional, or regional programmes, encompassing more developed, less developed and transition regions. Additionally, project calls, guidelines for applications and other documents were reviewed when conducting the in-depth analysis of selected examples of policy instruments (see the coverage of case studies developed in Figure 4).

- **Semi-structured interviews** were conducted with Managing Authorities and other regional and national stakeholders and beneficiaries, by the evaluation team to gather factual evidence and opinions on the mechanisms activated by the policy in action, and to explore more extensively the rationale behind the policy intervention as well as its effects. A total of 155 representatives from national and regional Managing Authorities were interviewed. Additionally, 255 interviews were

[7] Currently, theory-based evaluation is cited among the preferred tools for conducting impact analysis in the monitoring and evaluation guidelines for the European Structural and Investment Funds by the European Commission (see European Commission 2013a). See Stern et al. (2012) and Stern (2015) for more details on this methodological approach.

[8] According to the data available on the Cohesion Data Platform as of end 2023.

[9] Only Luxembourg (no expenditure on SME competitiveness) and Cyprus were excluded.

conducted to delve into the theory and effects of specific policy instruments as part of the case study analysis, covering 20 Member States.

- **Data and text mining** techniques were employed to extract information from external databases and sources through automated or semi-automated methods and merge them with the existing database of ERDF operations and beneficiaries, so as to enrich the data basis and analyses, at both micro and regional/country level.

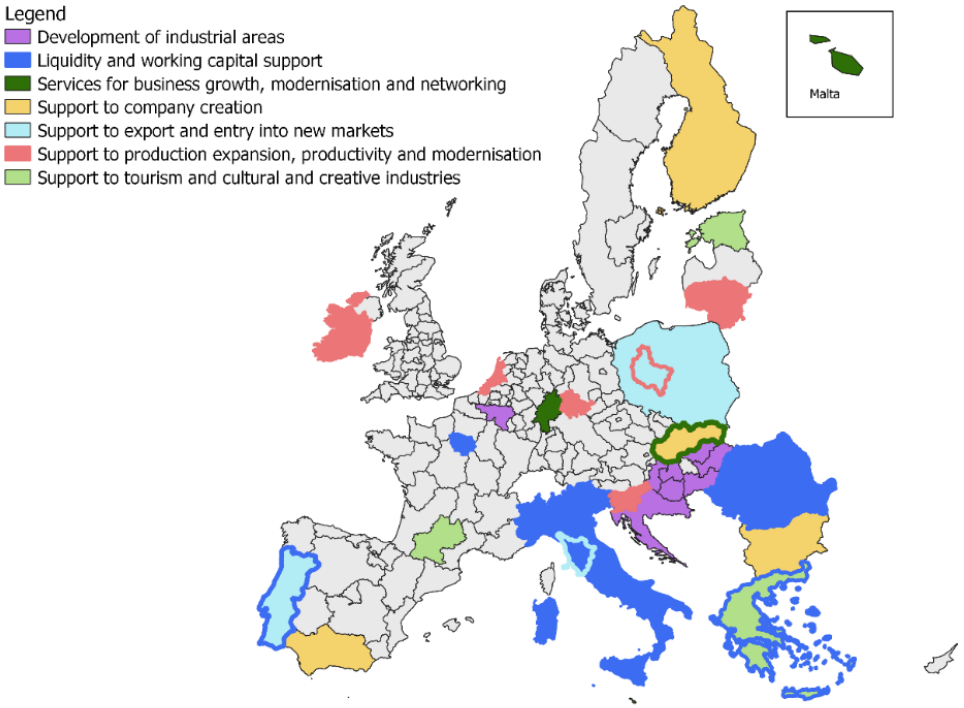
- **Descriptive statistical analysis** of data on operations and beneficiaries for ERDF support to SME competitiveness was performed to provide an accurate description of where ERDF expenditure was allocated.[10]

- **Econometric analysis** was used for a more refined analysis of the effects of policy instruments at the firm level. Two new counterfactual impact evaluation analyses were conducted on specific policy instruments when feasible,i.e. when data on a suitable control group of companies was available and it was possible to collect and process this data within the time constraints of the project. The results of other counterfactual impact evaluations recently performed by the team in the context of other evaluations were also reviewed and utilised. Multivariate econometric analysis was used to detect the factors, either related to the beneficiary SMEs or the instrument or the context, associated with better results.

- **A stakeholder seminar** was organised in Brussels on 16th November 2023, gathering 138 participants from the European Commission, Managing Authorities, academic and country experts and others in a hybrid format, to discuss the preliminary evidence collected by the study, aiming to provide an initial summary and interpretation of the body of evidence collected.

[10] Data on ERDF operations and beneficiaries was collected under Work Package 2 – Preparatory Study and presented in the Report on the Single Database (Deliverables 2+ 3).

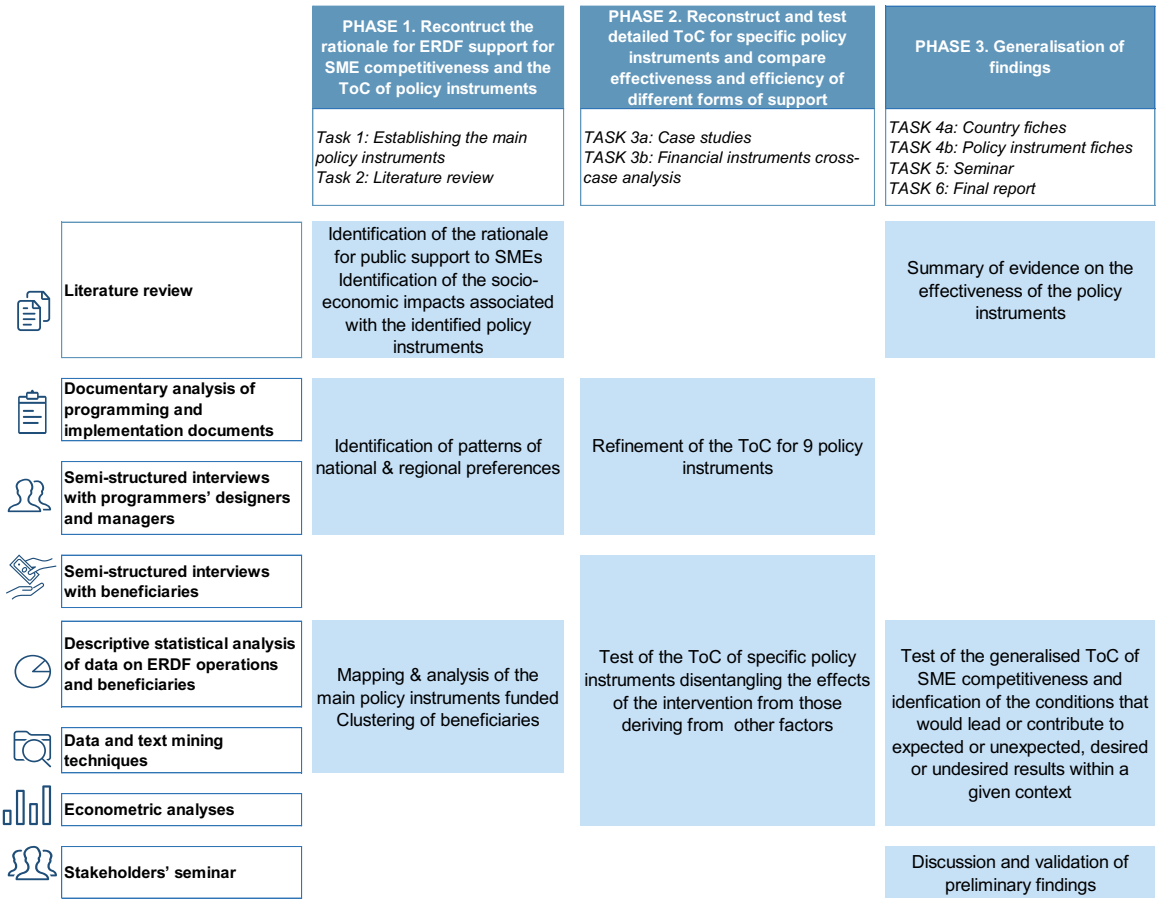
Figure 4: Map of countries/regions selected for in-depth evaluation (policy instrument case studies)



Note: Seven case studies were conducted on the most frequently used policy instruments, specifically those which accounted for over 2% of the total expenditure each. These seven case studies collectively represent 95% of the expenditure for the 2014-2020 period. Each study examined 3 to 6 specific policy interventions implemented in distinct countries, totalling 27 instruments analysed across 20 Member States.
Source: CSIL & Prognos.

The following figure presents the overall methodological framework by illustrating how and for which purpose the different methodological tools have been employed during the different phases and tasks of the evaluation.

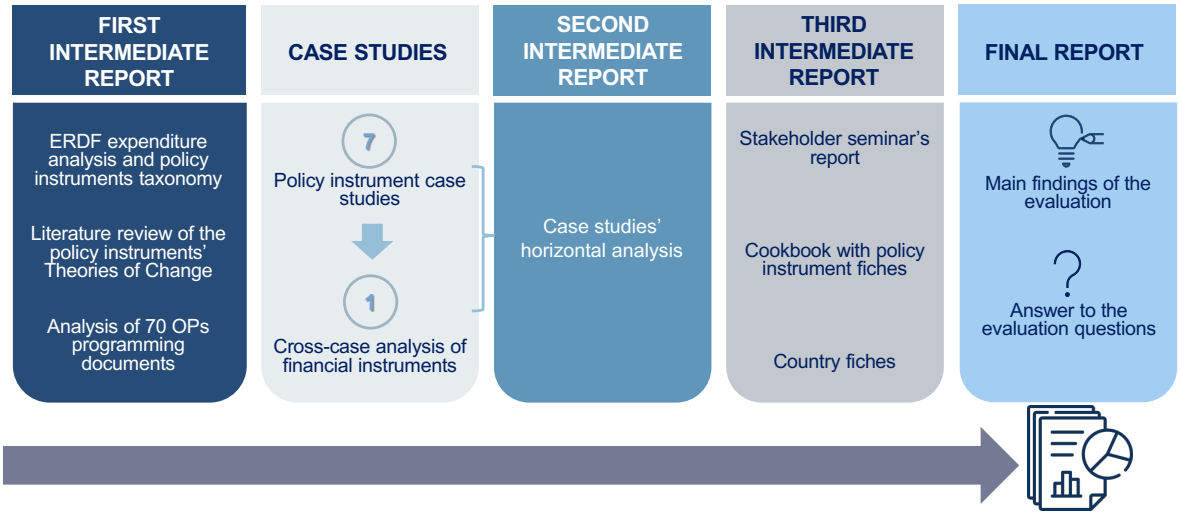
Figure 5: The methodological framework



Source: CSIL & Prognos.

This final report provides a synthesis and concluding findings from previous steps of the evaluation. The different deliverables produced are summarised in Figure 6.

Figure 6: Evaluation's deliverables



Source: CSIL & Prognos.

1.3.2. Methodological robustness and limitations

The methodological design exhibits several noteworthy strengths:

- **Comprehensive evaluation coverage**. The evaluation ensures a thorough understanding of the relevance, coherence, effectiveness, efficiency and EU added value of ERDF funding for SME competitiveness across various contexts and regions. Case studies were implemented on the most common types of policy instruments that altogether represent 95% of the total expenditure for the 2014-2020 period. The same policy instrument was analysed across at least three different Member States, as shown in the above Figure 4. The selection was made to allow comparison of the same policy instrument implemented across different contexts, in terms of size, geographical location, level of development, and other relevant context characteristics.

- **Depth of the evaluation**. The case studies gathered and analysed an extensive array of data and information encompassing not only the broader context and programmes but also specific calls and documents associated with the analysed policy instruments. This meticulous approach enabled the evaluation team to delve deeply into the design, implementation, and effects of individual policy instruments, thus refining the comprehension of the intervention logic, resulting effects, and, particularly, causal relationships. This depth of analysis is crucial as it provides a comprehensive understanding of the complexities involved, yielding insights into the nuanced mechanisms driving the observed outcomes and enhancing the robustness of the evaluation findings.

- **Systematic assessment approach**. A consistent methodological approach and reporting template were adopted for the analysis of all programmes and for each policy instrument case study. While some flexibility was allowed to accommodate variations in data availability and specificities of policy instruments under evaluation, this standardised framework facilitated reading, understanding, and horizontal comparison of main findings across different programmes and policy instruments, ensuring consistency, comparability, and thoroughness.

- **Data enrichment**. Beneficiary data underwent a thorough cleaning and were then matched with the ORBIS database to collect financial information. A total of 267,562 (218,253 when considering unique beneficiaries) SMEs could be matched with ORBIS, out of 679,669 (617,696 when considering unique beneficiaries) included in the initial database of beneficiaries assembled under Work Package 2 – Preparatory Study. This enriched dataset was utilised for econometric analysis, enhancing the depth and accuracy of the evaluation's findings (more details are included in Annex V).

The evaluation also posed some challenges, which are important to acknowledge:

- **Uneven micro data availability**. Variations in data availability on beneficiary SMEs and unsuccessful applicants led to reliance on different types of evidence across case studies. Data on end beneficiaries of financial instruments were particularly limited (see more on this in the next point). Because of this, it was not always possible to carry out robust quantitative causal analyses of effectiveness or to assess the heterogeneity of effects across contexts and types of SMEs. Mitigation strategies included triangulation of evidence from existing evaluations, implementation reports and other studies, and supplementing primary data gathered from interviews with stakeholders. Attention was paid to ensuring that all relevant voices were heard, from programme managers to implementing agencies, and business associations, as well as cases of beneficiary SMEs and unsuccessful

applicants. Possible optimism biases from respondents were addressed through triangulation of the different evidence collected.

- **Limited information on end beneficiaries of intermediated instruments**. For policy instruments delivered by intermediary organisations such as chambers of commerce, business associations, clusters, local authorities, and banks, only data on the direct beneficiaries of support (i.e., the intermediaries themselves) were accessible in the WP2 beneficiary database, while data on ultimate recipients of support were very limited. As a result, information on the ultimate beneficiary SMEs was not always available. Specifically regarding financial instruments, obtaining granular data on end beneficiaries was often unattainable due to regulatory and confidentiality constraints. This limitation complicated the assessment of the mechanisms between public authorities, financial intermediaries, and final recipients.[11]

- **Time lag of effects**. The staggered start of policy instruments resulted in observing impacts at different times, particularly pronounced for those launched late in the programming period. The limited number of completed operations posed a challenge to the representativeness of measured effects. Furthermore, in cases where operations were only recently completed, assessing beneficiary performance two-three years after ERDF support was not feasible.

- **Difficulty assessing SME behavioural change**. Some policy instruments, especially those providing services or infrastructure facilities for business development, were meant to have behavioural change effects on the supported SMEs, whose results in economic terms materialise in the longer term. These softer outcomes were explored mainly through interviews.

- **Difficulty assessing regional economic or convergence impacts**. The lack of ex-post programme or macroeconomic evaluations in EU regions hindered the assessment of policy instrument impacts on regional economies and overall EU economic cohesion. Evaluation of systemic effects relied on monitoring indicators, interviews, and analysis of relevant indicators at the regional or country level.

Clearly, the degree of reliability of different data collection and analysis tools varies due to the methodological challenges that arose during the study and their intrinsic limitations, but efforts were made to maintain a rigorous approach. See the table in Annex II for more insights on this topic.

1.4. Structure of the report

The report is structured to provide a comprehensive evaluation of ERDF interventions for SME competitiveness during the 2014-2020 period:

- **Section 1** has outlined the objectives, evaluation questions, scope and the methodology of the evaluation;

- **Section 2** delves into the policy issues in the field of SME competitiveness addressed and the underlying theories guiding these interventions;

- **Section 3** examines the policy instruments supported by ERDF during the period, analysing the types of interventions, expenditure patterns, policy mixes, and how

[11] For instance, as concerns transparency of European Investment Bank (EIB) Group activities related to Cohesion Policy, see EPRC (2016).

framework conditions such as ex-ante conditionalities and horizontal principles were considered;

- **Section 4** discusses the main factors and conditions associated with impacts of ERDF support;
- **Section 5** applies the Better Regulation criteria to assess the evaluation findings and considers horizontal issues across different policy instruments; it also summarises the results of the theory testing exercise;
- **Section 6** discusses lessons learned and policy implications from the evaluation study.

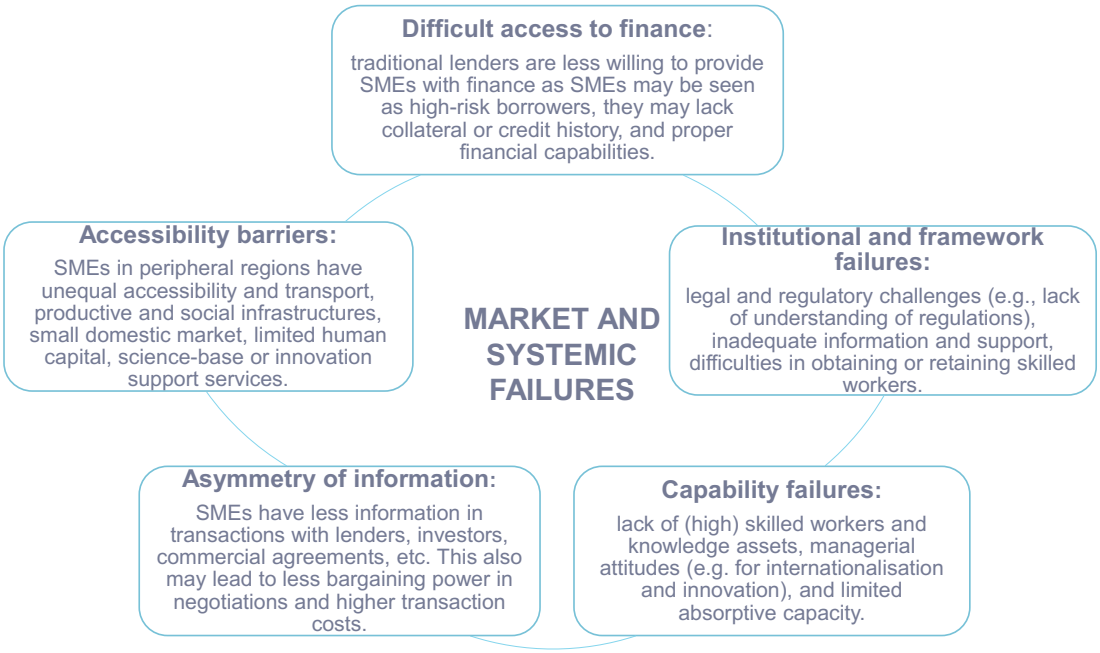
2. Rationale and policy context

2.1. SME needs in the 2014-2020 period

SMEs are the engine of the European economy, representing the majority of enterprises across the EU and providing two out of three private sector jobs and more than half of the total value-added created by businesses. SMEs possess fundamental assets such as flexibility, dynamism, high specialisation and local integration, which make them well-equipped to adapt to the new terms of international competition and respond to changing market conditions, evolving consumer preferences, shortening of the product cycle and other economic challenges (Ormazabal et al., 2018; Szabó, 2017; OECD, 2018; Baumol 2004). SMEs can take advantage of new opportunities offered by technological change and the development of a more varied range of products and niche opportunities, the increasing fragmentation of the production process, along with multi-national companies' strategies to reduce cost by outsourcing and subcontracting, and the increasing importance of quality as competitiveness leverage.

There is substantial heterogeneity under the label "SMEs". They cover a wide range of businesses with very different sizes (from micro firms to medium-size companies), types of ownership structure (e.g., family businesses, public corporations, etc.), capacities and types of activities (from the most traditional ones to highly innovative manufacturing and services), growth trajectories and international ambitions (start-ups or mature companies, domestic-oriented or born global firms). Further, SME distribution across European regions is not homogeneous, with microenterprises being prevalent in rural and Southern regions and one-person enterprises in central urban areas. Given this substantial heterogeneity of SMEs, their performance patterns are not clear-cut, and their specific needs can be widely different.

Figure 7: Main market and systemic failures hampering SME competitiveness



Source: CSIL & Prognos.

Because of their small size, SMEs are more exposed to barriers constraining their development potential vis-à-vis larger enterprises. Factors explaining the difficulty of

SMEs to grow and compete, largely explored by past studies (e.g., World Economic Forum, 2022; European Parliament, 2016; Leitner and Stehrer, 2016; European Commission, 2015, 2014c; European Commission 2012; European Commission 2008; OECD, 1997), can be related to typical market failures (i.e., when the interactions among the economic agents fail to deliver socially efficient outcomes) or as wider systemic failures (i.e., when problems are rooted in the system and institutions which drive the interactive behaviours). Traditional obstacles faced by SMEs include limited access to resources, understood in both financial, information and human capital terms; organisational constraints, such as lack of time, quality and forward-looking ownership and management, and inertia to behavioural change; less ability to shape the external environment, but higher dependence on it with less bargaining power (Figure 7).

These barriers can drive territorial disparities and push regions into development traps (Diemer et al. 2022). Indeed, a recent study by the European Observation Network for Territorial Development and Cohesion (ESPON) on territorial contexts and SME performance differences has confirmed that the differences across SME performance tend to overlap with broader territorial disparities. There are clear North/South and East/West patterns across the EU. For instance, SMEs of the less developed regions in the EU tend to carry out their activities while facing relatively more unfavourable contexts, e.g., less access to infrastructures, human capital, and international markets. They are also typically smaller than in more developed regions. Conversely, urban cores in Western and Northern countries tend to have very high contextual advantages, with well-developed business support ecosystems, availability of skilled human capital, cross-regions and cross-countries linkages. SMEs can be relatively less important in terms of share of employment in these most favoured regions, but represent a strong driving force for innovation, notably through entrepreneurship in knowledge-intensive sectors (ESPON, 2017).

The last decade has witnessed the intensification of several challenges for SMEs and the appearance of new ones. In addition to the longstanding market and systemic failures previously recalled, the digital and green transition goals have been prioritised in the policy debate. These goals seek to unleash a major transformation in the European socio-economic structure, bringing both great opportunities and challenges for SMEs. Digitalisation offers SMEs opportunities for sustainability through resource optimisation, compliance with green standards, and promoting a circular economy. However, its environmental impact, including energy consumption and electronic waste, must be mitigated through responsible practices to ensure it supports, rather than undermines, greening efforts.

Digitalisation demands preparedness and a well-defined strategic direction, achieved through efficient resource management and focused expertise, particularly in areas such as Artificial Intelligence (Denicolai et al., 2021), but also for those “universal” digitisation measures that are relevant to all SMEs in the context of digital transformation (Stitch et al., 2020). However, SMEs are not all equally equipped to seize the benefits of digitalisation (i.e. having a website, enterprise resource planning, online orders, etc.), as well as green innovation (i.e. waste reduction, efficient use of energy, sourcing from greener suppliers, etc.). Changes in business models and processes are necessary but uncertain (e.g., regarding the demand or the policy environment) and constraints to access the relevant information, skills and financial resources represent a major risk to the SMEs’ participation in the twin transition process (OECD, 2018a, Dethine et al., 2020, Pfister and Lehmann, 2021).

The start of the 2014-2020 period was marked by the recovery from the 2008-2009 financial and economic crisis, which had a profound impact on Member States’ economies. The crisis led to a drop in the total number of SMEs, employment and value-added levels. At the outset of the 2014-2020 programming period, there was an overall positive outlook and the promise of a reinforced economic recovery for the EU (European Commission 2014b). By 2013, SMEs had begun to recover, with total value-added returning

to pre-crisis levels and expected growth in employment and the number of SMEs. Despite varying recovery rates among Member States, the economy showed gradual improvement, with annual GDP growth rates averaging around +2% between 2014 and 2019.

When comparing the performance of SMEs to large enterprises, it becomes evident that SMEs' competitiveness has declined since 2011, as also noted by a recent report by the European Court of Auditors (2022). Large enterprises created almost all new jobs, so the SMEs' share of overall employment fell from 69.2% in 2011 to 64.3% in 2020. The increase in value-added was more than four times smaller for SMEs than for large enterprises. As a result, SMEs accounted for 52% of total value added in 2020 compared to 59% in 2011. Turnover has grown by 34.6% in large enterprises since 2011 but was stagnant for SMEs, leading to a considerable loss in SMEs' market share from 58.4% to 50.5%. SMEs also showed lower annual growth in productivity than large enterprises in 2020 compared to 2011 (8.6% vs 14.5%). Nonetheless, the EU averages hide some heterogeneity across countries and regions, revealing that SMEs' competitiveness has increased in some areas of the EU, particularly in less developed regions in Central and Eastern Europe.

Figure 8: SME competitiveness in the 2011-2020 period

Source: CSIL & Prognos based on Eurostat business statistics classifying enterprises by size on the number of employees and total business economy, except financial and insurance activities.

2.2. The rationale of Cohesion Policy support for SME competitiveness

Cohesion Policy is a fundamental pillar of the EU economic strategy, aiming to achieve structural change by fostering balanced and sustainable development across its Member States and regions. Through financial investments and strategic interventions, Cohesion Policy targets regions facing economic and social disparities, aiming to reduce inequalities and promote economic convergence. Structural change involves shifts in economic activities, employment patterns, infrastructure development, innovation ecosystems, and social inclusion measures. Notably, policy makers at both EU and Member State level consider that support for SME competitiveness can play a pivotal role in driving the structural change of regions. Cohesion Policy supports small businesses, helping them grow and thrive in the international markets. This is expected to lead to the development of new industries and transformation of existing ones towards more competitive, innovative, and value-adding activities. Moreover, by enhancing SME competitiveness, Cohesion Policy aims to create and retain jobs, reducing unemployment and promoting social cohesion, particularly in rural and less developed areas.

Cohesion Policy is inherently place-based and the focus on local context is particularly significant for SMEs. The business environment and available resources can vary significantly from one region to another, as previously discussed. Therefore, Cohesion Policy initiatives tailored to each region can have a direct impact on SME competitiveness and sustainability by addressing these local contextual factors and creating an enabling environment for business development and growth.

Enhancing the competitiveness of SMEs was one of the key ERDF priority objectives for the 2014-2020 period. As the largest source of EU support for SMEs during this period, the ERDF played a crucial role in supporting SMEs' growth and resilience amidst evolving economic challenges. It has planned to allocate over EUR 45.4 billion to boost the performance and productivity of Europe's SMEs.[12] With national co-financing, this amounts to a total support of EUR 62.5 billion. The objective – "Competitiveness of SMEs" was the second biggest ERDF objective for the 2014-2020 programme period, with a total budget of around EUR 38.6 billion, of which ERDF was EUR 26.5 billion.[13] The ambition was to double the resources mobilised to support SMEs by Cohesion Funds in 2007-2013 and to support around 800,000 enterprises under this objective alone, representing about 4% of all SMEs in the EU (European Commission, 2014b). As this evaluation demonstrates, this objective was indeed achieved.

Given that the policy targets only a small fraction of EU SMEs, its contribution to structural change can only be realised gradually and over a long-time perspective. The main rationale underpinning the logic of public support intervention to SME competitiveness was to address the market and systemic failures and other challenges constraining the growth and development of SMEs. The ERDF was expected to foster investments that stimulate structural transformation, tailoring the support to local needs and challenges to reduce disparities across regions and territories. The EU Regulation on the use of the ERDF for the 2014-2020 period stated that the ERDF should enhance the competitiveness of SMEs by contributing to the following investment priorities, in accordance with the development needs and growth potential of each region/Member State:

[12] This figure refers to allocation in the 9 selected Fields of Intervention.

[13] The figures provided in the paragraph are based on ESIF 2014-2020 categorisation ERDF-ESF-CF planned vs implemented as of end 2023, considering the variable "Planned_Total_Amount_(Notional)" and "EU_amount_planned" and the year 2023 (forthcoming update).

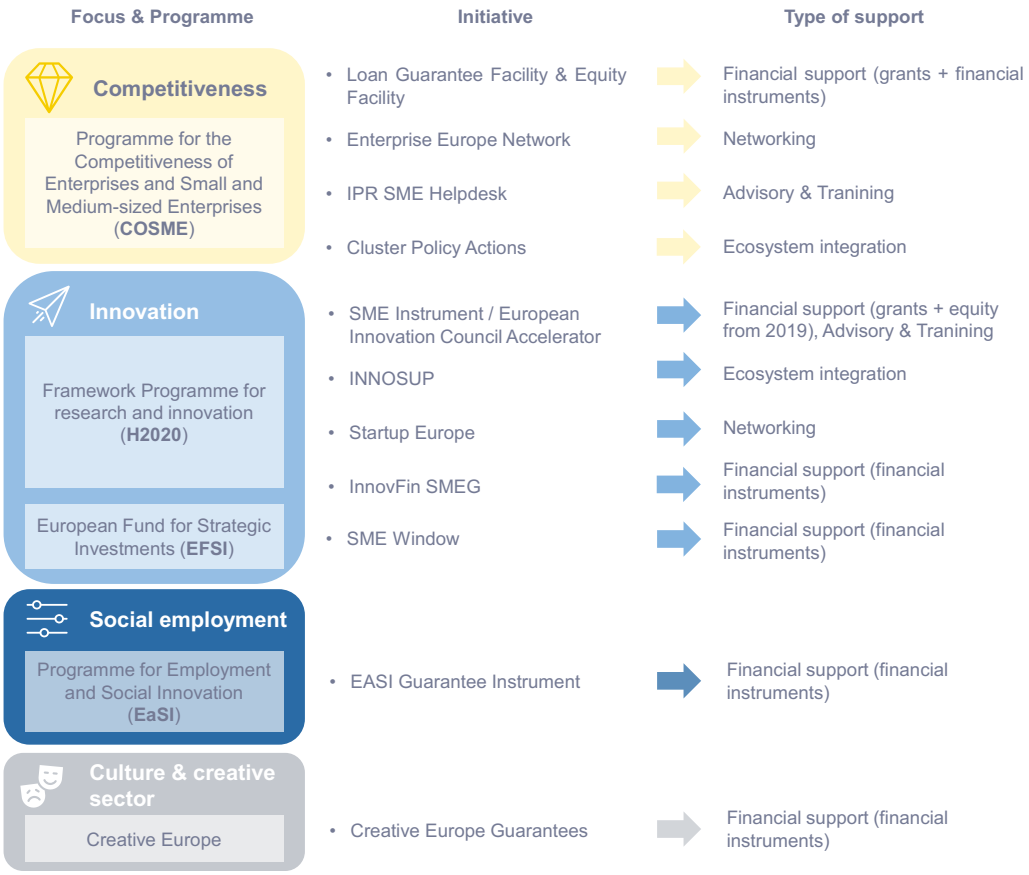
- Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;

- Developing and implementing new business models for SMEs, in particular with regard to internationalisation;

- Supporting the creation and extension of advanced capacities for product and service development and the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes.

Support for SME competitiveness can also contribute to achieving other investment priorities because the development of SMEs is regarded as a cross-cutting objective for Cohesion Policy. Support for SMEs is critical to promote innovation, especially in emerging fields linked to European and regional challenges. It can lead to developing and introducing new products and services to address the new demand from an ageing population or other goals linked to care and health, eco-innovation, the low-carbon economy and resource efficiency. Additionally, supporting social economy enterprises can contribute to social inclusion and help combat poverty and marginalisation (Regulation (EU) No 1301/2013).

Figure 9: Overview of other EU initiatives targeting SMEs in 2014-2020



Source: CSIL & Prognos.

The ERDF interventions for SME competitiveness were just one component of a broader and holistic pool of policies directed to SMEs and the EU industries in general. In the same period there were several EU initiatives available that offer direct support to SMEs (as shown in Figure 9), as well as more indirect support to create better

framework conditions for SMEs to compete, notably in the EU's Single Market. This includes investments for the development of infrastructure that improve the regions' accessibility and digitalisation opportunities (from Cohesion Policy but also the European Investment Bank), or the introduction of policy and institutional reforms in the Member States that contribute to a more favourable business environment (the Small Business Act Initiative).

In 2020, a new phase of the EU economy started, which also affected the rationale for ERDF interventions for SME support. The pandemic control measures and the new global economic turndown in 2020 and beyond hit SMEs hard. The disruption of value chains, difficulties with digitalisation, insolvency and liquidity problems strongly affected the performance and resilience of SMEs. Many of them had to close operations temporarily and suffered substantial revenue losses. The impact differed significantly between sectors, with tourism and cultural and creative industries being the most affected (OECD, 2021), and between EU Member States and regions, due to the different restrictions posed by the national and regional governments. Also, urban regions with many SMEs offering contact-intensive services, suffered earlier and the most, due to the higher incidence of COVID-19 cases and more severe restrictions.

Cohesion Policy was called to play an important role in response to the crisis. The Coronavirus Response Investment Initiatives (CRII and CRII+), introduced in March and April 2020, and the Recovery Assistance for Cohesion and Territories (REACT-EU), launched in December 2020, introduced simplifications, higher flexibility, liquidity measures, and allocated additional EUR 50.6 billion on top of Cohesion Policy funding.[14] A new dedicated and cross-cutting Thematic Objective constituting a single Investment Priority was added for Cohesion Policy to facilitate the distinction of REACT-EU operations from others for monitoring and evaluation purposes, namely the objective 'Fostering crisis repair in the context of the COVID-19 pandemic and its social consequences and preparing a green, digital and resilient recovery of the economy'.[15] At the third joint EU Cohesion Policy Conference (November 2022, Zagreb), the EU Commissioner Elisa Ferreira and the European Court of Auditors (2023) underlined how rapidly Cohesion Policy has adapted to face the new territorial challenges. The use of ERDF in an anticyclical role, already observed in the aftermath of the 2008/2009 crisis in the previous programming period, found its rationale in the aim of preserving the capabilities of European regions and reinforcing their structural resilience to weather the challenges, while keep supporting convergence among regions.

Due to the COVID-19 pandemic, the range of ERDF policy instruments for SME support was expanded. Policy instruments aimed at supporting SME growth and development strategies or fostering a conducive business environment were accompanied by a new instrument specifically tailored to assist SMEs in mitigating the immediate impacts of the pandemic crisis. While the former group of instruments aimed to achieve outcomes such as the creation of new SMEs or jobs, enhanced financial performance (e.g., increased turnover or profitability), increased productivity, expanded SME exports in terms of both value and volume, and increased tourism inflows, the latter instrument focused on improving the survival rates of SMEs.

Altogether, outcomes for SMEs contribute to achieving the Cohesion Policy goals in the field of SME and regional competitiveness, which are partly reflected in the ERDF Investment Priorities listed in Regulation (EU) No 1301/2013. These final outcomes materialise at a more systemic, i.e. regional, level. They refer to:

- Higher levels of entrepreneurship and business creation in the region (linked to IP 3a);

[14] https://ec.europa.eu/regional_policy/funding/react-eu_en.

[15] See Regulation (EU) 2020/2221.

- Better access to international markets and Global Value Chains (GVCs), also thanks to the development and implementation of new business models (IP 3b);

- Better capacity of SMEs in the region to consolidate their business and growth (IP 3d), also thanks to the creation, extension or modernisation of their production and better capacities for product and service development (IP 3c);

- Stronger capacity of SMEs to resist to unexpected shocks (resilience) and recover from a crisis (CRII, CRII+, REACT-EU);

- Outcomes pursuing goals that go beyond the support to SME competitiveness alone. It is the case of the promotion of the development of the Social Economy (1 of 14 industrial ecosystems identified in the EU Industrial Strategy) by providing aid to social enterprises (linked to IP9c) to contribute to social inclusion and territorial cohesion; and improvement in the development of Tourism and Cultural and Creative Industries, by facilitating the preservation of the cultural heritage and limiting the negative externalities of the massive tourism, such as the environmental degradation.

These policy goals are necessary preconditions to ultimately enabling regional growth convergence, regional attractiveness and regional competitiveness.

The simplified theory of change of ERDF intervention around SME competitiveness is illustrated in Figure 10. It highlights some of the factors expected to contribute to outcomes and long-term policy goals, as revealed by previous literature reviewed and summarised in the First Intermediate Report. For the sake of simplicity, it does not encompass all the mechanisms through which outcomes at the SME-specific levels are attained. These mechanisms vary based on the implemented activities, involved stakeholders, types of SMEs affected, and other factors related to how the policy instrument is implemented in specific contexts. Identifying specific pathways for effectiveness is the object of this evaluation.

More specifically, the evaluation aimed to test and enrich the theory of change underlying ERDF intervention for SME competitiveness, starting from its foundational elements represented by individual policy instruments and exploring how these instruments interact and function collectively or in relation to one another. Such a testing phase was guided by some key overarching questions:

- **What factors, related to context conditions or the design and implementation modalities of the policy instruments contributed to long-term SME competiveness?** Institutional capacity facilitates decision-making, well-functioning governance structures, accountability, effective communication, and provision of infrastructure and services. This mitigates market and systemic challenges for SMEs in navigating the market and developing their growth strategy (Charron et al., 2019, 2014, 2015; Iammarino et al., 2017; Glückler and Lenz, 2016; Rodríguez-Pose, 2020). Strong administrative capacity is also required in instrument designing and implementation to ensure that projects are aligned with regional strategic priorities and SMEs' needs, and to ensure that resources are used to maximise the efficiency and effectiveness of the designed instruments (Bachtler et al 2014). Low institutional quality may hinder better project selection, especially those delivered without specific targeting (Beugelsdijk and Eijffinger, 2005). Effective design balances funding intensity, beneficiary selection, and combining instruments, with funding intensity driving effectiveness (Srhoj et al., 2019; Decramer and Vanormelingen, 2016; Bia and Mattei, 2012). Excessive distribution of very small grants to many SMEs limits the impacts, as it would not induce a solid behavioural change nor a long-term effect, instead they might displace private investments (Klette et al., 2000). However, when firms are young and small, small grants that

aim to develop knowledge absorption and skill creation can significantly affect performance (Srhoi et al., 2021a; McKenzie, 2017). The combination of different types of support (e.g., technical assistance and direct grant, as stressed by Comi and Resmini, 2020) is even more helpful, since when the aid points to inexperienced SMEs, direct funding is likely less efficient than intermediated or mixed support (Comi and Resmini, 2020; Brooks and Van Biesebroeck, 2017). This evaluation aimed to gather more evidence on whether higher funding levels lead to better outcomes, regardless of the type of support given, and whether combining more projects and instruments enhances effectiveness.

- **Can the ERDF contribute to SME resilience in times of crisis without disregarding competitiveness objectives? If so, how?** The effectiveness of financial instruments in supporting SMEs during a financial crisis is well established from various evaluations of the Great Recession (Campello et al., 2010; DeYoung et al., 2015; Brown and Earle, 2017; Core and Marco, 2020; Altavilla et al., 2021; Minoiu et al., 2021). Guarantees have proven to be effective countercyclical policies that benefit both SMEs' turnover and the materialisation of investment intentions (Martin-Garcia, 2019; Briozzo et al., 2016; Asdrubali and Signore, 2015; Bartoli et al., 2013). More generally, financial instruments are also found to be effective in increasing turnover, assets, employment, and working capital during ongoing crises (Martin-Garcia, 2019; Burger and Rojec, 2018; Briozzo et al., 2016; Asdrubali and Signore, 2015; Bartoli et al., 2013). High-tech, young, and small enterprises generally benefit more from loans during the global financial crisis (Bertoni et al., 2019). However, the large share of financial instruments adopted during the COVID-19 crisis to address liquidity shortfalls may significantly raise SME debts, adding future challenges to business solvency and hampering their growth strategies (OECD, 2020a). In this regard, adopting equity and venture capital can help minimise this side effect (OECD, 2020b). This evaluation attempted to explore whether the adoption of ERDF during COVID-19 has been able to sustain SMEs' investment intentions and prevent disruption to their growth strategies.

- **How was the ERDF support targeted to the local needs? And does the targeting strategy contribute to effectiveness?** The place-based design and implementation of ERDF programmes are regarded by the literature as fundamental conditions for the success of any Cohesion Policy instrument (Navaretti and Markovic, 2021; Beer et al., 2020; Neumark and Simpson, 2014). Considering the set of opportunities and resources characterising a specific territory is necessary to make full use of them. Indeed, rising productivity in SMEs is a very different issue if these are located in large metropolitan areas of more developed regions or less-developed regions with a lower level of economic activity (Navaretti and Markovic, 2021). Hence, the outcomes of policy interventions are likely to differ significantly. The previous ex-post evaluation of ERDF support to SMEs in the 2007-2013 period (EC, 2016) showed that one of the key determinants of success is a good targeting strategy that prioritises assistance to those firms (or sectors) for which adjustment processes are most challenging and needed. This evaluation examined whether clear targeting strategies were implemented and if and how they contributed to effectiveness.

- **How does continuity of funding through ERDF support contribute to long-term investment perspectives and policy learning, and what role does experimentation play?** Cohesion Policy is inherently related to continuous adaptation to local contexts in order to produce transformative effects and achieve regional convergence. The lack of flexibility in fund management can create obstacles in the development path, and local management can better identify regional weaknesses and devise tailored support and investment projects (Tiganasu and Lupu, 2023). ERDF continuity of funding contributes to a long-term perspective when policymakers are capable of understanding the dynamics of local

needs over time. For instance, it has been shown to be fundamental for regions and projects to plan and implement long-term infrastructure investments in less developed areas where the provision of infrastructure and services is very poor. (Romero and Fernández-Serrano 2014; Faíña et al., 2013). Moreover, ERDF programmes have proven to be effective in exploiting specific geographical features and transforming territorial "handicaps" into "assets" in islands, mountainous, and sparsely populated areas, by evolving from reactive to proactive and mature policies over time through a policy learning process (ADE, 2012). However, little is known about policy experimentation in more traditional instruments for SME competitiveness. This evaluation aimed to gather additional evidence on the capacity of Managing Authorities to adapt old instruments to new challenges and create novel instruments from scratch that better align with local needs.

- **How does the continuity of programming and funding impact SME participation, and what challenges arise in expanding support to a broader spectrum of SMEs?** For first-time recipients, ERDF support initiates a learning process that reduces the costs of future applications. ERDF has frequently been criticised for inefficiencies in its implementation (OECD, 2018b). Smaller beneficiaries, in particular, face significant administrative burdens, which represent proportionally higher fixed costs for them compared to larger firms. Despite facing greater market and systemic challenges, micro firms are less likely to access this support (Benkovskis et al., 2019). Similarly, the smallest, least developed firms in peripheral areas may be at a disadvantage. Although these firms are situated in less developed regions that typically receive more funding, they still have a lower chance of accessing these funds compared to companies in more central locations. For all these reasons, continuous funding may create barriers to access for certain types of SMEs, which should be taken into account by Managing Authorities during the selection process. This evaluation sought to identify potential negative patterns in SME participation and to determine whether and how Managing authorities have taken actions to address them.

- **In which conditions are financial instruments more effective than non-repayable aid?** The economic literature generally regards financial instruments to be more cost-effective than grants (Bondonio and Greenbaum, 2014). Supporting enterprises through financial instruments can have immediate effects on improved access to finance, e.g., higher credit availability and lower cost of borrowing. In turn, these should translate into improved enterprise performance, e.g., productivity, for public support to impact local economic growth (Butler and Conrnaggia, 2011; Gatti and Love 2006). The empirical evidence from past studies provides mixed findings about the effectiveness of financial instruments (Grilli and Murtinu, 2014; Nyikos et al., 2020).[16] This evaluation aimed to provide further evidence to assess whether financial instruments of different types can be more effective than grants, and under what conditions.

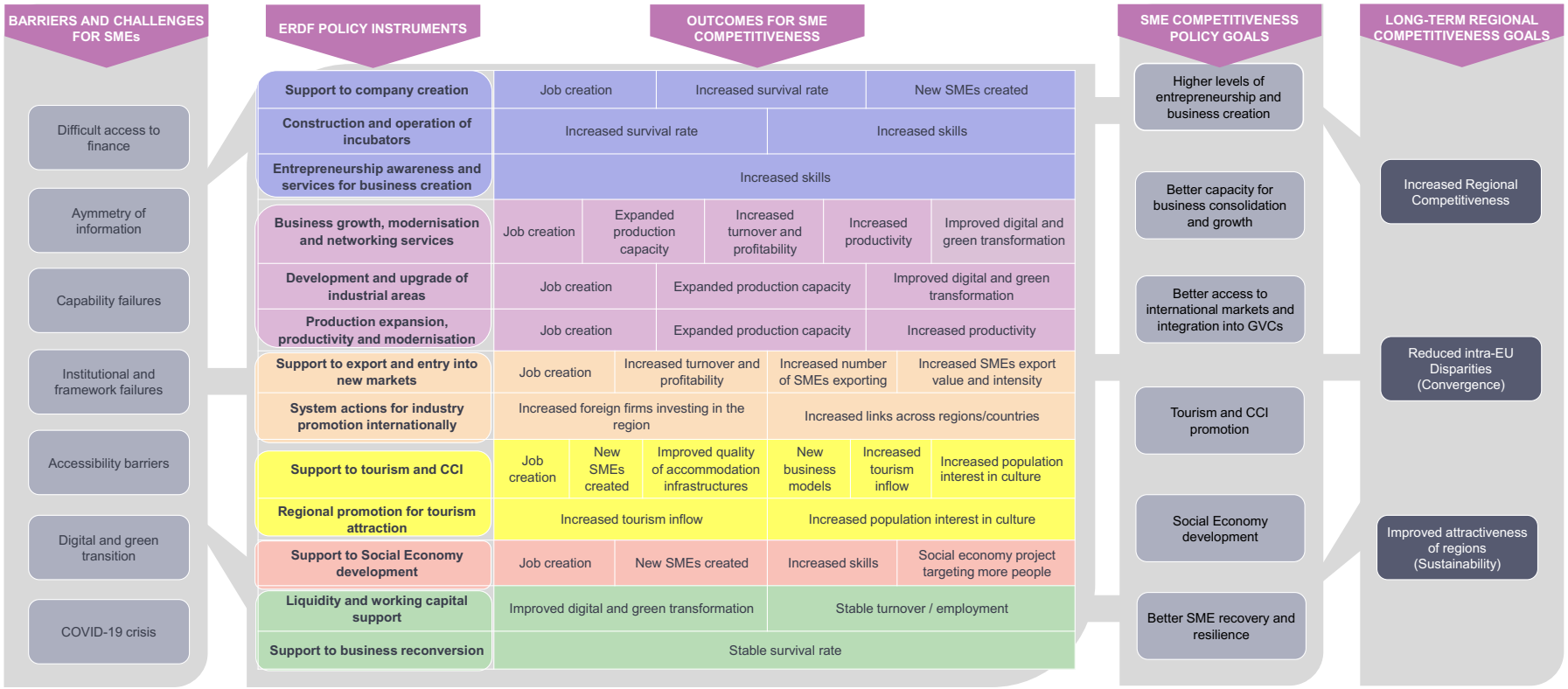
- **What evidence exists regarding the systemic effects of supporting SME competitiveness, and how does the synergistic use of different forms of support for SMEs contribute to achieving impacts on regional economic systems?** A bulk of studies have examined the evidence of the contribution of ERDF on regional competitiveness and socio-economic convergence, concluding that it is mixed, often showing a decline in the returns of intervention (Rodríguez-Pose and Ketterer, 2019). Scholars have also noted a decline in the explanatory power of traditional growth theories, suggesting that a critical component of the growth equation is missing. Increasingly, analysis focuses on the influence of institutional roles and government quality (Rodríguez-Pose and Ketterer, 2019;

[16] For a more comprehensive review, see the case study on financial instruments carried out in the framework of this evaluation.

Charron, Lapuente, & Rothstein, 2013), which are considered key ingredients in the design of the programmes. As previously discussed, ERDF interventions for SME competitiveness represent one component within a spectrum of other Cohesion Policy, EU, and national policies directed at SMEs. Systemic, macro-level effects of ERDF intervention for SME competitiveness can be achieved through the synergistic effect of these different policies. These effects are more likely to be realised where institutions have a long-term, place-based development strategy (Rodríguez-Pose, 2013). For instance, an integrated use of ERDF resources for investments and support in terms of vocational training, skills development, and job search support from the European Social Fund (ESF) can be particularly valuable (as shown by the Commission, 2020a), although empirical evidence of effectiveness from these synergies is scarce. Recent studies have shown that the ERDF and ESF tend to be coherent with each other, and there is generally no evidence of duplication of initiatives funded by the two funds. However, the concrete integration between ERDF and ESF is not straightforward at an operational level due to differences in rules and processes (European Commission, 2018a). This evaluation explored the extent to which administrative capabilities have achieved the goal of exploiting synergies within ERDF instruments and between other funds.

Findings to these questions are presented in Section 4.

Figure 10: Simplified Theory of Change for ERDF support to SMEs



Proximate conditions (supporting factors related to the policy)

1. Administrative capacity is essential for balancing funding intensity, beneficiary selection, and the combination of instruments, with funding intensity being a key driver of effectiveness.
2. Place-based targeting strategy contributes to better effectiveness.
3. Continuity of funding enables experimentation and policy learning, which involves continuous adaptation to local contexts to achieve transformative effects and regional convergence.
4. Continuous ERDF funding supports a learning process for first-time recipients, reducing the costs of future applications. Barriers might arise for micro firms and the smallest, least developed firms in peripheral areas.
5. Financial instrument support can achieve stronger impacts than grants and be more cost-effective.
6. Complementarity between ERDF and ESF helps address skills shortage.
7. Systemic, macro-level effects can be attained by the synergic effect of these different policies.

Broader contextual factors

1. Institutional capacity supports decision-making, governance structures, accountability, effective communication, and provision of infrastructure and services helping SMEs navigate the market and develop their growth strategies.
2. Lack of infrastructures, business services and peripheral locations affect the market structure e.g., low sectoral diversity, scarce financial markets, poor networking. Overall, they are associated with lower SME performance.
3. ESG goals, digital transition and technological speed push SMEs to structural challenges that will enable more sustainable growth pathways in the long-term.
4. Demographic trends and lack of skills among the workforce affect labour supply. Lack of skills can undermine SME competitiveness.
5. Globalisation and GVCs integration push SME to going international and shift to higher value-added activities.
6. Financial instruments are effective countercyclical instruments. However, the widespread adoption of loans during the crisis poses future solvency challenges for SMEs.

Source: CSIL & Prognos.

3. The interventions supported

3.1. ERDF SME support: funding allocation and expenditure analysis

At the end of 2023, the total available funding allocated to SME competitiveness measures[17] amounted to EUR 62.5 billion, with ERDF resources covering EUR 45.4 billion.[18] Initially, at the beginning of the 2014-2020 period, national and regional programmes (mainstream programmes) and cooperation programmes (Interreg) had planned an allocation of EUR 43.8 billion, of which EUR 29.6 billion came from ERDF resources.[19] The significant increase in funding was due to additional resources made available for recovery from the COVID-19 crisis, including REACT-EU funds, and the reshuffling of spending allocations.

A total of 228 programmes, including 182 mainstream programmes and 46 cooperation programmes, allocated expenditure to support SMEs, with different degrees of intensity. As of 2023, 85% of the total eligible planned has been concentrated in 71 programmes, while 85% of the total EU contribution has been concentrated in 63 programmes. Expenditure for SME competitiveness has been primarily focused in Southern and Eastern European countries, and the UK with 85% of the total eligible expenditure and EU contributions allocated to programmes in 12 Member States. Specifically, the leading countries in terms of total eligible expenditure include Italy, Portugal, Greece, Poland, Germany, Hungary, Spain, the UK, Romania, Czechia, and Croatia, and some regions of France.

During the 2014-2020 programming period, most EU Member States exhibited an upward trend in the allocation of resources towards SME competitiveness. Particularly noteworthy were the substantial increases observed in Member States significantly affected by the COVID-19 pandemic, such as Italy and Greece, or those where ERDF resources form a significant portion of SME support funds, as in Romania and Bulgaria[20]. In these countries, the increase amounted to up to 90% of the initially allocated budget. This surge can be attributed, in part, to the introduction of REACT-EU funds, comprising between 13% and 26% of the total budget earmarked for SME competitiveness. Additional funds were sourced from unspent allocations previously earmarked for other SME policy instruments or alternative policy objectives, such as ICT or green investments. Notably, the augmentation predominantly pertained to the budgets allocated to national programmes and occurred starting from 2020, driven primarily by the imperative to help SMEs cope with the challenges posed by the COVID-19 crisis.

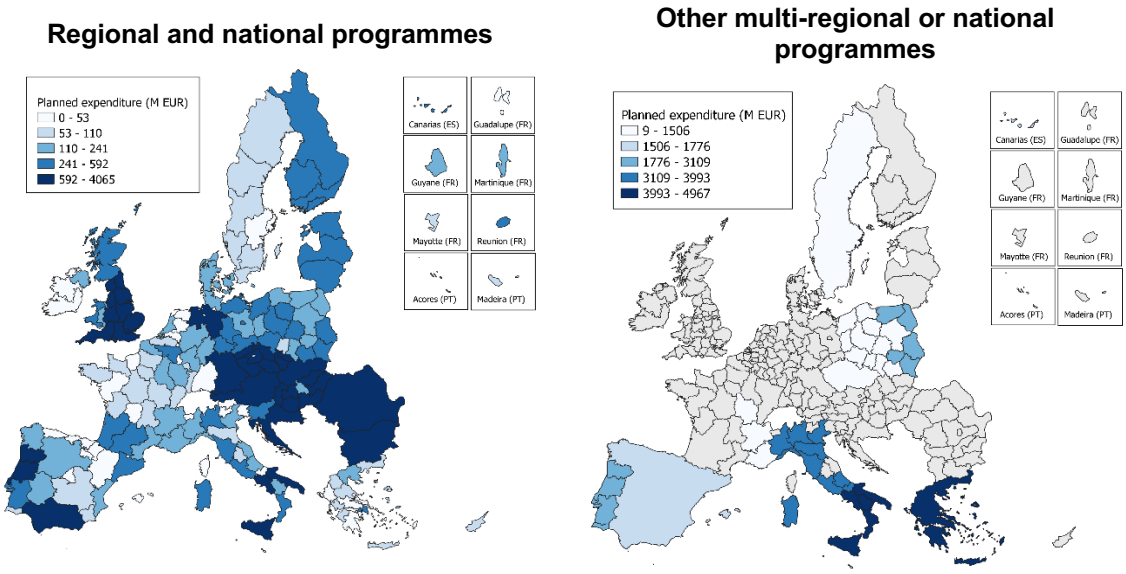
[17] In the 9 fields of interventions previously listed.

[18] Figures based on ESIF 2014-2020 categorisation ERDF-ESF-CF planned vs implemented considering the variable "Planned_Total_Amount_(Notional)" and "EU_amount_planned" and the year 2023.

[19] Figures based on ESIF 2014-2020 categorisation ERDF-ESF-CF planned vs implemented considering the variable "Planned_Total_Amount_(Notional)" and "EU_amount_planned" and the year 2016.

[20] While detailed data on the relative importance of ERDF resources over the total resources mobilised in each Member States is not available, interviews conducted with representatives from the national and regional authorities carried out while conducting OP reviews and case studies provided indications regarding the significance of ERDF resources within the overall funding landscape of the respective Member States.

Figure 11: Distribution of total expenditure planned for SME support across EU regions (2023)



Note: The maps refer to the total expenditure classified under any of the selected 9 fields of intervention.
Source: CSIL & Prognos based on based on EC categorisation data (as of end of 2023).

Despite the relaxation of eligibility criteria introduced with the Coronavirus Response Investment Initiatives (CRII and CRII+), which expanded the regions eligible for support, **the concentration of ERDF resources remained primarily in less developed regions**. These regions initially accounted for 64% (56% when also considering national co-financing) of the allocated funds for SME competitiveness, rising to 67% (60% when also considering national co-financing) by the end of 2023 across the EU.[21] Throughout the programming period, the distribution of funds across different types of regions remained largely consistent in most countries, with some even witnessing an increase in funding for less developed and transition regions. However, this trend was not uniform. Notably, in Greece, Slovenia, Slovakia and Romania there was a discernible shift towards more developed regions post-pandemic, whose relative allocation over the total increased from 5 to 11 percentage points.[22]

In 2023, the average declared expenditure over commitment of ERDF resources earmarked for SME competitiveness stood at 104%, with variations across Member States (see Figure 12). Seventeen countries have either spent the same amount as planned or exceeded it, either through overbooking practices[23] or by reallocating unspent

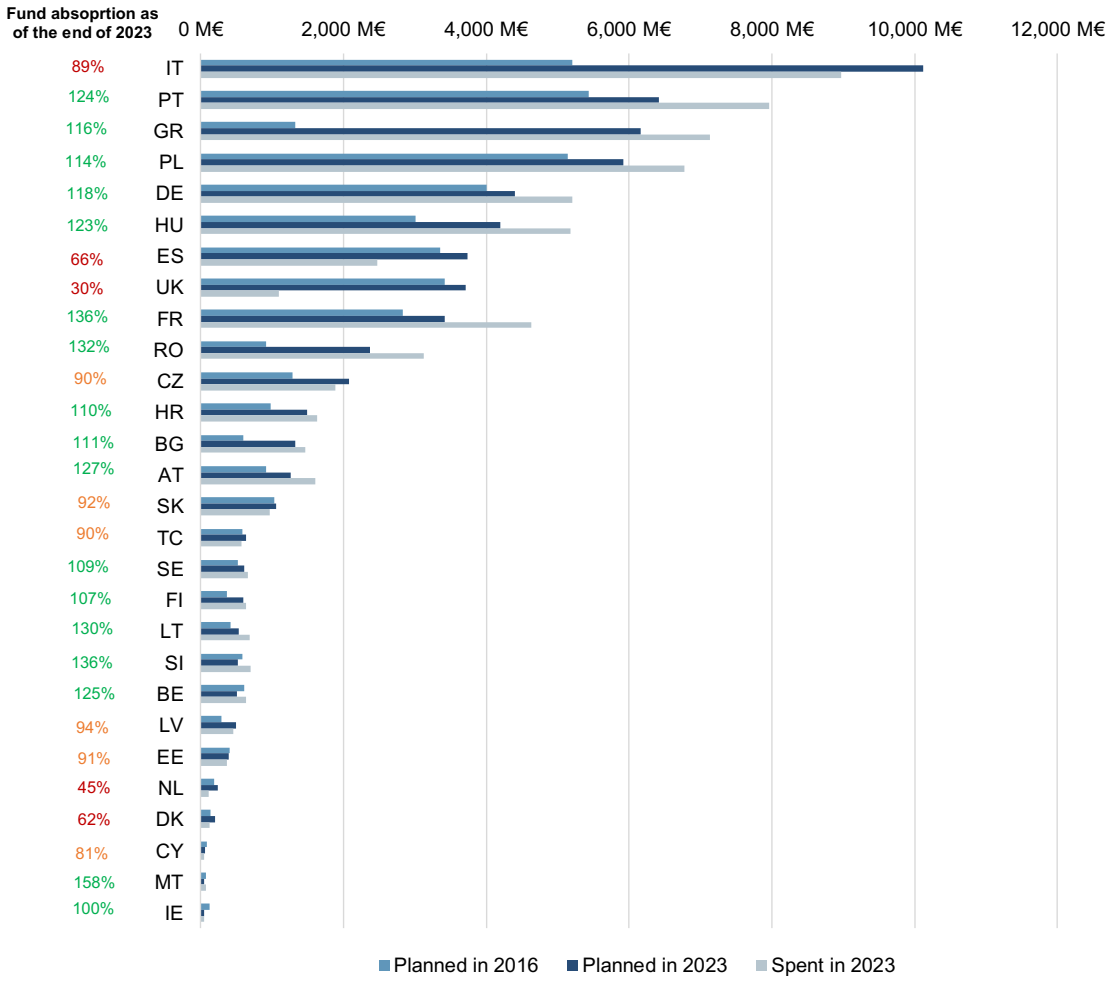
[21] These figures do not include REACT-EU resources allocated to the SME competitiveness objective, as no predefined geographical allocation was required across regions with different levels of development.

[22] Only a few (small) Member States experienced a decline in expenditure allocated to SME competitiveness over the period, including Ireland, Malta, Cyprus, Belgium, and Slovenia. Ireland and Malta observed reductions in their overall budgets for SME competitiveness since 2020, as a strategic response to address the challenges posed by the COVID-19 pandemic exclusively through interventions funded by the European Social Fund (ESF) and national funds. In Cyprus and Belgium, although the budget planned for SME competitiveness was initially increased in response to the pandemic, subsequent reductions ensued, likely attributable to implementation challenges of some operations. Indeed, both countries grappled with limited absorption rates of SME competitiveness expenditure, estimated as the proportion of declared expenditure over planned expenditure, prior to the budgetary adjustments preceding the conclusion of the programming period. In Slovenia, while an overall decrease in budgetary allocation occurred in 2017, funding began to rebound in 2021. However, as of the conclusion of 2023, the allocated budget remains slightly lower than initially planned in 2016.

[23] An absorption rate surpassing 100% may be attributed to the utilisation of overbooking practices, implemented by certain Managing Authorities across the EU with the aim of achieving complete fund absorption. This strategy involves the selection of a greater number of projects than can be feasibly financed with the available resources, thereby establishing

resources from other objectives to the objective of SME competitiveness. Five countries show absorption rates between 90% and 100%. Lower rates can be observed in a few others, including the UK, the Netherlands, Denmark, Spain, Cyprus, and Italy. In most of these countries, challenges in absorbing funds may have arisen from the augmented ERDF budget for SME competitiveness and difficulties in selecting or concluding additional operations mandated in response to the COVID-19 pandemic by the end of 2023, in compliance with ERDF regulations.

Figure 12: Amount of Cohesion Policy funds (ERDF and matching funds in million EUR) planned for SME support in 2016 and 2023 and spent in 2023



Note: The chart considers the total expenditure planned (variable 'Planned Total Amount (Notional)' in 2016 and 2023 and variable "Total eligible expenditure declared" in 2023) under any of the selected 9 FoI. The data concerning actual spending by the end of 2023 is calculated as the ratio between the declared expenditure ('Total Eligible Expenditure Declared') and the planned expenditure ('Planned Total Amount (Notional)') as of the end of 2023.
TC stands for trans-national cooperation – Interreg programmes.
Luxembourg is not included as their programme did not plan any investments under the SME competitiveness objective.
Source: CSIL & Prognos based on EC categorisation data (as of the end of 2023).

reserves of projects that can be funded in case other projects encounter difficulties in implementation and are not executed or there are unforeseen budgetary escalations (see for instance, Dozhdeva and Jabri, 2022, Ciffolilli and Pompili, 2023). While overbooking practices are possible, Member States do not receive additional ERDF resources beyond the amount planned and agreed upon with the European Commission.

A systematic comparison of funding initially planned and actual expenditure at the policy instrument level is not feasible. Policy instruments were identified by analysing and clustering data on operations funded, but they only cover expenditure up to the end of 2020. In fact, the database of operations assembled in the Work Package 2 – Preparatory Study (European Commission, 2022a) includes expenditure data with a cut-off date at the end of 2020.

In the 2014-2020 period, changes to the initially planned mix of policy instruments for SME competitiveness were relatively limited, unlike the significant shifts observed during the 2007-2013 economic and financial crisis. [24] The funding for liquidity and working capital support increased significantly towards the end of the programming period in response to the COVID-19 pandemic. However, this did not affect allocations of other instruments due to the additional funds injected by the European Commission. Moreover, the late occurrence of the pandemic, when most interventions were already in place or completed, required relatively limited reprogramming efforts.[25] The REACT-EU programme increased available ERDF resources, which were used by almost all Member States and regions to support SMEs' recovery from the pandemic's effects. A few exceptions can be noted. Malta decided to allocate additional funding from the REACT-EU only for European Social Fund (ESF) interventions, and several new support schemes for SMEs were established using national resources exclusively. In Ireland, funds from the REACT-EU were not specifically directed to support SMEs; instead, some funds intended for SME competitiveness were reallocated to interventions in the health sector.

In a minority of OPs, support to SMEs during the COVID-19 pandemic was not provided by a dedicated policy instrument. Instead, the adoption of flexibility mechanisms allowed for the expansion of liquidity and working capital support under other existing instruments. This was observed in all SME Initiative (SMEi) OPs, which were funded in Bulgaria, Finland, Spain, Italy, Malta, and Romania. Some new provisions were introduced under this instrument to ease constraints on the use of working capital by final beneficiaries. In December 2020, eligibility criteria were modified, and the eligibility period was extended. Specifically, the new provisions removed the requirement of providing a business plan (or equivalent documentation) as a condition for the loan request, aiming to strengthen the financial balance of companies in the short term without constraints. Moreover, in certain French regions, expenditures related to working capital needs became eligible under the fund "Normandie Prêts Participatifs" in the regions of Haute and Basse Normandie, and under the "FOSTER-guarantee" in the region of Occitanie (Languedoc-Roussillon and Midi-Pyrénées).

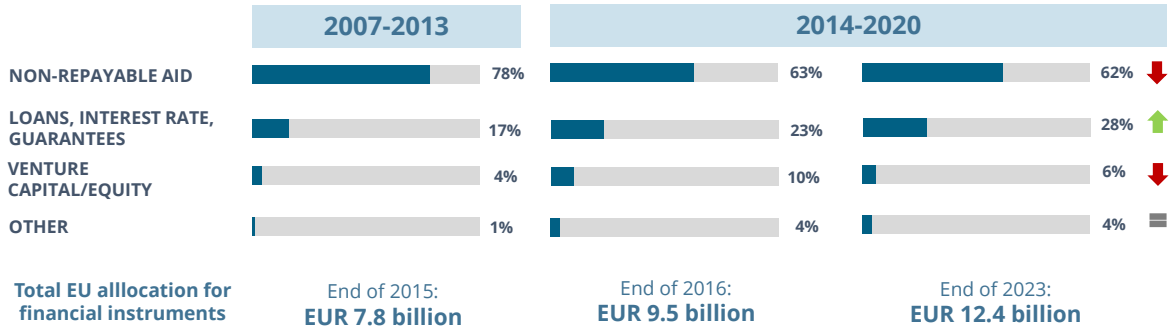
The COVID-19 pandemic has led to increased demand for financial instruments, notably loans, guarantees, and interest-rate subsidies, although grants remained the primary form of finance (see more statistics on the policy instruments in Annex IV). Post-pandemic revisions in programming documents indicate the introduction of financial

[24] In the previous programming period, resources from instruments aimed at investment projects were shifted to generic support for liquidity and access to finance projects. For more details, refer to European Commission 2016.

[25] For instance, Austria, Germany, and Finland utilised the additional resources from the REACT-EU by replicating existing calls for proposals, thereby augmenting their available budget without altering the budget allocated to other policy instruments. Similarly, in France, only a few regions diverted a small portion of the ERDF budget previously allocated to other priorities to support COVID-19 measures. In two Greek regions, Central Macedonia and Thessaly, the total budget for SME competitiveness was increased by reallocating funds from other priorities, while unspent funds for SME competitiveness were transferred to new policy interventions in response to COVID-19 challenges. In Lazio (Italy), the budget for ICT, green investments, and interventions supporting SME competitiveness was reduced or cancelled. In the Polish regions of Podkarpackie and Lubelskie and in Bulgaria, the budget increase for SME competitiveness during the COVID-19 pandemic was facilitated by reducing the budget for RTDI interventions, as well as transferring funds from other programmes.

instruments to support SMEs, even when not initially considered,[26] marking a significant increase in their utilisation as compared to the previous programming period (see Figure 13).

Figure 13: Use of financial instruments in the 2007-2013 and 2014-2020 periods



Note: The chart considers for the period 2007-2013 the ERDF amount allocated as of the end of the period to priority themes linked to SME competitiveness[27], while for the period 2014.2020 it considers the EU expenditure planned (variable 'Planned EU amount) in 2016 and 2023 under Thematic Objective 3 (SME Competitiveness).
Source: CSIL and Prognos based on DG REGIO 2007-2013 Cohesion data from closure reports and EC categorisation data (as of the end of 2023).

3.2. ERDF expenditure across ERDF policy instruments

3.2.1. Main features of the policy instruments

ERDF support can take various forms, as acknowledged by Regulation (EU) No 1301/2013.[28] Through analysis of expenditure data, coherent typologies of ERDF policy instruments supporting SMEs were identified, as previously illustrated (refer to Figure 3). They encompass both direct financial support and initiatives aimed at fostering a conducive ecosystem for SME growth, such as infrastructure and business support services. These instruments catered to the entire spectrum of an SME's life cycle.

Over half (54%) of the total expenditure was directed towards investments in production expansion and modernisation within SMEs as of the end of 2020. The second largest instrument (18% of total expenditure up to the end of 2020) was liquidity and working capital support, used to bolster SME resilience in the post-COVID-19 period.[29] A smaller proportion of expenditure was devoted to supporting company creation (6.6%),

[26] For instance, in Tuscany, Italy, a new guarantee scheme was introduced. The French region of Alsace and Champagne Ardennes opted for a loan scheme. In Greece, the national OP provided working capital support primarily through grants, particularly targeting firms that were compelled to halt their operations and unable to secure bank credit, notably within the hospitality industry. Additionally, guarantees, loans, and interest-rate subsidies were also introduced as part of the support measures.

[27] The following priority themes were considered: 07 - Investment in firms directly linked to research and innovation activities; 08 - Other investment in firms; 68 - Support for self-employment and business start-up; 14 - Services and applications for SMEs (e-commerce, education and training, networking, etc.); 05 - Advanced support services for firms and groups of firms.

[28] The Regulation mentions that the ERDF can be direct financial support to productive investment in SMEs, which contributes to creating and safeguarding sustainable jobs; investments in business infrastructure; investment in the development of endogenous potential through fixed investment in equipment, infrastructure, and services to enterprises; networking, cooperation and exchange of experience between competent public authorities, economic and social partners.

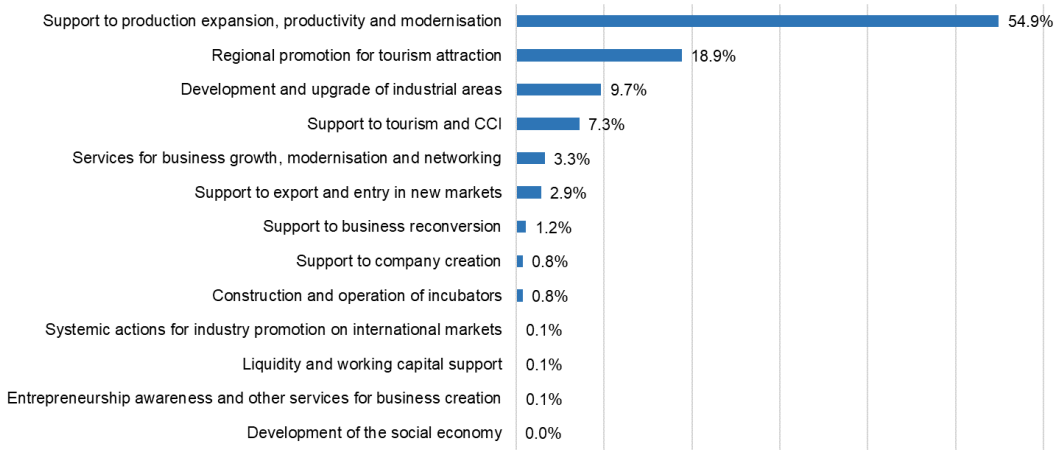
[29] Since the classification of expenditure by policy instrument was based on data updated until the end of 2020, it is possible that the distribution of expenditure might underrepresent the share allocated to liquidity and working capital support instruments. Even so, the policy instrument for production expansion and modernisation investments remains the largest one.

export and entry into new markets (5.3%), and the tourism and CCI sector (4.5%). A residual part of the expenditure was allocated to policy instruments supporting infrastructure development for SMEs, including industrial areas and incubators, and investments for business reconversion and for improvement of the business ecosystem, such as services for business growth, modernisation, and networking, regional promotion for tourism attraction and other services for business creation, as well as support to the social economy sector.

A share of operations directly supporting SME competitiveness had an explicit digital and/or green component. It should be noted that measures specifically targeting digital and green objectives have been covered by other ex-post evaluations (respectively in Work Packages 5 and 7). Nevertheless, an in-depth review of the WP2 database of operations has shown that nearly 8,500 operations (corresponding to 2% of total expenditure devoted to SME competitiveness) refer to a digital-related investment in either their title or description. Another 800 operations (corresponding to another 2% of SME competitiveness expenditure) refer to green technologies, the promotion of resource efficiency or the shift towards a low-carbon economy. These figures likely underestimate the extent to which operations for SME competitiveness actually contribute to the Twin Transition goals. Only a closer analysis of the calls for proposals and supported operations could provide a better quantification of this phenomenon.[30]

Most of the expenditure with a green and/or digital focus was concentrated mainly under the policy instrument supporting production expansion, productivity, and modernisation (Figure 14). Moreover, it is interesting to notice that the share of operations with a green and/or digital focus increased between 2014 and 2019 (Figure 15). This trend is consistent with the findings of the 2021 SME Performance Review (European Commission, 2021b), which shows that the use of various digital tools by SMEs has increased, sometimes markedly, from 2010 to 2019. A drop was observed in 2020 because of the much larger number of operations providing general liquidity and working capital support to SMEs to cope with the immediate effects of the COVID-19 pandemic.

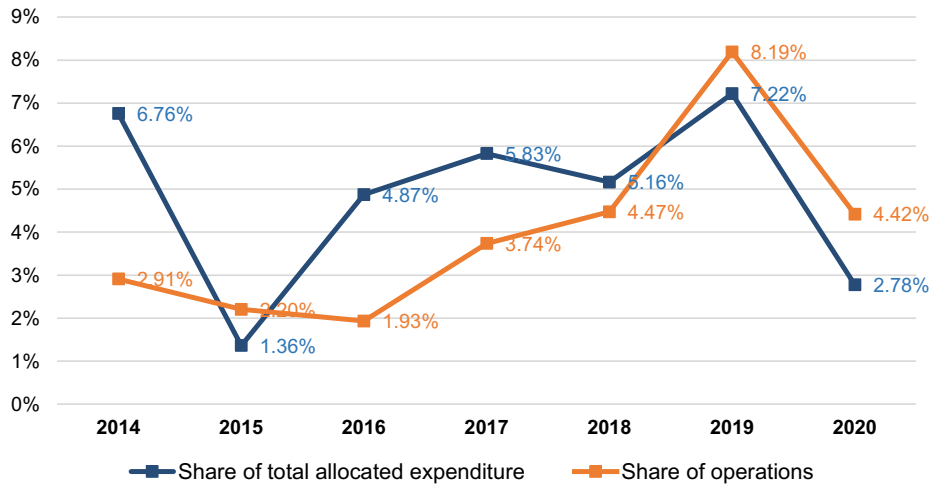
Figure 14: Distribution of total allocated expenditure with a green and/or digital focus by policy instrument



Source: CSIL & Prognos, based on WP2 expenditure data (last update: end of 2020).

[30] For instance, calls for proposal may envisage a specific targeting towards investments in SMEs with a digital or green component.

Figure 15: Share of operations and total allocated expenditure with a green and/or digital focus with a start date between 2014 and 2020



Source: CSIL & Prognos, based on WP2 expenditure data (last update: end of 2020).

No new policy instruments were introduced post-2020. While the above distribution of expenditure is based on ERDF funding allocated to operations up to the end of 2020, interviews conducted during the evaluation did not reveal any significant shifts in the mix of policy instruments mobilised since 2021. However, there may be observable differences in the distribution of funds, with liquidity and working capital support potentially comprising a larger share than the one previously indicated.

The table below offers a more comprehensive description of the identified policy instruments. Their theory of change has been reconstructed in the First Intermediate Report of the study and further enriched in the policy instrument case studies.

Table 1 – Overview of the ERDF policy instruments: activities funded and expected outcomes

Policy instrument for each policy goal	Typical activities funded	Expected outcomes
Entrepreneurship and business creation		
Entrepreneurship awareness and other services for business creation	✓ Improvement of services that develop entrepreneurship awareness and discover entrepreneurial talents and business ideas ✓ Awareness-raising initiatives organised by higher education institutions or public administrations (direct beneficiaries) and targeted at potential entrepreneurs, including young people (end beneficiaries) to promote the entrepreneurial culture. ✓ Advisory services provided to start-ups either directly or through an intermediary organisation, e.g., to develop a business plan to start a new business.	✓ Increased number of new firms created (increased birth rate). ✓ Increased employment at regional level. ✓ Increased/enhanced support services for entrepreneurship that lead to enhanced entrepreneurial skills.
Construction and operation of incubators	✓ Building of the infrastructure where an incubator will be located (the direct beneficiary is a public administration or the incubator operator that thus indirectly targets start-ups SMEs). ✓ Funds provided to an incubator to set-up, provide or improve its operations (e.g., hiring of staff) and services.	✓ Increased number of incubators and available space for start-ups location. ✓ Increased/enhanced support services offered by incubators to start-ups that lead to enhanced entrepreneurial skills and increased survival rate.
Support to company creation	✓ Financial support (in the forms of grants, but also financial instruments) to open new ventures through seed capital (either innovative or traditional ones); it may also include the funding of consultancy and advisory services, while it excludes R&D activities.	✓ Increased number of new firms created (increased birth rate). ✓ Increased number of new firms surviving after three years from

Policy instrument for each policy goal	Typical activities funded	Expected outcomes
	✓ Financial support (in the forms of grants, but also financial instruments) to implement tangible and intangible investments that are not linked to R&D activities in recently established start-ups through start-up capital or expansion capital (either innovative or traditional start-ups.)	their establishment (increased survival rate). ✓ Increased employment in supported SMEs and at regional level.
Business consolidation and growth		
Support to product expansion, productivity and modernisation	✓ Funds and/or to implement tangible and intangible investments (e.g., acquisition of machinery, tools and equipment or more generic investments) to expand production capacity, increase productivity, foster technological modernisation, diversify the business lines. R&D activities are not covered by this instrument, but they can be the antecedent step implemented by the SME leading to investments in the production process.	✓ Increased productive capacity in supported SMEs. ✓ Increased productivity in supported SMEs. ✓ Increased turnover in supported SMEs. ✓ Increased employment in supported SMEs.
Development and upgrade of industrial areas	✓ Creation, expansion or upgrade of industrial sites, including industrial parks, to accommodate SMEs (the direct beneficiary is a public administration or the industrial park operator) including investments in basic infrastructures to access industrial sites (connection to the road and railway system, construction of water supply networks, a sewage network, an gas network, a rainwater sewage system as well as a local ICT network). ✓ Urban revitalisation or brownfield rehabilitation of former industrial sites.	✓ Improved performance and longevity of SMEs, thanks to an increase in the number (or upgrade) of industrial sites, parks, and brownfields rehabilitated. ✓ Increased number of SMEs localised in the region
Services for business growth, modernisation and networking	✓ Creation or upgrade of infrastructures/hubs/centres providing services to SMEs. ✓ Funding for the development or improvement of support services to existing firms, such as advisory services to develop investment plans or other consultancy and training services as well as services to stimulate networking (generally intermediated). ✓ Funding of advisory and consultancy services targeted to SMEs, including business plans to expand the business activities (the beneficiary can be the SME directly or a business support organisation).	✓ Enhanced skills of SMEs thanks to an increased number of infrastructures or services for SMEs Increased productivity in supported SMEs, thanks to more efficient processes.
Access to international markets and GVC		
Support to export and entry into new markets	✓ Provision of support services and funding to help individual or groups of SMEs going international by promoting SMEs' participation in international fairs and missions, the development of international partnerships, marketing and matchmaking activities aimed at internationalisation, product certification for export, training and advisory services on internationalisation and incentives to outward FDI.	✓ Increased export value and export intensity in supported SMEs. ✓ Increased number of SMEs exporting. ✓ Increased economic performance and employment in the supported SME.
Systemic actions for industry promotion on international markets	✓ Systemic actions generally implemented by public administrations, public agencies, chambers of commerce or other business support services aimed at making the region or MS attractive to investors and prospective clients, such as: organisations of international fairs, events and exhibitions in the region, development of internationalisation plans for the region, technical assistance services to incoming investors to favour inward FDI, strategic analysis of target markets.	✓ Increased number of foreign firms investing in the region. ✓ Increased links and trade opportunities with other regions/countries.
Tourism and CCI promotion		
Support to Tourism and CCI	✓ Support services and funding to start-ups or well established SMEs operating in the tourism and/or CCI sectors to renovate, expand and modernise their tangible and intangible assets, or to develop new business models. ✓ Enhancement of tourism and cultural infrastructure to increase visitors' inflows and inter- and intra-sector SME networking and cooperation. ✓ Incentives for TV and cinema production.	✓ Increased number of new firms created in the field of tourism/culture. ✓ Increased turnover or employment or productivity in supported tourism/culture enterprises. ✓ Increased quality and quantity of tourism accommodation ✓ Increased tourism inflows.

Policy instrument for each policy goal	Typical activities funded	Expected outcomes
		✓ Increased interest and uptake of cultural products and services by the population.
Regional promotion for tourism attraction	✓ Actions aimed to promote a territory as a tourist destination including: territorial marketing activities of certain territories or regional products, organisation of cultural events and festivals.	✓ Increased tourism inflows. ✓ Increased interest and uptake of cultural products and services by the population.
Social economy development		
Development of the social economy	✓ Provision of support services and/or funding to SMEs operating in the social economy, that is those SMEs with a strong social commitment specifically designed to strengthen the civil society (e.g., democracy, solidarity, active citizenship, etc.). The development of the social economy, rather than the financial return for SMEs, is the ultimate policy goal of these interventions.	✓ Increased number of new social economy SMEs created. ✓ Increased number of people targeted by the social economy project implemented by SMEs.
SME recovery and resilience		
Liquidity and working capital support	✓ Liquidity and working capital support provided through non-repayable grants or financial instruments to SMEs facing challenges after unexpected event or crisis (such as the COVID-19 crisis or industrial crisis affecting specific areas or natural events including floods, seismic events, fires, etc.); support provided covers operating costs and, in the context of the COVID-19 crisis, also the acquisition of masks and other equipment to comply with new regulations to prevent COVID-19 diffusion. The instrument can be targeted to SMEs in specific sectors (e.g., tourism).	✓ Stable level of turnover and/or employment in supported SMEs. ✓ Stable death rate of enterprises.
Support to business reconversion	✓ Investments (mainly of tangible nature) for modernising SMEs operating in a sector affected by industrial crisis (SMEs are generally the direct beneficiaries). ✓ Investments (mainly of tangible nature) to support SMEs that were negatively impacted by a natural crisis (flood, earthquake, etc.). ✓ Advisory services or direct funding offered to SMEs for reconverting or modernising their production processes and coping with the COVID-19 crisis. Examples of funded activities include reconversion of the production process to produce new products that prevent COVID-19 diffusion, tangible and intangible investments in ICT to facilitate smart working or to develop e-commerce, etc.	✓ Increased productivity in supported SMEs thanks to the development of new business models. ✓ Improved the digital and green transformation in supported SMEs. ✓ Stable level of turnover and/or employment in supported SMEs. ✓ Stable death rate of enterprises.

Source: CSIL and Prognos.

A total of 579,355 operations were funded under any of these policy instruments as of the end of 2022.[31] In the majority of cases, operations indicate individual projects. However, by definition, that can also refer to groups of projects (including financial instruments).[32] According to the monitoring system, by the same year, **these operations reached a total number of 1,799,365 SMEs**,[33] either as direct or indirect beneficiaries (i.e., ultimate beneficiaries of support services or financial support provided by an intermediary organisation). This is significantly larger than the target of 800,000 enterprises set at the beginning of the programming period (as mentioned in Section 2.2) and can be attributed,

[31] This figure has been retrieved from the EC Categorisation Data considering the number of operations funded as of the end of 2022 under the 9 FoIs in the scope of the evaluation.

[32] In a minority of cases an operation can also refer to individual components within the same project.

[33] This figure has been retrieved from the EC database of Achievement Details as of the end of 2022, considering the implemented value of the common output indicator CO01 – Number of firms supported under Thematic Objective 3.

at least partially, to the large number of SMEs supported by liquidity and working capital support.

Some caveats should be highlighted. First, this figure does not precisely identify unique SMEs, due to the double counting of the same firm that benefitted from multiple operations.[34] Second, the figure only refers to the common output indicator CO01 "Number of firms supported under Thematic Objective 3"; thus, it pertains to SMEs supported under the SME competitiveness objective, excluding those supported under different objectives. While acknowledging these limitations, considering this indicator remains useful. In the lack of complete micro-data on direct and indirect beneficiary of ERDF policy instrument, this is the only quantitative (aggregate) measure available for supported SMEs.

The ERDF emerges as having supported around 8% of the average number of SMEs operating in the business economy in the EU over the 2014-2020 programming period, although this is a rough average and varies significantly across Member States and regions. This estimate is based on a comparison between the total number of SMEs benefiting from the ERDF according to the monitoring indicators with the total number of SMEs active in the EU.[35] The highest number of SMEs benefiting from ERDF support for SME competitiveness, as recorded by the monitoring indicators, was Itay, followed by Greece, France and the UK. In relative terms, ERDF supported the greatest share of SMEs in Greece (above 27%), Italy (20%) and Spain (18%) and the lowest one in Austria and Czechia (below 1%). Furthermore, in some regions ERDF support was significantly concentrated on specific types of companies or sectors (e.g. those export-oriented, or the most innovative ones). In these cases, ERDF policy instruments are expected to reach a larger share of regional companies within the target group, although detailed figures are not available.

Table 2 – Number and share of SMEs supported by the ERDF per Member State

Member State	Number of SMEs supported by the ERDF, as per common output indicator	In percentage of average number of SMEs in the period 2014-2020
IT	732,302	20.01%
GR	174,829	27.74%
UK	140,829	9.66%
FR	137,009	4.62%
PL	85,337	4.73%
ES	66,613	2.56%
RO	64,727	13.27%
DE	45,454	1.82%
PT	44,385	5.15%
IE	42,852	17.32%
SE	40,478	6.01%
BG	32,790	9.76%
BE	28,924	4.57%
SI	23,159	16.39%
SK	21,406	4.56%
HU	21,201	3.64%
HR	19,136	12.13%
EE	13,448	18.01%

[34] See Report on the database of indicators and their assessment prepared in the context of Work Package 2 – Preparatory Study and European Commission, 2018b.

[35] The business economy is a grouping of the following economic activities: i) industry (NACE Rev. 2 sections B to E); ii) construction (section F); iii) services (sections G to N, excluding activities of holding companies – K64.2). It does not include agriculture, forestry and fishing (section A) and public sector and non-market activities (sections O to U).

Member State	Number of SMEs supported by the ERDF, as per common output indicator	In percentage of average number of SMEs in the period 2014-2020
CZ	8,802	0.86%
LT	7,677	3.80%
LV	4,971	4.50%
DK	3,738	1.69%
FI	3,531	1.53%
MT	1,708	5.86%
CY	746	3.03%
AT	350	0.11%
Total	**1,799,365**	**8.17%**

Note: The first column of the table shows the number of SMEs supported by ERDF programmes under the objective of SME competitiveness as of the end of 2022. This information is available for all Member States plus the UK, except for the Netherlands. This is measured by the implemented value under common output indicator CO01. The second column shows the share between the number of SMEs supported by the ERDF over the average number of SMEs operating in the business economy over the period 2014-2020 each Member State.
Source: CSIL & Prognos based on EC database of Achievement Details (as of the end of 2022).

Table 3 below summarises some of the key features of the policy instruments and additional statistics on the policy instruments are included in Annex IV. In short, it can be observed that:

- **The average and median expenditure per operation significantly differ by type of policy instrument.** The policy instrument providing advisory services for business expansion had the lowest average expenditure per operation (about EUR 20 thousand) and among the lowest median average expenditure (about EUR 8 thousand). Infrastructural operations for the construction or upgrade of industrial areas and incubators had the highest average and median expenditure, which was about EUR 1.6 million and EUR 1 million, respectively. The average size of operations for product expansion, productivity and modernisation was about EUR 300 thousand, while the median value was about EUR 90 thousand.

- **Operations lasted an average of 1.4 years**. The longest-lasting operations were those that typically involve a significant infrastructure component, such as the creation of incubators and industrial areas, as well as those targeted at the tourism sector. In the tourism sector, ERDF funds were frequently utilised for modernisation and renovation works in the hospitality sector. Conversely, the shortest operations were those providing advisory services for new entrepreneurs, as well as liquidity and working capital support. The latter were typically shorter in duration since they did not entail the implementation of any investment project. The regions with the longest average duration of operations (more than eight years) are located in Belgium. These instruments primarily focused on the development of industrial areas, including the creation of business hubs, modernisation of industrial parks, improvement of transportation networks crucial for industrial accessibility, and facilitation of entrepreneurship through the development of shared spaces and support services.

- **Most of the expenditure (61%) allocated as of the end of 2020 was directly provided to SMEs**. The remainder (39%) was delivered to other organisations,

playing an intermediary role.[36] The use of intermediary organisations is more pronounced under policy instruments that support the improvement of the business ecosystem and infrastructure development. A significant reliance on intermediaries is also evident under the policy instrument providing liquidity and working capital support for SME relief, which can be attributed to the extensive use of financial instruments to deliver such support.

- According to the latest expenditure data available as of the end of 2023, **grants accounted for 61% of the total expenditure for SME competitiveness** (or 62% when considering only ERDF resources, as shown in Figure 13), **while financial instruments and other repayable forms of support covered 39%** (or 38% when considering only ERDF resources).[37] From the database of ERDF operations funded as of the end of 2020, it emerges that non-repayable forms of support were the most commonly used for delivering all policy instruments, except for support for company creation and liquidity and working capital support. Both these policy instruments had almost equal proportions of expenditure allocated to repayable and non-repayable forms of support, with venture capital and loans for the former, and guarantees and loans for the latter.

[36] Two main forms of intermediation can be identified. On the one hand, there are indirect forms of support where SMEs can be the ultimate recipients of expenditure, if funds, channelled through the intermediaries, are then transferred to SMEs. On the other hand, there are operations with a more systemic nature, where SMEs can only indirectly benefit from the services delivered by an intermediary organisation (e.g. cluster organisations, chambers of commerce, business associations etc.).

[37] This figure has been retrieved from the EC Categorisation Data considering the forms of finance used under operations classified under Thematic Objective 3 (SME competitiveness).

Table 3 – Key characteristics of the policy instruments

Policy instruments	Total expenditure allocation at 2020 (MEUR)	Share of total expenditure allocation at 2020 (% over total expenditure for SME competitiveness)	Number of operations until the end of 2020	Share of operations (% over total)	Average duration of operations (years)	Most frequent types of direct beneficiaries (by share of expenditure)	Most used form of finance (by share of expenditure, excluding missing)
Entrepreneurship awareness and other services for business creation	266	0.4%	4,622	1.7%	0.45	Mix of service providers (24%) Other business support organisations (20%) Higher education institutions (14%)	Non-repayable aid (100%)
Construction and operation of incubators	839	1.2%	532	0.2%	3.04	Public administrations (35%) Incubators (31%)	Non-repayable aid (98%)
Support to company creation	4,317	6.2%	19,400	7.2%	2.14	Financial institutions (43%) SMEs (43%)	Non-repayable aid (51%) Venture capital, equity, risk (35%) Loans and guarantees (14%)
Support to production expansion, productivity and modernisation	37,437	53.5%	69,370	25.8%	2.16	SMEs (69%) Financial institutions (25%)	Non-repayable aid (65%) Loans and guarantees (18%) Other forms of repayable aid (6%)
Development and upgrade of industrial areas	2,366	3.4%	1,397	0.5%	2.85	Public administrations (73%) Industrial parks operators (11%)	Non-repayable aid (97%)
Services for business growth, modernisation and networking	2,006	2.9%	5,669	2.1%	1.24	SMEs (34%) Other business support organisations (25%) Mix of service providers (11%)	Non-repayable aid (94%)
Support to export and entry into new markets	3,750	5.4%	38,366	14.3%	1.43	SMEs (69%) Mix of service providers (19%) Public administrations (8%)	Non-repayable aid (98%)
Systemic actions for industry promotion on international markets	558	0.8%	465	0.2%	2.30	Mix of service providers (58%) Public administrations (21%)	Non-repayable aid (99%)
Support to tourism and CCI	3,444	4.9%	13,421	5.0%	3.50	SMEs (82%) Public administrations (6%)	Non-repayable aid (96%)
Regional promotion for tourism attraction	844	1.2%	1,269	0.5%	1.58	Public administrations (27%) Financial institutions (16%) Other intermediary organisations (13%)	Non-repayable aid (84%)
Development of the social economy	178	0.3%	462	0.2%	2.36	SMEs (36%) Other intermediary organisations (20%) Public agencies (17%) Financial institutions (14%)	Non-repayable aid (86%)

Policy instruments	Total expenditure allocation at 2020 (MEUR)	Share of total expenditure allocation at 2020 (% over total expenditure for SME competitiveness)	Number of operations until the end of 2020	Share of operations (% over total)	Average duration of operations (years)	Most frequent types of direct beneficiaries (by share of expenditure)	Most used form of finance (by share of expenditure, excluding missing)
Liquidity and working capital support	12,572	18.0%	101,596	37.8%	0.48	SMEs (44%) Financial institutions (43%) Public administrations (11%)	Non-repayable aid (56%) Loans and guarantees (38%)
Support to business reconversion	1,341	1.9%	12,350	4.6%	0.95	SMEs (78%) Financial institutions (18%) Public administrations (8%)	Non-repayable aid (86%) Loans and guarantees (11%)
Total	**69,917**	**100.00%**	**268,919**	**100.00%**	**1.38**	**SMEs (58% Financial institutions (25%) Public administrations (8%**	**Non-repayable aid (69%) Loans and guarantees or other forms of repayable aid (25%) Venture capital, equity, risk (5%)**

Note: The official definition of operations is adopted, which may include individual projects, group of projects or project components. Operations included both direct and indirect operations to SMEs. The latter refers to operations managed by intermediary organisations, which are then responsible of distributing funding to final recipients.
Source: CSIL & Prognos based on WP2 expenditure data (last update: end of 2020).

3.2.2. The policy mix across Member States

When analysing the distribution of expenditure by policy instrument across Member States, it is evident that support for business expansion was the most commonly used policy instrument across nearly all Member States (Figure 16). This support was evenly distributed between urban and rural areas. Most expenditure was allocated to Member States and regions with a larger total financial allocation, hence less developed regions (

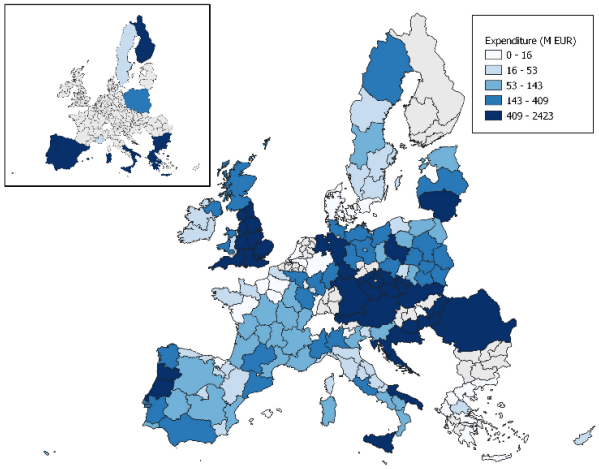
Table 4). However, a few programmes concentrated most of their expenditure on policy instruments supporting infrastructure development or the strengthening of the overall business ecosystem. These programmes tended to be newer Member States, especially those in Central and Eastern Europe. Examples include Hungary, where most investments for the development of industrial areas were concentrated, as well as Poland, Czechia, and Croatia (Figure 16).[38] Policy instruments supporting company creation and export saw a concentration of expenditure in more urban areas, which typically have a more established business ecosystem conducive to entrepreneurial activities and export-oriented ventures (

[38] A few examples in Western Europe can also be found, such as German (Baden-Württemberg) and French programmes (Pays de la Loire), which support the construction of business incubators and provision of services to SMEs.

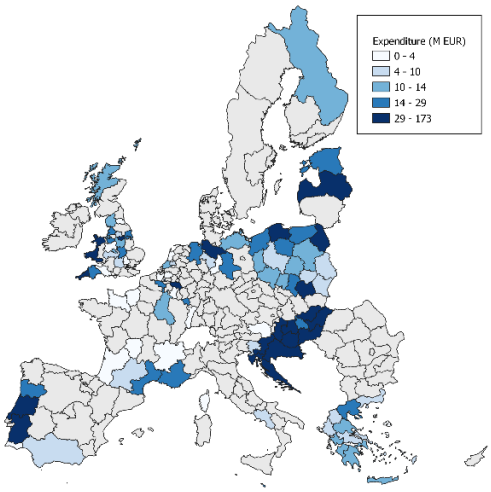
Table 4).

Figure 16: Regional distribution of expenditure for productive investments and development of industrial areas

Support to product expansion, productivity and modernisation



Development and upgrade of industrial areas



Source: CSIL and Prognos based on WP2 expenditure data (last update: end of 2020).

Table 4 – Concentration of expenditure by policy instruments in specific territories

Policy instrument	Geographical concentration of expenditure
Construction and operation of incubators	58% of expenditure for the construction and operation of incubators was concentrated in less developed regions. 49% was concentrated in Central and Eastern European countries, mainly Romania, Poland and Croatia.
Support to company creation	70% of expenditure for company creation was concentrated in urban areas.
Support to production expansion, productivity and modernisation	40% of expenditure for production expansion, productivity and modernisation was concentrated in Southern European countries, mainly Portugal, Italy, Spain, and Greece. In these countries, expenditure was allocated mainly to less developed regions.
Development and upgrade of industrial areas	71% of expenditure for the development of industrial areas was concentrated in less developed regions. 40% was concentrated in Central and Eastern European countries, mainly Hungary and Poland, where the issue of limited accessibility and lack of basic infrastructures, including transport and telecommunication infrastructure, is especially high.
Support to export and entry into new markets	67% of expenditure for support to export and entry into new markets was concentrated in Southern European countries, mainly Portugal, Spain, and Italy. 72% of expenditure was concentrated in urban areas.
Support to tourism and CCI	55% of expenditure for support to tourism and CCI was concentrated in countries where the number of tourist arrivals compared to the number of inhabitants is particularly high, mainly Greece (29%), Italy (19%), France (7%).
Liquidity and working capital support	73% of expenditure for liquidity and working capital support was concentrated in Southern European countries, mainly Portugal (37%), Greece (20%), Italy (16%).
Support to business reconversion	66% of expenditure for business reconversion was concentrated in less developed regions. 81% of expenditure was concentrated in only a few countries, namely Italy, Hungary and Portugal.
Entrepreneurship awareness and other services for business creation, Services for business growth, modernisation and networking, Regional promotion for tourism attraction, Development of the social economy.	No geographical pattern (i.e. the expenditure is distributed almost equally across a diverse set of territories).

Source: CSIL and Prognos based on WP2 expenditure data (last update: end of 2020).

Generally, ERDF programmes targeted SMEs across several sectors and across different stages of their life cycle. However, a few regions show a high concentration of support for SMEs operating in specific sectors. This was the case of the Italian Culture Programme and the Slovakian Integrated Regional Programme in the field of culture and creative sectors, as well as of the Czech Integrated Regional Programme and the Slovak Human Resources Programme in the field of social economy.

Financial instruments have been utilised in almost all Member States, although to a varying degree (see more statistics in Annex IV).[39]

Programmes allocating fewer resources to the SME competitiveness objective tended to concentrate them on a smaller number of policy instruments, as shown in Table 5. Examples include the Prague programme in Czechia and the Alsace programme in France. Due to constraints to the budget for SME competitiveness, these programmes primarily focus on supporting start-up development and the social economy sector, respectively.

Table 5 – Relationship between number of policy instruments and programme allocation

Number of different policy instruments in each OP	Number of programmes	Average allocation of programmes (MEUR)
From 1 to 3	81	65
From 4 to 6	80	263
From 7 to 9	47	695
From 9 to 12	12	908
Total	220	**318**

Source: CSIL and Prognos based on WP2 expenditure data (last update: end of 2020).

Despite the apparent similarity in the mix of instruments used to support SME competitiveness across Member States, there is significant diversity in the specific interventions within these broad categories. Some OPs, such as those in Estonia, Slovakia, and the Italian regions of Lazio and Tuscany, featured more than 20 distinct policy measures (or calls) supporting SME competitiveness, excluding those focused on innovation. Italy alone implemented over 40 measures (calls) for the policy instruments of business expansion at national or regional levels. While these instruments share the common objective of supporting SMEs, they vary in aspects such as the targeted types of SMEs, the forms of support provided, and the delivered mechanisms. This wide range of interventions and their diverse design and delivery methods significantly influence the strategy to support SME competitiveness, potentially affecting their effectiveness as well. Indeed, the case studies enabled comparison of the same policy instruments implemented through different calls or selection procedures within the same region or in different contexts, highlighting differences in design and implementation.

[39] The only exceptions to this are Denmark and Ireland.

Figure 17: Share of total eligible expenditure by type of policy instruments across Member States

Member State	1.1. Entrepreneurship awareness and other services for business creation	1.2. Construction and operation of incubators	1.3. Support to company creation	2.1. Support to production expansion, productivity and modernisation	2.2. Development and upgrade of industrial areas	2.3. Services for business growth, modernisation and networking	3.1. Support to export and entry in new markets	3.2. Systemic actions for industry promotion on international markets	4.1. Support to tourism and CCI	4.2. Regional promotion for tourism attraction	5. Development of the social economy	6.1. Liquidity and working capital support	6.2. Support to business reconversion
AT	0.82%	0.01%		80.62%	0.19%	0.35%	0.13%		17.88%				
BE	1.45%	4.31%	22.92%	33.44%	11.72%	9.00%	0.81%	0.35%	9.55%	1.36%	2.26%	2.82%	
BG			3.48%	55.37%					0.25%	12.19%		28.71%	
CY		6.74%	17.29%	49.45%	12.71%	3.06%			10.76%				
CZ		0.93%	0.90%	83.59%		0.08%	7.34%		2.49%		2.05%		2.63%
DE	0.77%	0.92%	9.52%	75.54%	2.81%	3.58%	1.86%	0.27%	4.26%	0.49%			
DK				8.26%		68.02%	22.29%		1.43%				
EE	9.40%	0.84%	28.64%	19.98%	5.76%	0.22%	7.72%		18.18%	9.26%			
ES	0.02%	0.54%	5.52%	80.24%	0.15%	0.14%	10.64%		0.08%	2.68%			
FI	0.46%	0.19%	8.86%	82.94%	0.63%	0.84%	5.70%		0.08%	0.30%			
FR	1.18%	3.34%	12.77%	57.01%	2.34%	4.09%	0.92%	0.42%	7.62%	0.72%	0.88%	8.71%	
GR	0.07%	0.33%	4.41%	30.66%	1.94%	1.16%	0.74%		16.81%	0.34%		42.45%	1.11%
HR		4.87%	2.33%	66.03%	4.60%	0.90%	1.65%		0.53%	0.16%		18.93%	
HU	0.29%	0.89%		50.51%	18.51%	18.56%	0.42%		1.34%	0.03%			9.45%
IE	2.33%		9.16%	88.34%			0.18%						
IT	0.02%	0.11%	10.58%	45.44%	0.12%	0.08%	3.46%		7.95%	1.76%	0.11%	24.83%	5.55%
LT			23.24%	63.30%			11.53%	0.07%		1.85%			
LV			6.24%	36.26%	38.30%					19.20%			
MT			6.76%	64.15%	26.76%	1.10%	0.86%			0.37%			
NL		22.61%	9.73%	25.95%	41.72%								
PL	0.31%	2.06%	8.57%	50.24%	4.31%	0.51%	7.02%	2.97%	5.70%	0.24%	0.05%	16.53%	1.49%
PT	0.29%	0.28%	1.59%	44.82%	1.02%	0.70%	13.08%	2.13%	1.15%	0.42%		32.45%	2.09%
RO		4.46%		68.14%					0.75%	0.12%		26.53%	
SE		6.75%	8.29%	64.46%		3.59%	4.53%		5.86%		0.32%	0.29%	5.90%
SI	5.69%	1.70%	15.30%	17.35%	12.60%	4.65%	13.86%		5.95%	0.06%	0.47%	15.30%	7.05%
SK			12.44%	41.40%		7.53%		2.54%	9.75%		0.97%	25.38%	
TC	4.01%	3.17%	3.16%	28.32%		1.78%	15.26%		20.00%	17.18%	7.11%		
UK	0.10%	1.17%	7.28%	61.43%	11.42%	11.82%	2.91%	0.05%		2.31%	0.91%	0.60%	
Total	**0.38%**	**3.38%**	**6.17%**	**53.54%**	**3.38%**	**2.87%**	**5.36%**	**0.80%**	**4.93%**	**1.21%**	**0.25%**	**17.98%**	**1.92%**

Direct SME support

Infrastructure support

Strenghtening the business ecosystem

Note: TC stands for trans-national cooperation – Interreg.
Source: CSIL & Prognos, based on WP2 expenditure data (last update: end of 2020).

4. The evaluation findings

This Section summarises the key findings of the evaluation aiming to enrich, refine, or clarify the general theory of change regarding ERDF support for SME competitiveness, as outlined in Section 2. It achieves this by addressing the following key questions, each of which is explored in separate sections:

- Section 4.1: What factors contributed to long-term SME competitiveness?
- Section 4.2: How can the ERDF contribute to SME resilience in times of crisis without disregarding competitiveness objectives?
- Section 4.3: How was the ERDF support targeted to the local needs? And does the targeting strategy contribute to effectiveness?
- Section 4.4: How does continuity of funding through ERDF support contribute to long-term investment perspectives and policy learning, and what role does experimentation play?
- Section 4.5: How does the continuity of programming and funding impact SME participation, and what challenges arise in expanding support to a broader spectrum of SMEs?
- Section 4.6: In which conditions are financial instruments effective?
- Section 4.7: What evidence exists regarding the systemic effects of supporting SME competitiveness, and how does the synergistic use of different forms of support for SMEs contribute to achieving impacts on regional economic systems?

4.1. More ambitious and long-term investment strategies facilitate positive and durable effects

The majority of ERDF expenditure for enhancing SME competitiveness was allocated to policy instruments intended to facilitate long-term competitiveness goals of SMEs, rather than generic access to financial support. These instruments encompass assistance for productive investments aimed at business expansion or modernisation, as well as support for internationalisation efforts and new company creation. Their objective is to initiate or accompany significant transformations in various aspects of SME's operations, organisation, or market positioning. This transformation typically involves implementing strategic initiatives by SMEs to diversify product or service offerings, adopt new technologies, expand into new markets, improve operational efficiency, or enhance managerial capabilities. The aim is to enable SMEs to adapt to evolving market conditions, capitalise on new opportunities, and overcome challenges, ultimately fostering long-term growth and development.

The case studies revealed numerous examples of calls that applied preferential terms or conditions to encourage the implementation of integrated activities as part of a long-term business development or internationalisation plan. Several interviews with stakeholders involved in the implementation of policy instruments, such as support for export or support for business expansion and modernisation, emphasised that this higher level of ambition was intentional. This approach is often a novelty introduced in the 2014-2020 programming period, aimed at dissuading SMEs from seeking funding merely to cover

expenses for "business-as-usual" types of activities and instead stimulating them to implement more ambitious strategies, where multiple activities are combined within a comprehensive long-term plan.

The evaluation found consistent evidence that more ambitious and complex projects are associated with higher and more durable effects. This is observed, for instance, in the case of instruments supporting SME internationalisation, where grants supporting large-scale internationalisation strategies were more effective than vouchers for the acquisition of business services for internationalisation, in terms of higher outcomes on export value, export intensity, turnover and employment (see the box below). Another example is the Lithuanian instrument supporting investments in a set of Key Enabling Technologies (KETs), with high maturity requirements and high annual income threshold for applicant SMEs. In Finland, calls for company creation set criteria on the characteristics of the project to be funded, favouring the creation of new businesses with characteristics of innovation, high productivity potential, and orientation at international markets.

Box 1: Comparing the impact of more and less complex internationalisation projects: the case of Portugal

Two instruments were deployed in Portugal to support SME internationalisation, these being the "Incentive System (IS) for Internationalisation" (individual projects), and the "Internationalisation Vouchers,". The former supported the implementation of complex internationalisation plans consisting of multiple activities valued at least at EUR 25 thousand (with an average project value of EUR 160 thousand). The latter provided up to EUR 10 thousand for simpler projects involving the acquisition of consultancy services, possibly combined with participation in international fairs. It is noteworthy that most firms receiving a voucher did not benefit from an Incentive System project, indicating that the two schemes targeted different groups.

A Counterfactual Impact Evaluation (CIE) was conducted using data on beneficiaries and unsuccessful applicants for both instruments. SMEs benefiting from IS Internationalisation projects recorded positive growth in all performance variables considered, including export intensity, export value, turnover, and employment. Positive results were observed immediately after the project started (at time t or t+1), and these effects appeared to persist over time, at least until t+4. For example, the increase in export intensity in beneficiaries, compared to the control group, was on average, around 4 percentage points higher in t+2 and around 6-7 percentage points higher in t+3 and t+4 It was also found that beneficiary SMEs had a higher probability of exporting after project completion, particularly after t+2, compared to the control group. This suggests that the project effects endure for several years and that beneficiaries are more likely to continue on an internationalisation path than unsuccessful applicants.

In contrast, for vouchers no effect on the probability of exporting was found when comparing outcomes for beneficiaries and a similar group of companies that did not receive support. Even if SMEs benefitting from vouchers have recorded an increase in their export intensity, going from an average of 12% in the five years before the project start to 17% afterwards, this increase is not different than what observed by a similar group of companies that did not receive support.

Source: Case study by CSIL and ISCTE.

Operations with larger investment volumes are more likely to encompass greater ambition. The previous ex-post evaluation of SME support for the 2007-2013 period (European Commission, 2016) found that the critical size of funding at the project level was crucial to maximizing the chance of triggering the expected effects from ERDF. It showed that the volume of ERDF support received by beneficiary SMEs was positively and

significantly correlated with SMEs' performance in terms of sales and employment. Achieving a critical size at the project level was feasible in the case of policy instruments that leveraged significant allocations and targeted a "narrow" number of beneficiaries. Achieving a critical size of funding was a crucial consideration for instruments aimed at triggering structural transformation, but less critical for generic policy instruments if their objective was to address short-term credit needs and expedite fund absorption.

The Irish case study illustrates the positive link between funding size and employment generation. An analysis of balance sheet data of supported micro enterprises in Ireland showed that the average number of employees increased from 4.6 in 2013 to 10.8 in 2021, surpassing the national average increase in the same period. Econometric analysis further revealed that the highest employment growth was positively associated with larger project sizes.

The econometric analysis conducted on a sample of beneficiary SMEs across the EU (refer to Annex V) **confirms that the size of the investments implemented is positively correlated with improved performance** (in terms of turnover growth or employment increase) in the two to three years following project completion, compared to the average performance in the two to three years before project initiation. This correlation is consistently statistically significant after controlling for other potential factors influencing SME performance, such as the characteristics of beneficiary SMEs or the region/context in which they are located.[40] As discussed in Section 4.5, the same SMEs may benefit from multiple operations under the same policy instruments or from multiple instruments. The outcomes regarding the performance of SMEs are not solely influenced by individual instruments but by the synergic combination of various operations.[41]

Table 6 – Average expenditure of projects directly targeted at SMEs

Policy instruments	Average expenditure per project considering only projects targeted to SMEs directly and non-repayable aid) – EUR	Larger operations are correlated with higher turnover growth rate post-project relative to smaller operations	Larger operations are correlated with higher employment increase post-project
Support to company creation	95,082	Yes (***)	Yes (***)
Support to production expansion, productivity and modernisation	341,488	Yes (***)	Yes (***)
Services for business growth, modernisation and networking	≈21,777[42]	Not statistically significant	Not statistically significant
Support to export and entry into new markets	83,280	Yes (**)	Not statistically significant
Support to tourism and CCI	204,048	Yes (***)	Yes (*)

[40] However, attempts to estimate the critical size of the project, after which marginal growth decreases (e.g. by testing non-linear forms for project value in the equation specifications of the econometric analyses), were unsuccessful. This could be due to issues with the sample composition or unobserved factors affecting the overall growth strategy of companies.

[41] Indeed, the results presented in Table 66 persist even when considering the correlation between the total support received from all instruments and SME performance. Only instruments supporting SME investments are taken into account, thus excluding instruments providing advisory services, generic access to finance, and infrastructure development.

[42] This is the best approximation that can be retrieved from the database of ERDF operations funded as of the end of 2020, when considering only operations that are identified as projects directly provided to SMEs (thus excluding groups of projects or operations lacking a clear definition).

Note: Only non-repayable aid operations are considered, as the value of individual operations funded by financial instruments is generally missing. Correlations between operations size and performance variables are estimated with multivariate regression models, controlling for other confounding factors at beneficiary or context level (firms' age, turnover before the project, regional level of development, urban/rural, country fixed effects). Regressions were run until 2019 (before the COVID-19) or until 2022. Turnover and employment growth are measured as percentage variation in the 2 or 3 years before the project start and 2 or 3 years after the project completion. More details on the analyses performed are presented in Annex V.

Source: CSIL & Prognos.

The evaluation found that competitive selection processes, aligned with the strategic ambitions of the instrument, proved more effective in selecting high-quality projects. Examples include the Portuguese or Polish instruments supporting SME internationalisation, or Lithuanian instruments supporting investment in Key Enabling Technologies (KETs). In Austria, a policy instrument[43] supporting business growth investments had criteria to select only large projects (above EUR 300 thousand), that had regional relevance and with an underlying explicit expansion strategy. In Finland, support to company creation was granted to newly created companies with an international vocation, and with business activities with high growth and employment potential. In the Netherlands, an instrument was focused on enterprises that were in a growing phase, with scalable innovative projects in some high-growth sectors. In Thüringen (Germany), a two-stage application process was designed to ensure that only projects of a certain degree of quality were selected under the policy instrument supporting the tourism sector. The independent ex-post evaluation carried out confirmed the benefit of this procedure and showed that ERDF support for tourism marketing activities contributed to the consolidation of marketing operations.

Box 2: The causal impact of the Polish "Go to Brand" measure on SME performance

The key instrument supporting SME internationalisation in Poland during the 2014-2020 period was the "Go to Brand" measure under the Smart Growth national OP. This instrument focused on industries with high potential for brand development and export, requiring SMEs to choose specific destination markets from a pre-identified list. Interviews indicate this approach successfully engaged competitive SMEs, enhancing programme effectiveness.

A counterfactual impact evaluation was conducted to assess the impact of this policy instrument. The analysis on beneficiaries revealed that revenues from export sales for the groups of beneficiaries increased on average per firm by PLN 8.3 million, compared to PLN 2.5 million in a similar group of companies who applied unsuccessfully to the instrument. The share of export sales in total sales (export intensity) increased by 6 percentage points (from 26% to 31%) for beneficiary SMEs. Better export performance is reflected in better financial outcomes as well. The analysis shows that the policy instrument caused a 34% increase in the turnover of beneficiaries (PLN 10 million for beneficiary SMEs against PLN 6.6 million in the control group). The sales effects also brought measurable effects at the level of net profits from the conducted activity. In 2021, they were relatively higher in the group of beneficiaries by about PLN 1.2 million. All the reported results are statistically significant.

Source: Case study by CSIL and IDEA Institute

When selection was based solely on the order of application arrival and not on the quality of the applications, the potential for funding more promising projects was compromised. Often, this was done to expedite fund absorption. While it is true that quality-based selection is less critical for instruments providing business advice to less experienced SMEs, where the primary goal is to support as many SMEs as possible and gradually

[43] Measure 09 of the Austria programme.

enhance their capabilities, even in these cases, selecting beneficiaries based on their commitment to follow-up investments or existing human resources and skills can improve the effectiveness of the aid received. For example, a survey of 6,439 participants in the two Slovak ERDF-supported business advisory schemes revealed that participants had already a high entrepreneurial spirit prior to the scheme, suggesting self-selection, and that their participation was mostly motivated by improving business opportunities and performance as well as acquiring practical analytical and managerial skills due to the scheme. As a result, the scheme made it possible to identify a group of highly motivated companies appropriate for further collaboration in the future, for example on product and process innovation (Baláž, Jeck & Balog, 2023).

The evaluation revealed a few examples of ERDF policy instruments that were designed to foster complementarity and synergy among various fundings, intending to accompany SMEs over time. This approach aimed to address the specific needs arising at different life cycle stages using different funding sources and instruments. Consequently, this strategy emphasises a broader and more ambitious intervention, not necessarily through a combination of activities within the same operations, but by orchestrating a blend of different operations (see also Section 4.7 and Section 0 on Coherence). For instance, in West Netherlands, ERDF instruments supporting R&D activities and early product development (under Thematic Objective 1 – Research and innovation) were accompanied by instruments focused on investments in the proof-of-concept phase implemented by SMEs operating in S3 priority sectors, which indicates the existence of a chain of support going through the different Technology Readiness Levels. In Ireland, ERDF resources for business investments had a narrow target strategy focused on supporting micro-sized firms only. When a company reaches more than 10 employees, it is no longer eligible for ERDF funding, and it gets directed to another intermediary organisation, Enterprise Ireland, for follow-up support from the national budget. Moreover, support for investments made by micro-enterprises in Ireland was synergic with other ERDF measures supporting business creation and development, such as the Young Entrepreneurs programme. Coherence between this programme and ERDF funding was ensured because they were both managed by the local intermediary organisations, which implement a very tailored approach to support micro-enterprises. In Malta, vouchers were given to SMEs to design a business plan, and grants were available to finance the investments. A recent counterfactual impact evaluation confirmed that a positive financial performance materialised for SMEs that received a voucher and, subsequently, a grant for implementing the investment project under other ERDF investment schemes (see the Box below).[44]

Box 3: The benefit of blending advisory with follow-up investments grants: counterfactual impact evaluation in Malta

The "SME Consultancy Services Grant Scheme" funded by the ERDF in Malta during 2014-2020 provided non-repayable grants to SMEs for consultancy services primarily aimed at drafting business plans and feasibility studies. These services aimed to facilitate SMEs' access to external financing for technology, infrastructure, and service investments. The analysis conducted in a case study revealed that approximately 20% of scheme beneficiaries also utilised other ERDF investment schemes post-consultancy. A counterfactual impact evaluation conducted by CSIL and Equinox (2023) indicated that the scheme's net impact on total asset growth was positive when SMEs combined advisory services with other ERDF investment schemes. In such cases, the annual increase of beneficiaries' total assets ranged from 16% to 35% compared to non-beneficiary firms and the effect was even higher when looking at beneficiaries' noncurrent assets.

Source: Case study by CSIL.

[44] The ex-post evaluation Work Package 4, focusing on RTDI support, is more likely to find evidence of projects supporting R&D activities and follow-up investments for the commercialisation of the innovation outputs.

The key role of capabilities must be stressed. SMEs that are capable of designing and undertaking more structured and long-term oriented investments are those that already possess the necessary managerial capability to leverage a given policy instrument and initiate or accelerate a process of change. The evaluation of EU added value (Section 5.4) highlights that ERDF support is frequently linked to the implementation of larger-scale or higher-quality investments, known as the scale effect. In essence, the ERDF can serve as a stimulus for making more courageous strategic decisions. Less experienced firms, the majority of which are micro-sized enterprises, face greater challenges and risks when venturing into more complex and costly investment projects. These companies, in fact, are often the recipients of dedicated forms of support (see Section 4.3 on targeting), frequently involving the provision of advisory services, aimed at stimulating a gradual shift in behaviour. However, observing tangible positive performance outcomes may require a longer timeframe.

The econometric analysis reveals that younger companies typically perform better after receiving ERDF-supported investments. Specifically, the age of the company is negatively correlated with both turnover and employment growth rates, meaning younger companies exhibit higher growth rates. Companies aged between 5 and 10 years show significantly lower growth compared to those less than 5 years old. Similarly, companies over 10 years old perform even worse (see Annex IV).[45] Although the analysis does not explicitly test whether differences in SME capabilities are associated with differences in performance post-implementation, it highlights the agility and adaptability of younger companies. While it is true that the growth rates of younger companies are more likely to be larger because they start from a lower performance level, both interviews with stakeholders and previous literature show that these firms are often better equipped to implement growth and expansion strategies and adapt to new market conditions, amplifying the impact of ERDF support. Additionally, as these firms are in the early stages of development, they have more room for expansion and improvement, making them more receptive to the benefits of ERDF support (e.g., Srhoi et al., 2021a; Munch and Schaur, 2018; Brooks and Van Biesebroeck, 2017).

Box 4: Better performance of younger SMEs and larger projects: evidence from Ireland

An analysis of financial information contained in the balance sheets shows that that ERDF support for production expansion and productivity has boosted employment in Irish micro-enterprises, with the average number of employees rising from 4.6 in 2013 to 10.8 in 2021. In addition, multivariate econometric analysis was conducted on a subsample of 100 beneficiary micro-enterprises, for which data on employment performance and enterprise characteristics were available in the ORBIS database. The analysis aimed at examining the relationship between the growth rate in the number of employees after three years and the project value as well as various enterprise characteristics such as age, size, region, sector. The analysis showed that employment growth after three years of receiving financial support from local intermediaries is positively associated with larger project sizes. Specifically, a 1% increase in project expenditure is significantly linked to an approximate 0.2% positive increase in the growth rate of employees. Furthermore, the analysis revealed a negative association between age and employment growth. Younger and smaller entities tend to exhibit higher growth rates, which is a natural occurrence in the business landscape.

Source: Case study by CSIL.

[45] More robust findings could be obtained by comparing the results of beneficiary firms with those not treated by the policy intervention.

4.2. Two complementary goals: structural transformation and countercyclical effects in SME support

It has been observed that in the 2014-2020 period Cohesion Policy was called to have a twofold objective. Its primary goal was to support the structural transformation of regions by helping SMEs overcome barriers that constrain their development and competitiveness. This objective was complemented after 2020 by another goal: assisting SMEs in reacting to the consequences of the COVID-19 crisis. Additional resources were allocated to this end through the REACT-EU initiative, along with a reallocation of resources from other Thematic Objectives or investment-type instruments for SMEs into COVID-relief measures. This support had a shorter-term focus and mainly consisted of liquidity and working capital support to help SMEs stay afloat, without any indication of the conditions for the use of this capital.

This is not the first time that the ERDF has been called upon to play such a stabilising role in the economy. A similar shift in priorities was observed during the 2007-2013 period following the global economic crisis. While this anticyclical role can contribute to preserving the business fabric and capabilities of EU regions during periods of serious crises, one may wonder if and how the ERDF should maintain such a stabilising role every time a new crisis emerges. The ex-post evaluation of Cohesion Policy support to SMEs in the 2007-2013 period indeed questioned the effectiveness of more generic access to finance instruments aimed at reaching the widest possible number of beneficiaries quickly, with a relatively small average amount of money for each company, and limited potential to trigger a deeper restructuring process (European Commission, 2016).

Expenditure data indicate that liquidity and working capital support emerged as the most widely utilised policy instrument after 2020. The policy interventions analysed in Greece, Italy, Portugal, Romania and the French region of Ile-de-France et Seine had a significant reach, surpassing the average coverage of other ERDF policy instruments. These interventions provided liquidity and working capital support to over 600,000 SMEs across these five Member States. In relation to the total number of SMEs in each territory, this accounts for an average of 6% of SMEs that received assistance during the COVID-19 pandemic, thanks to the ERDF.[46]

Case studies confirm that the ERDF instrument aided SMEs in reacting to the COVID-19 pandemic, resulting in high SME survival and job retention rates. For instance, in Romania, less than 1% of the 16,561 assessed beneficiary SMEs that received working capital grants faced insolvency or bankruptcy. In Portugal, over 98% of supported SMEs survived through 2021, with a 4.8% increase in employment. By the end of 2022, 95.6% of these firms were still operational, and employment grew by 5.6%. In Greece, almost all beneficiaries of working capital support during the COVID-19 pandemic remained operational, with minimal failures in repayment and stable or increased employment levels. For instance, more than 99% of SMEs under the Repayable Advance scheme maintained employment conditions. While this overall recovery can be attributed to the massive public aid and numerous stimulus policies rolled out in 2020, including ERDF support, the ERDF pivotal role is unquestionable, especially in places like Greece, where the ERDF's proportion of resources was substantial.

Over 88% of SMEs received ERDF support in the year 2020 from only liquidity instruments. The flexibility in eligible activities allowed SMEs significant discretion in how they used the funds, enabling them to address either immediate or longer-term needs. An analysis of operations funded by this policy instrument up to the end of 2020 (case studies

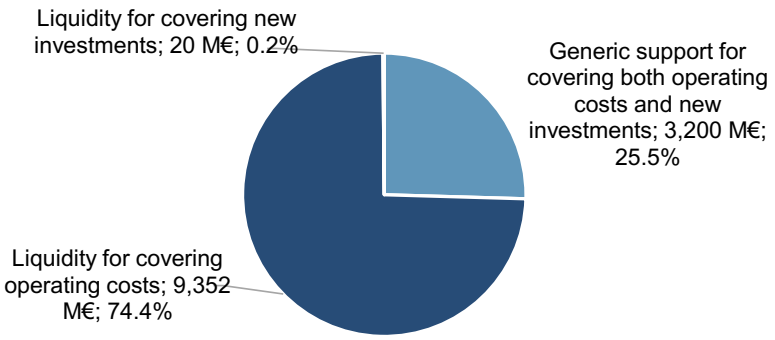
[46] The Île-de-France region had the lowest coverage, with only 0.7% of its SMEs receiving support. Greece had the highest, covering 20% of its SME population. Romania, 11.4%, Italy, and Portugal hovered around the middle, each with about 8% of their SMEs benefiting from ERDF funds, which is relatively high compared with other instruments.

and text analysis of operation descriptions, see box below) reveals that, in many cases, liquidity assistance helped SMEs remain operational during the emergency period and cover additional costs associated with COVID-related measures, such as the purchase of sanitary products.

The analysis also shows that some SMEs used liquidity support not only for immediate crisis relief but also for investment purposes. Around one-fourth of liquidity support was directed, at least partially, towards initiating investments. For instance, some companies operating in the hospitality sector utilised the funds to undertake renovation works and implement new digital software for order and client management. They seized the opportunity presented by the temporary interruption of activities during lockdown periods to carry out these improvements. Similarly, some companies invested in new digital solutions, such as e-commerce platforms, as a strategy to navigate the challenges presented by physical restrictions. Some financial instruments also exhibited a generic purpose and could be utilised for both covering operating expenses and/or addressing new investment needs, such as the Prêt Rebond in France or the Guarantee Funds for SMEs in Italy. For example, data provided by the Italian Managing Authority on the loans guaranteed through ERDF resources during the pandemic (from March 2020 to March 2023) reveals that 4% of the operations funded, accounting for 17% of the loan amounts guaranteed, were used to cover new investment needs.

This flexibility in fund usage may indicate a lack of clear targeting and a poorly defined theory of change for crisis support instruments, particularly those provided in the form of liquidity support with minimal conditions on their use. Allowing funds to cover either variable (such as day-to-day operational expenses) or fixed costs (such as long-term investments in infrastructure or equipment) blurs the line between short-term crisis management and longer-term structural competitiveness measures. One could argue that the absence of targeting creates potential opportunity costs, as more specific instruments designed to enhance competitiveness through rigorous selection criteria and merit-based approaches may be crowded out by more general business support measures. It may also cause potential inefficiency if resources intended for immediate relief end up funding non-essential investments or improvements, such as marketing, which, while beneficial, do not directly address urgent liquidity needs. This type of allocation could dilute the impact of crisis funds and divert resources from companies facing immediate survival challenges, thereby reducing the overall effectiveness of the support provided. Since comprehensive and detailed data on the operations funded through this policy instrument are not available, a more in-depth investigation would be necessary to fully understand the actual use and impact of these funds. Such an analysis could provide insights into whether the resources were optimally allocated and identify any unintended effects on competitiveness.

Figure 18: Expenditure for liquidity and working capital support by purpose

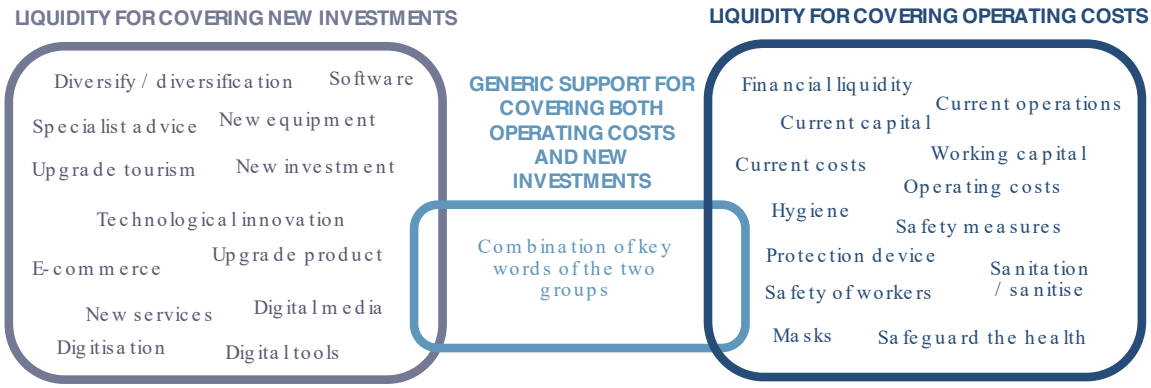


Source: CSIL & Prognos, based on WP2 expenditure data (last update: end of 2020) and an additional text analysis.

Box 5: Text analysis on operations providing liquidity and working capital support

An analysis was conducted to determine whether the additional liquidity provided to SMEs through the ERDF supported operational expenses, new investments, or a combination of both, or lacked a clear purpose. This analysis, encompassing 101,596 operations totaling EUR 12.57 billion, unfolded in three main steps:

- **Keyword search**: specific keywords were searched within the operation names and descriptions, as illustrated in the figure below. This step was pivotal in preliminarily categorising the operations based on their stated objectives.



- **Manual classification of unclassified operations**: operations that were not initially classified in the keyword search were subsequently categorised by examining the operation names and descriptions, along with other features such as the title of the call for proposals.

- **Manual consistency check**: as a final step, the consistency of the assigned categories to operations within the same call or measure across different ERDF programmes was verified. Only in cases where a single call or measure could encompass both operating expenses and investments or had an unclear objective were the underlying operations classified as having a different purpose.

Source: CSIL & Prognos.

4.3. Place-based approach and targeting strategies

The literature widely recognises that the place-based design and implementation of ERDF programmes are fundamental conditions for the success of any Cohesion Policy instruments (see discussion and references in Section 2.2). The ex-post evaluation of ERDF support to SMEs during the 2007-2013 period (European Commission, 2016) indicates that typical policy instruments yielding positive results in terms of SME competitiveness were carefully designed to be adapted to SMEs' specific needs. In general, these instruments were selective in terms of beneficiary SMEs and objectives targeted. In contrast, general support instruments targeting an indistinct variety of SMEs, spanning several sectors and supporting a large variety of projects, were associated with more limited effects.

A variety of targeting strategies was observed in the 2014-2020 period. These strategies ranged from selective approaches that concentrated on a limited number of enterprises with similar characteristics (such as in West Netherlands, where equity investments or convertible loans supported investments for the development, validation, and commercialisation of innovative products and services in major transition sectors, particularly health tech, biotech, and smart sustainability) to broader strategies that supported thousands of diverse beneficiaries. For instance, Thüringen's instrument

supporting production expansion funded over 2,000 enterprises of all sizes and sectors. Similarly, Tuscany's instrument to support SME internationalisation funded nearly a similar number of SMEs across many sectors, either participating individually or in groups.

When a more selective approach was employed, two strategies were possible: either focusing on the most dynamic and top-performing firms, which are more experienced and have higher potential, or on the less capable ones, those that struggle to initiate a structural change process leading to enhanced competitiveness. On the one hand, the former strategy was expected to yield more positive and immediate effects, and also trigger positive effects through spillovers on the territorial productive system, but it could also exacerbate existing territorial disparities. On the other hand, the latter strategy could help SMEs overcome the barriers constraining their growth, but it may have marginal effects in the short term, as the lack of capacities implies a greater risk of being ineffective and behavioural change can take longer to manifest (see also Section 0).

There are examples of both strategic approaches in the 2014-2020 programmes, with no marked preferences between types of regions. For instance, in Portugal, the same instrument to support internationalisation was provided in the form of simplified vouchers for microenterprises with no previous export experience, and in the form of larger support for more structured internationalisation plans for more experienced SMEs. Thüringen's instrument supporting production expansion employed varied financing forms and flexibly adjusted eligibility criteria and project requirements based on beneficiary characteristics to cater to diverse investment needs and capacities.

Moreover, different policy instruments were used to address the needs of different SMEs. Advisory services were more often targeted at less experienced firms, often of smaller size, younger, who have fewer in-house capabilities or resources to acquire advisory services. Data on beneficiaries confirm that SMEs receiving advisory services are typically smaller (in employment and turnover) than SMEs receiving support for business expansion projects.

Table 7 – Main characteristics of beneficiary SMEs by policy instrument

Policy instrument	Typical beneficiaries
Entrepreneurship awareness and other services for business creation	✓ Beneficiaries have the 2nd lowest average age at the start of the project (after beneficiaries of support to company creation).
Support to company creation	✓ Beneficiaries of support to company creation have the lowest average age at the start of the project. ✓ At the start of the project, beneficiaries are smaller (in employment and turnover) compared to the average size of ERDF beneficiaries for SME competitiveness.
Support to production expansion, productivity and modernisation	✓ 43% of beneficiaries of support to production expansion, productivity and modernisation work in the manufacturing sector (vs. 28% of total beneficiaries), followed by wholesale and retail trade (19%) and construction (8%). ✓ At the start of the project, beneficiaries are larger (in employment and turnover) compared to the average size of ERDF beneficiaries for SME competitiveness.
Services for business growth, modernisation and networking	✓ 48% of beneficiaries of services for business growth work in the manufacturing sector (vs. 28% of total beneficiaries), followed by wholesale and retail trade (14%) and construction (11%). ✓ At the start of the project, beneficiaries are smaller (in employment and turnover) compared to the average size of ERDF beneficiaries for SME competitiveness.
Support to export and entry into new markets	✓ 49% of beneficiaries of support to export and entry into new markets work in the manufacturing sector (vs. 28% of total beneficiaries), followed by wholesale and retail trade (18%) and professional, scientific and technical activities (10%). ✓ At the start of the project, beneficiaries are larger (in employment and turnover) compared to the average size of ERDF beneficiaries for SME competitiveness.

Policy instrument	Typical beneficiaries
Support to Tourism and CCI	✓ 35% of beneficiaries of support to tourism and CCI are involved in Accommodation and food service activities (vs. 14% of total beneficiaries).
Development of the social economy	✓ A higher share of beneficiaries is involved in human health and social work activities.
Liquidity and working capital support	✓ At the start of the project, beneficiaries are smaller (in employment and turnover) compared to the average size of ERDF beneficiaries for SME competitiveness.
Support to business reconversion	✓ Beneficiaries have the highest average age at the start of the project.

Note: The table excludes the policy instruments that are typically not targeted at SMEs, for which no data on end beneficiaries are available*:* Construction and operation of incubators, Development and upgrade of industrial areas, Systemic actions for industry promotion on international markets, Regional promotion for tourism attraction.

Source: CSIL and Prognos based on WP2 expenditure data (last update: end of 2020).

Documentary analysis and interviews with Managing Authorities and implementing bodies indicate that an in-depth, systematic, and formalised analysis of SMEs' needs for enhanced competitiveness was not consistently conducted at the outset of the programming period. However, policy instruments were frequently reassessed and improved based on on-the-ground experience during the implementation phase. In some cases, more selective approaches were pursued. In Hungary, during the implementation phase of the programme, the Managing Authority shifted its focus from broad, generic calls for productive investments and capacity building to more complex, targeted calls, aiming for higher effectiveness in achieving specific development objectives. Portugal's Programme for Competitiveness launched special calls for SMEs in sparsely populated areas or those with low export intensity, as broader calls were not guaranteeing their participation. In other cases, the targeting was expanded. In Estonia, adjustments were made to the tourism SME support instrument to include smaller projects, business innovation, marketing strategies, and digital solutions, expanding its scope beyond large-scale projects. Similarly, in Slovakia, revisions were made to the policy instrument Services for business growth, modernisation, and networking, allowing firms in financial distress to access ERDF-supported business advice.

The above examples illustrate the need for Cohesion Policy programmes to continuously align interventions with the evolving needs of SMEs and adapt policy instruments based on their real-world effectiveness. As discussed in Section 4.4, this requires Managing Authorities and intermediate bodies to remain flexible and responsive to changing needs. Stakeholders consulted agreed that the instruments delivered were sufficiently tailored to tackle local needs and generally appropriately scaled in terms of scope and volume of investments.

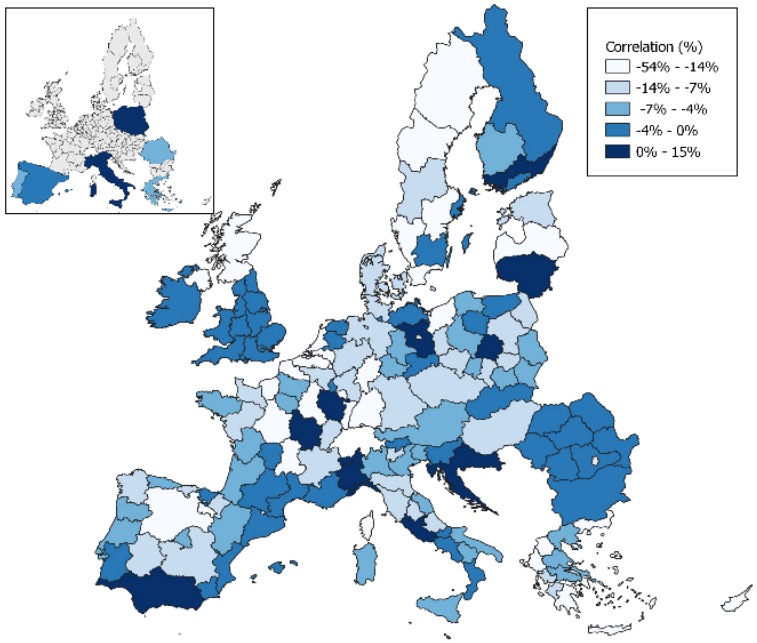
More in-depth investigation in the case studies shows that the involvement of intermediary organisations generally helped target the right SMEs with respect to the instrument's goal. In Hessen, the advisory services were delivered through well-networked and trustworthy institutions that have established ties to the regional enterprise base (Chambers of Commerce/Crafts and the recognised consulting company RKW Hessen GmbH). The evaluation shows that these intermediaries succeeded in targeting more traditional enterprises in craft industries and delivering advice that matched their skills needs. In Ireland, grants of a relatively small scale – but significant given the micro size of target enterprises – were delivered through highly customised financial assistance and strategic guidance provided by local intermediary organisations.

In the 2014-2020 period, the Smart Specialisation Strategy (S3) was intended to play a significant role in guiding the design of place-based instruments, particularly in the

context of research, technological development, and innovation. Although the EU Regulation 1303/2013 designates the S3 as the strategy framework for planning and implementing investments in Research and Innovation areas (Thematic Objective 1), there was no formal requirement for aligning resources allocated to SME competitiveness with S3 priorities. Nevertheless, in some regions, Managing Authorities encouraged alignment with S3 as a preferential requirement, and in certain cases, it was made compulsory, defining eligibility conditions for funding. For example, in West Netherlands, production expansion investments were limited to the health tech, biotech, and smart sustainability transition sectors, which were prioritised in the regional S3. In other cases, alignment was promoted through incentive mechanisms. The Wielkopolska region, for example, offered preferential interest rates on loans for investment projects aligning with the regional S3. In Greece, the policy instrument supporting the tourism sector was strongly aligned with the national S3 due to tourism's strategic importance for national and regional development.

In practice, however, the alignment between SME competitiveness investments and S3 priorities was often more nominal than substantial. This issue was frequently driven by the broad scope of many S3 strategies, which included an extensive array of industry sectors within a region or country. Case studies and interviews with Managing Authorities revealed that this breadth diluted the intended focus and resource concentration on targeted priority areas. For instance, in Slovakia and the Polish region of Wielkopolska, policy instruments aimed at company creation and business investments, though formally aligned with S3 priorities, fell short in terms of focused targeting and resource concentration. Recent studies by Prognos and CSIL (2021 and 2022) support these findings. Additionally, preferential terms for S3-aligned operations in the area of SME competitiveness support did not always provide sufficient incentive. The Italian region of Tuscany opted to remove the application of rewarding scores for S3-related projects in order to expedite the project selection process and facilitate fund absorption.

Figure 19: Alignment between the programme expenditure for SME competitiveness and the S3



Note: The map shows the Pearson correlation index between the distribution of ERDF expenditure across the NACE sectors and a weight indicating the relevance of each NACE sectors within the S3. The NACE weights of the S3 were computed by Prognos and CSIL (2021).
Source: CSIL & Prognos.

The map in Figure 19 illustrates the degree of alignment between ERDF programme expenditure for SME competitiveness and the S3 priority areas by comparing ERDF spending distribution across NACE industrial sectors with the sectoral focus in each S3. A positive correlation index corresponds to programmes that concentrated ERDF expenditure in the same sectors targeted by the S3. Conversely, a negative index refers to programmes where expenditure was concentrated in other sectors, suggesting a lack of alignment with the S3. As shown, a few regions/Member States (represented in dark blue) achieved a positive alignment between S3 priorities and ERDF expenditure.

Box 6: Alignment between SME competitiveness expenditure and S3 priority areas

The alignment between the SME competitiveness policy instruments and S3 priorities has been examined as follows:

- First, the distribution of the ERDF expenditure for SME competitiveness across different NACE sectors of the beneficiary SMEs was calculated for each OP;

- Then, comparing this distribution with the list of NACE covered by the S3 and weighted according to their relevance in the S3. These weights were gathered by the previous study by Prognos and CSIL (2021). They indicate the extent to which each NACE sector is associated with one or more priority areas of the S3, based on a text analysis of the S3 documents

- Finally, the Pearson correlation index was calculated between the two distributions for each OP.

The same analysis was conducted using the distribution of the number of beneficiaries across NACE sectors instead of expenditure. Both analyses yielded comparable results, highlighting a generally low correlation between the industrial sectors targeted by the programme and those prioritised by the S3. This analysis covered 90% of beneficiary SMEs included in the WP2 expenditure database, specifically those for which NACE code information was available.

Source: CSIL & Prognos.

The econometric analysis reveals that positive alignment with S3 priority areas is associated with a higher performance of beneficiary SMEs after projects. Specifically, the average turnover growth rate observed after the project completion in regions where ERDF expenditure is concentrated in S3 sectors is 3 points higher on average compared to other regions. This positive correlation is particularly notable for policy instruments supporting business expansion, company creation, and tourism development. Interestingly, the correlation is not solely based on the concentration of expenditure in a few sectors, as confirmed by additional analysis on ERDF expenditure. Instead, it is the concentration on sectors aligned with the S3 that appears to have a significant impact on performance (see results in Annex V).

The potential lack of real alignment between the S3 and investments for SME competitiveness could represent a missed opportunity for the ERDF. Given that the analysis is impacted by some data limitations,[47] further research is necessary to understand the extent to which targeting strategies can be enhanced by aligning more closely with the objectives outlined in the S3. Similarly, this evaluation could not gather sufficient evidence

[47] The econometric analysis reveals a positive correlation (conditional on certain observables) between the average turnover growth rate by programme and the indicator of expenditure concentration in the S3 sector. However, these findings should be treated with caution. Firstly, the analysis is based on a partial sample of beneficiaries, potentially subjecting the results to sample biases. Additionally, a counterfactual impact analysis would be required to ascertain whether this correlation indicates a causal relationship.

regarding how alignment with other national strategic frameworks (e.g., national SME strategies) might impact targeting strategies and potentially enhance the effectiveness of public support. An ongoing study launched by DG REGIO[48] aims to examine how smart specialisation can support the industrial transformation of EU regions by leveraging both innovation and productive investments. In the current programming period (2021-2027), alignment with S3 priorities continues to be pursued by some Managing Authorities under Specific Objective 1.3, "Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including through productive investments". For example, the Portuguese national OP highlights that improving the country's specialisation profile is inseparable from increasing the productivity and competitiveness of regional SMEs. Accordingly, the actions developed should support S3 priorities, particularly those aimed at enhancing business competitiveness and leveraging strategic assets in key sectors that foster regional economic development.

In summary, a variety of targeting strategies were adopted that ensured consideration of local needs and characteristics and the policy objectives, in line with a place-based approach. This was often facilitated by the expertise and local knowledge of the national and regional authorities and intermediary organisations, which often have deep-rooted connections within their respective communities. Their extensive understanding of the regional business landscape, combined with their established networks and relationships, enabled them to effectively identify and engage with SMEs that would benefit most from the ERDF policy instruments. However, the presence of these established connections and networks also poses a risk of consistently involving the same SMEs, as discussed in Section 4.5. Moreover, the general lack of alignment of SME competitiveness support with the priorities outlined in the S3 framework for research and innovation may suggest a weak long-term strategic direction in the delivery of policy support for industrial transformation. This could imply a focus on current needs and short-term objectives, potentially at the expense of a stronger emphasis on the long-term strategic vision for structural change.

4.4. Striking a balance between path dependency and experimentation

All interviews conducted confirm that ERDF support ensured continuity and security of funding over a relatively long period, providing an opportunity for longstanding planning exercise for both Managing Authorities and beneficiaries. These aspects are recognised as key ingredients for a long-term investment perspective in strategy development and implementation and for policy learning over time, with each programming cycle building on the previous one (see assessment of the EU Added Value in Section 5.4). The multi-annual framework offered by Cohesion Policy every programming period is a unique opportunity to gain insight into the national SME landscape and stimulate the development of a strategic, coherent approach.

Continuity of funding over time is particularly important for infrastructure development investments, which typically have a longer duration (as shown in Table 3). The instrument analysed in Croatia for the development of entrepreneurial zones infrastructures is in fact the continuation of a previous Instrument for Pre-Accession (IPA) measure. In Hungary, the ever-evolving structure in programmes through multiple programming periods is an important reference point for Hungarian regional policy and regional and local public administrations, because it grants the opportunity to include infrastructural projects in strategic planning for policymakers and potential beneficiaries.

[48] The European Commission's Directorate-General for Regional and Urban Policy (DG REGIO), Unit G1 – Smart and Sustainable Growth, has commissioned a study titled "Assessment of Smart Specialisation as a Strategic Framework for Enhancing Research and Innovation Capacities and for Driving Innovative and Smart Economic Transformation in EU Regions." This study, under contract number 2024CE16BAT008, has been awarded to Prognos and CSIL.

The added value from the EU is not just about maintaining funding over time but also about enabling more ambitious strategies and goals. Continuity of funding for the same type of instrument proves beneficial in enhancing the capability among Managing Authorities, allowing them to refine strategies, better comprehend implementation issues, and tailor the instruments to SME evolving needs. For example, the financial instruments supporting business expansion in Wielkopolska (Poland) were designed and executed as a continuation of the highly popular activities and instruments from the 2007-2013 perspective. However, in the 2014-2020 perspective, the focus shifted predominantly to loans over guarantees due to the emergence of competitive solutions at the national level. For the first time, Slovakia and Bulgaria employed venture capital to aid company creation and fortify the financial market. In Tuscany, preferential terms were introduced for implementing comprehensive internationalisation activities and promoting more ambitious projects.

Some instruments refunded from past programming periods were updated to align with the contemporary needs of SMEs and adjusted to address observed drawbacks with a learning-by-doing process. Path dependency on past models often influenced new policy designs, with adjustments to suit changing contexts or to improve with respect to the previous experience. Experimentation often entailed the introduction of new types of policy instruments, particularly in the realm of financial instruments, or the refinement of targeting strategies compared to previous iterations of the same instrument.

Several examples can be cited. In Tuscany, preferential terms for implementing integrated internationalisation activities were introduced to encourage more ambitious projects. Slovakia and Bulgaria introduced financial instruments for company creation, moving away from solely grant-based aid to foster innovative start-up' creation. In Ireland, ERDF traditionally supports only micro-enterprises. The 2014-2020 programme introduced Local Enterprise Offices for comprehensive, tailored and structured micro-enterprise support. In Malta, the initial version of the ERDF national OP planned to directly support SMEs in setting up new economic activities or developing or diversifying their operations through either grant schemes or financial instruments. However, an ex-ante assessment of financial instruments conducted at the beginning of the 2014-2020 programming period indicated that implementing a financial instrument in parallel with the SME Initiative (SMEi), which was implemented under another Maltese OP, i.e. the SMEi OP, would have resulted in an oversaturation of similar instruments. Considering this assessment and the positive uptake of the SMEi since its introduction, it was decided to fund only non-repayable grant schemes under the main ERDF national OP.

Experimentation of innovative policy design and implementation mechanisms inherently involves risks and may lead to failures, but these setbacks are essential for the learning process. Indeed, this experimentation highlights how Cohesion Policy fosters a learning process within Managing Authorities, with the aim of progressively enhancing the effectiveness of support mechanisms. For example, Portugal introduced vouchers to encourage the acquisition of consultancy services to support internationalisation efforts, such as diagnosing export opportunities. However, the case study shows that this intervention did not attract a significant number of new potential exporters and was not particularly effective in improving export propensity. Learning from this outcome, it is evident that the Managing Authority needs to reformulate the policy instrument in the upcoming period.

The theory of change for more established instruments is often clearer due to accumulated experience, whereas newer instruments face greater uncertainty and risk of failure. Established instruments benefit from a deeper understanding of how various components interact to achieve desired outcomes. In contrast, newer instruments involve greater uncertainty due to limited prior implementation and learning opportunities, leading to a higher potential for unintended effects as stakeholders navigate uncharted territory. Examples of more sophisticated forms of support introduced in the 2014-2020 period

include new instruments introduced in Germany (Niedersachsen programme), where non-repayable grants were blended with loans, and in Italy, where the SME Initiative used a securitisation mechanism to free up resources for new loans instead of providing direct guarantees.[49] In Andalucía, a new portfolio guarantee scheme was programmed to support more profitable and self-sustaining company creation projects, alongside a more traditional grant scheme. However, neither the Managing Authority nor the implementing body clearly explained to the evaluation team how the guarantee was meant to address start-ups' specific needs, denoting a lack of clarity about its theory of change. The case study shows that the instrument was eventually not implemented.

Concerns related to fund absorption or the degree of achievement of indicators may discourage a more experimentalist approach, as well as a long-term policy focus. Evidence from case studies shows the importance of establishing incentives for Managing Authorities, allowing prompt and incremental adjustments in the instruments' design, and having capable and committed Managing Authorities and implementing bodies in undertaking thorough planning, monitoring, and evaluation when implementing new instruments. These measures are crucial for mitigating risks and optimising outcomes.

4.5. Patterns of SME participation: continuity and inclusivity issues

The continuity of programming and funding may inadvertently result in patterns of SME participation. Evidence from various case studies suggests that a consistent group of SMEs tends to participate in ERDF calls repeatedly, spanning both within the same funding period and across different programming periods. This trend is facilitated by the accumulation of experience in navigating the application process, receiving funding, and undergoing post-implementation audits associated with ERDF initiatives. This sustained support highlights limitations in expanding the reach of support to a broader spectrum of SMEs, particularly those facing greater entry barriers. These SMEs, often micro-sized ones, may encounter difficulties in building the necessary experience and capacity to compete for funding, and establishing connections with relevant stakeholders.

While the majority of SMEs benefited from only one project, at least 25 thousand firms benefited from two or more projects, corresponding to 15% of beneficiaries analysed.[50] The maximum number observed is 23 projects for one company (Figure 20). These findings come from an analysis of the distribution of the number of projects for each beneficiary SME in the full WP2 database of operations and beneficiaries,[51] and are confirmed by more detailed evidence in the case studies. In Poland, 74% of companies supported by the Go to Brand internationalisation instrument implemented only one project, but nearly 20% implemented two projects, and 6% implemented from three to five projects. In Tuscany, on average around two internationalisation projects per enterprise were funded, with some enterprises receiving funding for up to five projects.

The same firm may benefit multiple times from the same policy instrument or from several. For example, firms may apply for export support each time they attend a different international fair. Additionally, it is plausible that SMEs benefit from support across different policy instruments (as shown in Table 8), but also from different programme objectives, not only for SME competitiveness, which is not accounted for in these figures. Overall, this skewed distribution emphasises the varying capacities of SMEs in effectively absorbing funds, with some demonstrating greater capability due to their extensive participation in

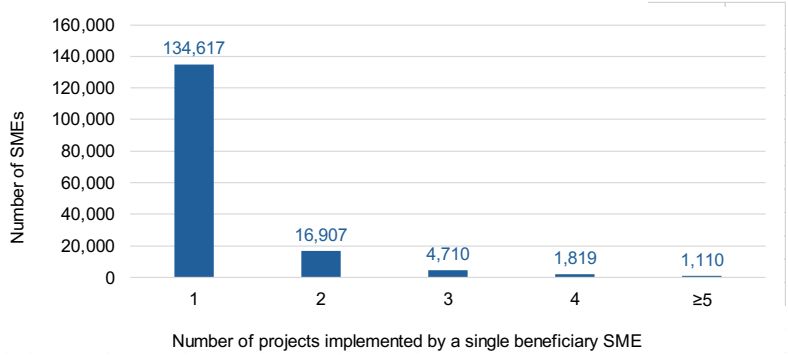
[49] These policy instruments were not covered by an in-depth evaluation.

[50] This figure is based on data of beneficiary SMEs up to the end of 2020. Moreover, it mostly refers to direct beneficiaries of support, since most data on end beneficiaries of intermediated support is not available.

[51] This distribution only accounts for projects directly benefiting SMEs, excluding potential indirect forms of support such as advisory services. Data on the ultimate beneficiaries of these indirect forms of support are very limited.

previous initiatives. When examining SMEs that benefited from multiple projects (Table 8), a significant portion received support for multiple projects under the same policy instrument, particularly for production expansion and modernisation or export-related initiatives, or a combination of these two. Most of these cases are found in Germany and Spain.

Figure 20: Distribution of beneficiary SMEs by number of projects implemented



Note: The number of SMEs receiving multiple funding is based on the analysis of beneficiaries up to the end of 2020. It does not account for SMEs receiving indirect forms of support (e.g. end beneficiaries of financial instruments) for which data are not available. Also, it only considers beneficiaries for SME competitiveness objective.

Source: CSIL and Prognos based on WP2 expenditure data (last update: end of 2020).

Table 8 – Combined use of different policy instruments: share of beneficiaries with multiple operations for each pair of policy instruments

Policy instruments	Entrepreneurship awareness and other services for business creation	Support to company creation	Support to production expansion, productivity and modernisation	Services for business growth, modernisation and networking	Support to export and entry into new markets	Support to tourism and CCI	Development of the social economy	Liquidity and working capital support	Support to business reconversion
Entrepreneurship awareness and other services for business creation	0.31%	0.20%	0.07%	0.01%	0.01%	0.01%	0.00%	0.01%	0.00%
Support to company creation		4.25%	2.44%	0.03%	1.51%	0.13%	0.02%	1.66%	0.07%
Support to production expansion, productivity and modernisation			37.76%	1.31%	10.86%	0.63%	0.21%	9.33%	2.18%
Services for business growth, modernisation and networking				1.07%	0.27%	0.04%	0.01%	0.08%	1.19%
Support to export and entry into new markets					12.35%	0.27%	0.02%	2.07%	0.86%
Support to tourism and CCI						1.06%	0.01%	0.89%	0.15%
Development of the social economy							0.14%	0.00%	0.09%
Liquidity and working capital support								4.24%	0.16%
Support to business reconversion									1.99%

Note: The percentages presented in the table collectively add up to 100%. They represent the proportion of beneficiaries who received funding through any combination of policy instruments, out of the total number of SMEs benefiting from at least two projects. The table excludes the policy instruments that are typically not directly targeted at SMEs*:* Construction and operation of incubators, Development and upgrade of industrial areas, Systemic actions for industry promotion on international markets, Regional promotion for tourism attraction. Moreover, the figures only refer to data on beneficiary SMEs as of the end of 2020.

Source: CSIL and Prognos based on WP2 expenditure data (last update: end of 2020).

More research is needed to determine the characteristics of SMEs that received ERDF funding multiple times. From a preliminary analysis of available evidence, it appears that SMEs benefiting from ERDF support only once are predominantly micro-enterprises (69%), whereas those that have received support multiple times are predominantly small (45%) and medium-sized enterprises (28%).[52]

Limited knowledge of funding opportunities and burdensome administrative procedures may represent entry barriers for SMEs. Interviews pointed out that the promotion of the policy instrument by external consultants and through the communication and dissemination activities facilitated by national and regional authorities and business associations (such as Chambers of Commerce and cluster organisations) always played an important role in raising awareness about available support among SMEs and attracting a large number of applications. This factor is well-acknowledged by the regional and national administrations.

There are several examples of dedicated communication and dissemination activities organised to accompany the launch of a new instrument. In Poland, the ERDF programme implemented another measure, “Industry Promotion Programmes”, in parallel to the direct support for SME internationalisation projects, which served the purpose of identifying the most relevant foreign markets to target by each industry, but also to organise events to ensure the flow of information to potentially interested SMEs. The facilitating role played by the Industry Promotion Programmes operators allowed a good targeting of the instrument and awareness of the funding opportunities. In Greece and Italy, the strong promotion campaigns implemented by local associations of exporters to their members were a positive enabling factor of effectiveness for the policy instrument supporting internationalisation. The same holds for the campaigns organised by large banks and trade and industry associations in Greece following the COVID-19 pandemic, thanks to which a high number of SMEs could be reached. When the instrument providing liquidity and working capital support was launched in Portugal, several strategies were employed to make sure that the instrument reached the intended target audience, mainly consisting of firms less familiar with EU funding programmes. Webinars were conducted and broadcasted through different media platforms, featuring presentations by representatives from the Managing Authority, the Ministry of the Economy, the Agency for Competitiveness and Innovation and other intermediate bodies. These sessions were followed by question-and-answer sessions to provide clarity and address any doubts. Certified accountants played a crucial role in disseminating the policy information and providing comprehensive instructions on the application procedures. Particularly for smaller firms, accountants took the lead in proposing and applying for the instrument.

Previous experience in the policy instrument can also help reduce the administrative burden. The case studies show that when a policy instrument was already existing in the previous programming period, SMEs were generally more familiar with it, and this facilitated the instrument’s take-up and effectiveness. Also, the first experience with an instrument was often taken as a testing ground by SMEs, which allows them to learn procedures and processes and paves the way for subsequent applications. In Poland, the case study found that this learning process facilitated better-planned projects, and beneficiaries who

[52] It should be noted that information on the size of beneficiary SMEs was available for only 79% of the sample of firms analysed.

implemented multiple projects appeared to be more effective in achieving the assumed objectives, as they signed nearly 15 contracts with foreign partners per project on average, compared to less than 13 contracts for those who implemented only one project. The Guarantee Fund instrument used in Italy to cover the working capital needs of SMEs affected by the COVID-19 crisis existed before the pandemic. It was previously used to support loans covering investments or working capital needs linked to an investment. In 2020, the instrument could be quickly adjusted and reused to provide working capital support. A similar situation applies to the French Prêt Rebond measure. It was a previously existing financial instrument designed at the national level by Bpifrance, the French Investment Bank, to provide working capital, and it was replenished with ERDF funding after the pandemic. The adaptation of this instrument allowed a very quick and smooth deployment of support: support was typically unlocked within a week (through digital means, as in the case of the Ile-de-France region).

Continuity of programming and funding may support long-term structural transformation goals. The evaluation has found indications that providing support to the same group of SMEs over multiple funding periods can facilitate sustained investments in initiatives aimed at fostering SME and regional competitiveness. Cohesion Policy, by ensuring continuity, allows SMEs to engage in strategic planning, undertake long-term projects, and implement transformative initiatives that contribute to overall economic growth and development, as discussed in Section 4.1.

At the same time, support must be effectively channelled to avoid dependency and encourage real behavioural change. For instance, providing vouchers for SMEs to participate in international fairs can be valuable, especially for less capable and micro-sized companies, allowing them to showcase their offerings on a global stage and potentially open doors to new markets and partnerships. However, the effectiveness of such support diminishes if provided continuously to the same company without inducing real behavioural change. Simply attending these events, while offering valuable expertise for newly exporting firms, may not lead to significant long-term improvements in competitiveness, as shown in the Portuguese case study. Continuous support without encouraging real change can create a cycle of dependency rather than empowerment, perpetuating reliance on external assistance rather than fostering internal growth and innovation efforts.

4.6. A greater use of financial instruments and uncertain evidence of effectiveness

There was a significant increase in the use of financial instruments during the 2014-2020 programming period compared to the previous programming period. As shown in Section 3.2.1, as of the end of 2023, EU Member States, allocated approximately EUR 17.7 billion to financial instruments and other repayable forms of support (of which EUR 12.4 billion covered by the ERDF), accounting for more than one third of the resources planned under the objective supporting SME competitiveness.[53] Financial instruments were designed to promote especially company creation (generally through venture capital, equity and risk capital, followed by loans), as well as production expansion, productivity, and modernisation at existing SMEs (mainly loans and guarantees).[54]

Deployment of financial instrument support was accelerated to address the financial challenges posed by the COVID-19 pandemic. In 2020, there was an increase of nearly EUR 4 billion in the allocation planned for financial instruments compared to the previous year, which was achieved by also reallocating resources that were initially designated for

[53] See also Annex IV for more details.

[54] More detailed statistics on the use of financial instruments by policy instruments are presented in Annex IV.

grants. These instruments primarily aimed to mitigate the liquidity and working capital concerns of SMEs, through guarantees and loans.[55]

ERDF-supported financial instruments are expected to play a crucial role in increasing the impact of funding by leveraging additional resources and ensuring the longevity of funds. Unlike traditional grants, these instruments have the unique ability to leverage funding over time given their revolving nature. Such a mechanism creates sustainable cash flows that can be continually reinvested to support more SMEs. The flexibility of these instruments was particularly evident during the COVID-19 crisis. Many regions successfully reallocated funds from grants to financial instruments, thereby increasing their resilience and adaptability in the face of economic upheaval.

The decision of which form of finance to use generally depended on considerations about the type of beneficiary and projects supported, as well as on the country's financial gap and market failures assessment. Financial instruments were deemed a more suitable form of support than grants when expected to generate returns on investments, achieve cost savings, or minimise market distortions. A distinction can be made between equity investments and debt-type support, with the latter covering both loans and guarantees.[56]

- **Equity instruments were primarily directed towards high-risk, innovative projects**, which are also likely to yield higher returns on investments. This aligns with the focus of risk capital investments as identified in the literature (Cowling 2012). For example, in the Netherlands, they were employed to support the commercialisation of highly innovative products, a phase of growth recognised as challenging for companies operating in highly technological fields. Venture capital funds were used in Bulgaria and Slovakia to support startups and spin-offs operating in innovative sectors. **ERDF-backed equity instruments were particularly advantageous in peripheral areas characterised by thin markets**, meaning there is a lack of sufficient supply by private venture capital and business angels (Nightingale et al. 2009).

- **Debt instruments (loans and guarantees) were instead devoted to lower-risk, economically-viable projects**, like in Poland, where the Managing Authority decided to facilitate access to finance for a wide range of productive investments, especially in micro-enterprises. Guarantees were widely used to improve access to finance during crisis period, such as after the great 2008-2009 recession (OECD 2013), as also observed after the COVID-19 pandemic.

The existence of other forms of (public) support influenced the choice of financial products. The evaluation provides examples of regional authorities that preferred to use ERDF for offering loans due to the existence of other national or regional-level guarantee support (e.g., in the Ile-de-France and Seine region or in Thüringen).

The literature examining such schemes and the case studies have shown mixed results regarding their effectiveness in promoting SME performance and employment (for more details, see the cross-case financial instruments case study). The in-depth analysis of some financial instruments confirmed the uncertain evidence of effectiveness. While outcomes for enterprises were positive for all the financial instrument case studies, this assessment could only be based on initial quantitative or qualitative evidence. In Bulgaria and Slovakia, notable positive outcomes on survival rate, economic performance and job creation were achieved by the respective financial instruments

[55] The increase in planned allocations to financial instruments was especially remarkable in Italy, but there were considerable increases also in Croatia, the Czech Republic, Poland, and Slovakia.

[56] It should be noted, though, that guarantees were sometimes used to cover the risks from equity financing.

supporting company creation (venture capital), although these outcomes could not be substantiated based on a counterfactual impact evaluation.

The extent to which these effects persisted over time also remained uncertain due to the recent investments, although the positive trends could be promising for the future growth of the recipient enterprises. In the West Netherlands, positive outcomes have been achieved by venture capital support in terms of R&D activities, employment, and turnover at the investees. Interviews with funded companies showed that the involvement of the "Participation Fund ROM Region Utrecht" (ERDF-backed equity investments and convertible loans) played a crucial role in the SME's ability to attract private investors and further expand their company. However, determining the potential impact of the investments made in the longer run is challenging, as these are quite recent.

Box 7: Data limitations to assess the effectiveness of financial instruments

Assessing the effectiveness of financial instruments has proven to be more complex than evaluating other types of policy instruments. Specific challenges have affected the evaluation, in addition to the general challenges discussed in Section 1.3.2, such as uneven microdata availability, time lag of effects, difficulty in observing and assessing SME behavioural change, and others. A particular issue for financial instruments concerns the availability of microdata – i.e. data at the level of individual enterprises – of end beneficiaries in commercial datasets, which can be used to assess the financial additionality of public support. The extent to which this information is available varies considerably across SMEs, depending on reporting obligations that generally reflect the enterprise's legal status or size. This implies that less data are available for more informationally opaque enterprises, which are also more likely to be credit-rationed. Additionally, in the case of financial instruments, data on unsuccessful applicants is often unavailable, making some approaches to counterfactual impact evaluation unfeasible. Furthermore, the limited availability of academic research evaluating publicly assisted financial instruments poses another obstacle, necessitating more effort to reconstruct the intervention logic for this type of support and its effectiveness.

Source: CSIL & Prognos.

The effectiveness of financial instruments over grants also remains uncertain, although some indications have been found regarding the conditions under which financial instruments may be more effective. An econometric analysis was conducted on SMEs that received support for production expansion investments or company creation, using available data from the WP2 database of beneficiaries.[57] The objective was to assess whether post-project performance (measured in terms of turnover two years after project completion) exhibited statistically significant differences between SMEs benefiting from grants versus those benefiting from various forms of financial instruments. It was found that the post-project performance of SMEs benefitting from equity for company creation instruments is on average statistically higher than those receiving grants in more developed regions.[58] This result is confirmed by the case study on the instrument implemented in Slovakia, which shows a higher average increase in total assets and turnover for beneficiary enterprises located in the more developed region of Bratislava, compared to those located in the less developed regions.

While equity support is generally more effective than grants for company creation in more developed regions, similar outcomes can be observed in less developed

[57] The sample is composed of beneficiaries of Belgium, France, Italy, Lithuania, Latvia, Malta, Poland, Portugal, Romania, and Slovakia.

[58] The multivariate regression analysis accounted for other firm and contextual characteristics. The results remain robust whether considering the period until 2019 or until 2022. Further details can be found in Annex V.

regions when support targets more promising projects and SMEs. This is evidenced by the Bulgaria case study, where financial instruments outperformed grants. Econometric analysis shows that, on average, enterprises supported by financial instruments in the less developed regions of Bulgaria increased their total assets, turnover and employment more than those supported via grants (see the Box below). This likely reflects the higher-risk, innovative nature and growth potential of the projects funded by financial instruments, reinforcing the findings discussed in Section 4.1.

Box 8: Comparing equity and grant support measures: the case of Bulgaria

Bulgaria implemented five different policy instruments to support company creation. These included the grant scheme "Encouragement of Entrepreneurship", which supported implementing entrepreneurial ideas in the market and investments to increase the probability of survival and create employment of start-ups at an early stage of development (with an average project value of EUR 113 thousand), and three "Seed/Acceleration and Start-Up Funds" along with one "Venture Capital Fund", established to promote highly innovative entrepreneurship in Bulgaria and facilitate access to financing for small and medium-sized enterprises at an early stage of development (with an average project value of EUR 229 thousand).

A multivariate econometric analysis was conducted to investigate the correlation between the project value and the performance of start-ups in terms of total assets, number of employees, and turnover, while controlling for confounding factors. These factors included the sector of activity, the age of the company, the lagged level of the dependent variable, region, and year. Given some constraints in performance data availability, since the equity instruments were launched after 2020, the analysis focused on the performance of the beneficiaries up to the year following the start of the project. Although all three performance indicators were positively associated with increasing the investment amount, the results show that, on average, increasing the amount of equity funding correlates with a higher increase in all three performance outcomes compared to the increase from grants. For instance, a 1% increase in the project value is correlated with a EUR 165,000 increase in total assets for SMEs benefiting from financial instruments (compared to EUR 55,000 for beneficiaries of grants), one additional employee (compared to no statistically significant effect for beneficiaries of grants), and a EUR 51,000 increase in annual turnover (compared to a EUR 36,000 increase for beneficiaries of grants).

Source: Case study by CSIL and M&E Factory Monitoring and Evaluation Ltd.

Close scrutiny of SMEs' financial capabilities is needed to ensure the use of the most cost-effective support instruments. Evidence suggests that loan support provided through Thüringen-Dynamik for large-scale investment projects (up to EUR 2 million) resulted in a higher percentage increase in employment compared to SMEs receiving only grants for smaller-scale projects (up to EUR 50 thousand). Additionally, combining grants and loans for production expansion, modernisation, and productivity investments of average size (up to EUR 200 thousand) had positive outcomes in terms of gross fixed capital, employment and productivity. However, the analysis also revealed a deadweight effect, as some companies could have covered the full investment cost with their own resources. A beneficiary survey conducted under an evaluation (Wagner, 2019) suggested a deadweight effect of about 3% for grants under Thüringen-Invest, based on self-assessments by beneficiaries. Stakeholders interviewed for the case study, including business sector representatives, believed the deadweight effects to be likely higher. In cases where a deadweight effect was identified, grants can be considered to have lower added value for SMEs capable of covering the public support using their own resources. In contrast, where SMEs have sufficient resources to finance their projects independently, the use of financial instruments may be more appropriate to facilitate access to additional capital without creating unnecessary distortions in the market.

Similarly, in the Wielkopolska region, financial instruments (loans and guarantees) facilitated access to finance for a wide range of productive investments in micro enterprises, resulting in positive outcomes in terms of their fixed assets, sales, and profit. Among recipient SMEs, micro enterprises experienced the largest average increase in the value of fixed assets, and the deadweight of support was low for them. However, it is important to note that these results are based mainly on qualitative evidence, as the financial instruments lack more robust evaluations. This further underscores the importance of careful selection and evaluation of financial instruments to maximise their effectiveness and ensure the most efficient use of public resources.

There is evidence suggesting that debt-based instruments may outperform grants in improving post-project performance for SMEs. The econometric analysis shows that SMEs benefitting from debt-based instruments for production expansion projects have statistically higher average turnover in the two years after project completion compared to those receiving grants, particularly in transition and more developed regions (Table 28 in Annex V). Further research with a larger and more representative sample of beneficiaries is necessary to validate this finding,[59] and a counterfactual impact evaluation is required to determine whether financial instruments resulted in different performance outcomes compared to grants.

Financial instruments have demonstrated significant resilience for SMEs during the COVID-19 pandemic. Case studies in Greece, Italy, and Ile-de-France[60] show that SMEs supported by financial instruments for liquidity and working capital were notably resilient. However, isolating the specific impact of ERDF support is challenging due to various other financial and regulatory measures introduced by national governments to aid SMEs in the wake of the COVID-19 pandemic outbreak. While comprehensive evidence on the effectiveness of these measures is still forthcoming, existing literature suggests a potential, albeit moderate, risk of credit substitution for public guarantees provided during the pandemic (Altavilla et al., 2021[61]). Some Member States preferred using grants to mitigate SMEs' losses from lockdowns, and there is no evidence showing a difference in effectiveness between grants and debt-based instruments.

4.7. Systemic effects demand integrated design in public support, yet instruments' synergy is limited

Achieving structural change in regional economic systems necessitates thinking in systemic terms. It involves more than just designing individual policy instruments to address specific needs of SMEs. It requires considering how various forms of support can synergise and collectively contribute to systemic effects on regions. This approach involves viewing the regional ecosystem as a whole and understanding how different interventions interact and complement each other to drive lasting transformations.

The policy instrument case studies reveal limited evidence of the extent to which outcomes for beneficiary SMEs contributed to improved regional competitiveness. A comprehensive understanding of the impact of Cohesion Policy investments on regional systems requires synthesising considering the outcomes of all interventions affecting a regional ecosystem, recognising the intricate interconnections between various areas beyond SME competitiveness and the influence of many concurrent factors. It should also acknowledge the varying roles that the ERDF plays in regional economies. In some countries and regions, particularly less developed ones, the ERDF provides the only or most

[59] The econometric analysis could not include data on beneficiaries in Germany, Spain, Finland, Croatia and Bulgaria.

[60] Even if the survival rate of the recipient enterprises in the Île-de-France is somewhat lower compared to certain other Member States.

[61] The analysis refers to support provided in some members of the Euro area.

significant source of support for specific SME competitiveness objectives through targeted policy instruments, making it easier to achieve broader effects. However, this is not the case in many regions, where ERDF funding represents only a portion of the overall support landscape (as mentioned in Section 3.2.1).

In theory, an ecosystem approach has been favoured for some decades for the development of regional economic systems due to technological advancement, globalisation and division of labour.[62] As in the S3 logic of regions, it leverages competitive advantages and synergies within the existing economic fabric of the region and adapts support instruments according to the needs of actors in the system, including core businesses, their suppliers, core contributors and distribution channels, customers of a specific product or service, customers of customers, complementors, suppliers of suppliers, standard bodies, and extending to organisations such as investors, competitors, trade unions, research institutes, universities, public bodies, trade associations and other stakeholders. A contrary approach to SME development in regions would likely neglect the complex long-term interplay of factors such as infrastructure, government policies, access to finance, market dynamics, education, and community support that contribute to a thriving ecosystem, but rather focus on isolated interventions or narrow perspectives for short-term gains.

In practice, ERDF support strategies for SME competitiveness in 2014-2020 rarely leveraged a comprehensive ecosystem approach. The synergistic use of different instruments, whether within Cohesion Policy programmes or between Cohesion Policy and other EU funding opportunities, was not frequently pursued explicitly. This indicates that various interconnected aspects influencing SME development and regional structural change, such as concentrating on financial incentives without simultaneously addressing critical factors like skills development or market access, were not consistently incorporated into regional and national strategies. There were few examples of ERDF support strategies for SME competitiveness in 2014-2020 that leveraged either a combination of different (but complementary) ERDF policy instruments or the combination of ERDF support with other EU programmes. Two concrete examples where this was the case are outlined below:

- **Coupling business advisory and networking services with funding and financing opportunities for R&D projects:** In Hessen, Germany, the ERDF programme in the period 2014-2020 introduced measures aimed at boosting the innovative capacity of companies, particularly in weaker regions, by enhancing their research and innovation (R&I) activities and fostering collaboration with research institutions and cluster networks. One such measure[63] involved coupling business advisory and networking services with funding opportunities for R&D projects. The consultancy firm RKW Hessen GmbH was appointed as an intermediary to provide SMEs with guidance on navigating complex application processes for innovation funding programmes, such as Horizon 2020. While the participation of SMEs is a declared goal in European funding programmes, the application process is often perceived as daunting, with low approval rates and challenges in project management post-approval. Consequently, SMEs commonly believe that achieving success without external support is nearly impossible. To address these hurdles, Hessian SMEs were offered support for application submissions, with funding covering a portion of consultancy fees for a specified period. This initiative aimed

[62] Developed by business strategist James Moore in 1993 and inspired by how technological progress and globalisation changed ideas about doing business, the term business ecosystem refers to a dynamic network of organisations that is involved in the delivery of a specific product or service through both competition and cooperation (Moore 1993). The structure of a business ecosystem is more stable than that of an open market with little to no barriers to free-market activity but more fluid than that where the supply chain of a business to deliver a specific product or service to a consumer is static or vertically integrated in all business operations.

[63] Measure "1.2 "Promoting business investment in R&I, building links and synergies between companies, R&D institutions and the higher education sector".

to facilitate SME engagement in EU-funded projects and enhance their competitiveness in the R&I landscape.

- **Blending ERDF support for SME competitiveness with relevant ESF measures:** In Wallonia, Belgium, both the ERDF and ESF programmes for the period 2014-2020 are tailored to support economic growth and enhance the well-being of citizens. These programmes aim to increase labour productivity and employment rates through various measures such as training, entrepreneurship support, SME growth, investment in R&D, and social inclusion initiatives. By addressing these objectives in a complementary manner, the programmes contribute to the overall economic development of the region. Notably, economic development was not possible without the ability to have qualified resources with the skills required by the companies in the region. The most obvious and direct link between the ERDF and ESF programmes was found within priority axis 1 "Enterprise and creativity" of the ESF OP. This priority aimed at facilitating access to the labour market for job seekers, and anticipating and adapting employed workers to changes in the labour market. It aligned with ERDF measures aimed at assisting entrepreneurship and providing financial support (grants, loans and guarantees) to existing businesses and spin-offs.

Even without explicit combinations of different support measures in the design of specific ERDF interventions, SMEs sometimes leveraged synergies between ERDF support measures to maximize growth potential. This is especially evident in their efforts to merge ERDF support for SME competitiveness with that for strengthening research, technological development, and innovation. This overlap is not surprising: as discussed in Section 4.5, some SMEs tend to apply for multiple lines of ERDF support due to the experience they have accumulated in receiving European support measures. Moreover, the particular combination of support for research and innovation and SME competitiveness can be attributed to the inherent interconnections between the two: indeed, innovation is a key driver of the dynamic processes underlying the creation of competitive advantage. Innovation fosters changes in business models and allows for the introduction of new products and the adaptation of existing ones to customers' needs – the ultimate driver behind the development of new capabilities and new assets. Additionally, innovative practices often enhance a company's competitiveness, and, in a virtuous cycle, increased competitiveness can spur further innovation. Therefore, SMEs often pursue support in both areas to capitalise on these synergies and maximize their growth potential.

An analysis was conducted to assess the extent to which SMEs leveraged synergies between ERDF support for research and innovation and SME support measures. The evaluation team utilised the WP2 single database to perform a matching between the two beneficiary pools. Box 9 illustrates the methodology used to perform the matching, while

Table 9 illustrates the results of the exercise, which have important implications in terms of the coherence of ERDF support (see Section 5.3). Overall, about 5% of unique beneficiaries of SME competitiveness measures in the 2014-2020 period (13,410 companies) also received ERDF support to undertake research and innovation projects. In terms of the number of projects supported, these 13,410 beneficiaries received ERDF support for around 16,880 projects for SME competitiveness and around 16,540 research and innovation projects. Thus, while the overlap between the two pools of beneficiaries is comparatively limited, it is nonetheless non negligible, and suggests that at least some SMEs sought, at the project level, to leverage synergies between different types of ERDF support. The section dedicated to the coherence of ERDF support (Section 5.3) discusses this finding in more detail.

Typically, beneficiaries sought to leverage innovation to grow their businesses, access international markets, and boost their resilience. This is evident from the breakdown of beneficiaries by the policy instrument under which their supported projects fall (

Table 9). Three policy instruments where innovation plays a prominent role stand out: support to product expansion, productivity, and modernisation, support to export, and liquidity and working capital support. Beneficiaries aimed to utilise innovation support for internal research and innovation projects, the uptake of externally developed innovations, and capacity building for innovative activities.

Box 9: Matching ERDF beneficiary SMEs under the Research and Innovation measures objective and the SME competitiveness objective

In the existing evaluation literature, only a few quantitative analyses have been used to quantify the degree of coherence between different ERDF initiatives. A simple method is to analyse the overlap between the beneficiary pools of different kinds of ERDF support. In this instance, the evaluation team looked at the overlap between the beneficiary pool of SME competitiveness measures and research and innovation measures. To identify the beneficiaries that received support under both types of measures, an approximate string-matching methodology was employed,[64] which allowed to account for different spellings of beneficiary names. Since each beneficiary is matched to the one (or more) of the projects it has undertaken under a specific policy objective, and these projects are matched to a (unique) policy instrument, each beneficiary can be associated with a speficic policy istrument, or more than one instrument if more than one of its project has received ERDF support. This, in turn, allows to develop a matrix which indicates, for each beneficiary in the subset that has received support under both research and innovation and SME competitiveness objectives, the specific intersection of the policy instruments under which the beneficiary has received ERDF support. In practical terms, this intersection yields important insights into the modalities with which SMEs sought to combine support for their competitiveness with support for innovation.

Source: CSIL and Prognos.

[64] Approximate string-matching, also known as fuzzy string searching, is an algorithmic approach that enables the identification of strings that are similar but not identical. This process relies on quantifying the "distance" between strings, typically using metrics such as the Levenshtein distance, which calculates the minimum number of single-character edits (insertions, deletions, or substitutions) required to change one string into another. For example, in a database query for "Alexander", an approximate string-matching algorithm might identify "Aleksander" as a close match by recognizing that only a single substitution is needed to reconcile the two strings. This method is indispensable in data cleaning, information retrieval, and natural language processing tasks, where exact matches are improbable due to typographical errors, phonetic variations, or other inconsistencies.

Table 9 – Breakdown by policy instrument of beneficiaries that obtained support under both the Research and Innovation and SME competitiveness objectives

		SME competitiveness policy instruments						
		Business consolidation and growth	Entrepreneurship and business creation	Tourism and CCI promotion	Access to international markets and GVC	Development of the social economy	SME relief and resilience	**Total**
Research and innovation policy instruments	**Research activities in businesses**	3,703	426	177	2,796	10	1,087	**8,199**
	Business investments to support innovation uptake	2,792	107	57	1,245	50	1,451	**5,702**
	Science-industry collaborative RDI projects	1,245	396	305	869	48	272	**3,135**
	Capacity building for innovation in businesses	559	80	33	748	4	609	**2,033**
	Indirect support for technology transfer	443	309	194	246	24	67	**1,283**
	Infrastructure investments for research	176	103	49	74	18	16	**436**
	Research activities in universities /research centres	107	86	50	56	19	10	**328**
	Infrastructure investments for technology transfer and innovation	91	42	21	31	4	3	**192**
	Total	**9,116**	**1,549**	**886**	**6,065**	**177**	**3,515**	**21,308**

Note: roughly 4,700 beneficiaries received support for more than one project under one of the two Thematic Objectives, hence the discrepancy between the total number of beneficiaries matched as a result of the exercise (13,410) and the total number of beneficiaries whose projects were associated to a specific intersection between two specific policy instruments in this table (21,308).

Source: CSIL and Prognos.

5. Policy assessment

This section assessed ERDF support for SME competitiveness based on Better Regulation criteria. Attention is paid at avoiding repetitions of findings from previous sections. Specific evaluation questions are referenced for clarity and a table with a short answer to each evaluation question is included for each evaluation criterion. A synthetic assessment by policy instrument is provided in Annex VIII.

5.1. Relevance

The relevance criterion deals with the suitability of the policy intervention considering the needs of the stakeholders (Managing Authorities, policy officers) and beneficiaries (SMEs). More specifically, it touched on aspects of the design and implementation of the instrument, including the selection of its form of finance and mode of delivery. It also looks at the way in which SME needs and barriers to investments were assessed and reflected in the selection, design and implementation of the policy instrument. Thus, under the relevance criterion, it is assessed the degree to which ERDF support was relevant in addressing the needs faced by SMEs both at the start of the programming period and those that emerged throughout its implementation, ultimately aiming to achieve growth and job objectives in the EU.

Many national and regional ERDF policy instruments were designed to meet a wide array of SME needs with high adaptation. Although an in-depth, systematic, and formalised analysis of SMEs' needs for improved competitiveness was not always conducted, and the alignment with S3 priority areas was more formal than substantial (Section 4.3), the ERDF policy instruments aimed to address various SME requirements, taking into account the local context and past experience. The initial strategic goal typically involved providing support to SMEs in their recovery path after the 2009 financial and economic crisis and enhancing their competitiveness in the long-term.

Managing Authorities adopted a wide range of strategies to tailor interventions to the needs of local SMEs. Some policy instruments were designed in a selective way, catering to a specific subset of businesses with similar features, while others adopted a more inclusive approach, reaching thousands of varied SMEs. Overall, the menu of policy instruments available during the 2014-2020 period allowed targeting of SME needs across their entire life cycle. In fact, it is observed that some policy instruments were used for specific types of SMEs, associated with specific needs (as shown in Table 7 in Section 4.3). Some programmes aimed to target support to the sectors covered by the S3, but the analysis shows that actual alignment between beneficiary SMEs and S3 priority areas was achieved in a limited number of cases (see Section 4.3). This could potentially imply a focus on current needs and short-term objectives, potentially at the expense of a stronger emphasis on the long-term strategic vision for structural change, although this assessment lacks substantial evidence.

The deployed forms of finance were mainly deemed appropriate and met the SME funding needs. The choice of finance form was generally determined based on the specific needs and characteristics of the beneficiary and the financial gaps and market failures in the respective country. During the COVID-19 crisis, most countries used financial instruments (guarantees/loans) to provide rapid support to firms in uncertain times. Some countries opted for grants due to specific challenges, such as high indebtedness levels among micro-enterprises, which testifies to good consideration of specific context characteristics.

The suitability of policy instruments to SME needs was facilitated by continuity and incremental adjustments. Continuation from the past facilitated the alignment of policy instruments to the needs of SMEs. However, incremental adjustments were necessary to account for changes in context and SME needs, making some policy instruments more ambitious and targeted compared to the past period (Section 4.4). A trial-and-error approach was adopted for the newly created instruments, often resulting in a successful approach. When the design did not succeed in fully understanding and addressing the specific needs of SMEs (either in terms of forms of finance, targeting, or alignment between policy goals and targeting), Managing Authorities and Implementing Bodies made prompt adjustments in the implementation phase (as also discussed in Section 4.3). Of all the policy instruments analysed, only a few were not properly adjusted or even launched when it was recognised that they were not meeting the interest of SMEs.[65]

Managing Authorities effectively adapted ERDF policy instruments to support SMEs during the COVID-19 pandemic. In fact, the pandemic significantly impacted SMEs, leading to challenges such as trade interruptions, reduced demand, and supply chain issues. Managing Authorities demonstrated their capability to respond to these urgent challenges by quickly adjusting pre-existing measures or launching new ones. Financial instruments, particularly guarantees and loans, were commonly used to provide rapid support to firms during the crisis (liquidity and working capital support) (Section 4.6). The crisis disproportionately affected SMEs in tourism, culture, and creative industries due to travel restrictions and limitations on non-essential activities. Consequently, ERDF policy instruments providing support to these sectors were adapted to meet the increased demand for liquidity and working capital. For instance, in Estonia, eligibility criteria were relaxed, and wage subsidies were introduced to support SMEs in the tourism sector. Flexible eligibility criteria and revised expenditure categories were introduced to better reflect the new context. Regions like Hessen in Germany shifted from in-person to virtual consultations to adapt to the changing business environment. Despite the challenges posed by the pandemic, policy instruments for company creation continued to be implemented, with no significant drops in the number of applications.

Table 10 – Answers to the evaluation questions: Relevance

Synthetic answer to the Relevance criterion	Ref. to more information
EQ 10. How relevant were the investments made under the ERDF to achieve the investment in growth and jobs objective? EQ 10.1. What was the underlying rationale of ERDF support to SMEs and how did it compare to the needs of SMEs at the start of the programming period? EQ 10.2. To what extent the scope and volume of ERDF investment were adequate to achieve the growth and employment	
The initial goal of ERDF support for SME competitiveness was to aid recovery post-2009 financial crisis and enhance long-term competitiveness. It aimed to address market and systemic failures, fostering investments for structural transformation and reducing regional disparities. The finance forms were generally appropriate and met SME needs, chosen based on specific beneficiary needs and financial gaps. Adjustments were made during implementation to better align with SME needs. Stakeholders agreed the instruments were well-tailored to local needs and appropriately scaled.	Sections 2.2 and 4.3 All case studies

[65] For instance, in Slovenia, although the instrument was designed to support process improvements of small-scale investments to boost efficiency and optimisation in production processes, the selection process benefitted broader investment plans rather than technically detailed investment proposals, probably due to evaluators' lack of technical expertise. This qualitative evidence seems to suggest that the selection process may have diluted the initial ambition of the strategy, not fully matching the needs of larger entities having more complex projects. In Andalucía (Spain), guarantees were initially meant to back investments in tangible and intangible assets and working capital associated with the activities of newly established companies across various sectors. However, the instrument was never implemented.

Synthetic answer to the Relevance criterion	Ref. to more information
EQ 11. How did the COVID crisis impact on the relevance and range of ERDF support? EQ 11.1. What was the influence of the COVID crisis on the mix of policy instruments mobilised? EQ 11.2. Did the ERDF instruments match, or respond to the challenges posed by the COVID crisis?	
Managing Authorities quickly adapted or launched new measures to support SMEs, focusing on liquidity and working capital. Increased funding for these areas did not significantly affect other allocations due to additional funds from the European Commission. ERDF's anticyclical role, seen after the 2008/2009 crisis, aimed to preserve regional capabilities and structural resilience, supporting regional convergence. Overall, increasing liquidity proved effective in countering the pandemic's economic impact, complemented by non-ERDF aid.	Section 2.2, 3.1, 3.2 and 4.2
EQ 12. To what extent were the investments made under the ERDF in line with the national/regional smart specialisation strategies? EQ 12.1. How was ERDF investment targeted in respect of sectors and types of beneficiaries? EQ 12.2. What is the degree of alignment of targeted and selected beneficiaries with the S3 priority areas?	
Policy instruments varied in selectivity, targeting either dynamic, top-performing firms or less capable ones struggling with structural changes. Both approaches were evident in the 2014-2020 programmes without a strong preference between types of regions. While no formal requirement existed for aligning S3 and ERDF resources, many Managing Authorities introduced criteria for favouring the implementation of projects aligned with S3 priorities. However, alignment was often more nominal than substantial due to broad priority sector lists or loose criteria.	Section 4.3 All case studies[66]
EQ 15. To what extent were the instruments and delivery mechanisms relevant and adequate to achieve the intended objectives of the programmes?	
Despite not always having a systematic analysis of SME needs, many national and regional ERDF policy instruments were well-adapted to local contexts and past experiences. The diverse menu of instruments effectively targeted SME needs across their entire life cycle, combining short-term, anticyclical support with long-term structural transformation goals, thus fostering both resilience and business growth.	Section 4.3

Source: CSIL and Prognos.

5.2. Effectiveness

The effectiveness evaluation criterion considers how successful the policy instruments have been in achieving or progressing towards the stated objectives. This section summarises the main findings. Additional details on the effectiveness of specific policy instruments are provided in Annex VI.

By the end of 2022, ERDF measures significantly supported SME competitiveness, reaching nearly 1.8 million SMEs and creating over 320,000 jobs. This represents 8% of all SMEs active during the 2014-2020 period in the EU and UK, surpassing the 400,000 SMEs reached in the 2007-2013 period (European Commission, 2016) and the initial target of 800,000 SMEs (see Section 2.2). These data are based on aggregated figures of ERDF expenditure supporting SME competitiveness and its achievement indicators reported in the

[66] On S3 alignment, the reader can only refer to case studies on ERDF support to company creation, support to product expansion, productivity and modernisation, and support to export and entry into new markets.

Cohesion Data Platform.[67] As such, they should be taken as approximate estimates, which conceal significant variability across different policy instruments and regions, and do not take into account that at least 15% of individual SMEs benefitted from multiple projects. Approximately 70% of these firms received direct financial incentives, while non-financial support reached the others [68] However, not all ERDF instruments specifically aimed at job creation, and the COVID-19 crisis affected implementation and employment growth. In terms of job creation, the ERDF contributed to less than 1% of the total stock of SME employment in one year.[69] However, it is important to note that not all ERDF instruments for SME competitiveness were specifically aimed at job creation. Moreover, the COVID-19 crisis delayed the implementation of some operations and that it may have overall hindered employment growth, especially in the first year of the pandemic.

More ambitious investment projects, structured with multiple activities and designed with a forward-looking perspective, had a higher probability of effectiveness. This is a consistent finding of the case studies, interviews, and econometric studies conducted on a sample of beneficiaries of various business expansion, tourism support, and export assistance programmes (see Section 4.1 and Annex V). It indicates that well-structured projects were associated with increased turnover and employment for beneficiary companies. The evidence underscores the importance of strategic planning and forward-looking approaches in fostering SME competitiveness.

The previous capabilities of SMEs in handling complex investment projects have been identified as a factor supporting higher effectiveness. These capabilities can be found in SMEs irrespective of their size. In fact, there is evidence of ambitious investment projects implemented by both micro and medium-sized companies. For instance, the Poland instrument for internationalisation, 'Go to Brand,' greatly benefitted micro-sized and dynamic enterprises (nearly 50% of all beneficiaries). Conversely, the Austrian instrument supporting larger and high-growth potential business investments attracted medium-sized companies in particular. The instrument design, including its eligibility and selection criteria, could be used to target resources towards SMEs with greater potential (e.g., the Go to Brand instrument was eligible for companies operating in selected industries with higher innovation and competitiveness potential). However, a self-selection process could also take place, whereby more capable SMEs were de facto more attracted to participate in instruments supporting projects with significant scope and potential impact.

The econometric analysis indicates that younger SMEs consistently performed better after the project in terms of turnover and employment growth rate. For instance, in the case of business expansion instruments, businesses between 5 and 10 years old when starting the project exhibit significantly lower turnover growth rates (-12 points), and more mature businesses experience the lowest growth rates (-35 points) compared to companies up to 5 years old. These findings suggest that younger companies are more receptive to change and potentially more inclined towards undertaking more structured and ambitious projects (Annex V.2).

These companies can be located in either more or less developed regions equally. Moreover, they may benefit from either more targeted interventions, such as those in the Netherlands supporting the investment projects of only six young and innovative companies, or broader ones targeting hundreds or thousands of SMEs (e.g., the aforementioned Polish instrument or the KET and Digitisation interventions in Lithuania).

[67] Reference is made to the implemented value of the common output indicator CO01 - Number of enterprises receiving support.

[68] Reference is made to a comparison of the common output indicators CO02 - Number of enterprises receiving grants, CO03 - Number of enterprises receiving financial support other than grants and CO04 - Number of enterprises receiving non-financial support.

[69] As per the Annual Report on European SMEs 2022/2023 (European Commission 2023c), SMEs employed 84.9 million people in the EU27 in 2022.

The possibility to reach a larger or smaller group of SMEs depends on the total allocation available. Clearly, regions and Member States (less developed and those in transition status) with a higher financial envelope are better equipped to reach a larger number of companies with a higher average investment for each of them. More developed regions should necessarily target a smaller number of SMEs if they want to support relatively larger investment projects.

There is some preliminary evidence that focus on the S3 priority sectors may be associated with positive effectiveness for beneficiary SMEs (see Section 4.3). Alignment between SME competitiveness and RDI investments can certainly contribute to exploiting synergies between different funding sources, aiming for better outcomes in terms of structural transformation and long-term development at the regional level. However, the evaluation has shown that only a few national and regional authorities pursued actual alignment between the programme expenditure for SME competitiveness and the S3 from the design to implementation phases.

EU-supported advisory services for SMEs have shown limited immediate impact, suggesting longer durations might be needed to realise benefits. Case studies reveal that while numerous SMEs received advisory support through intermediary organisations, their performance did not significantly improve. In Slovakia, according to a counterfactual impact evaluation (Baláž et al., 2023), the performance of SMEs supported does not significantly differ from the performance of unsupported applicants. The instrument did not manage to change the business behaviour of SMEs because of the small amount of support received. In Hessen, according to an enterprise survey from an evaluation study (GEFRA, 2022), supported firms expect a 12% annual sales growth after the valorisation of R&D projects. These expectations are not supported by recorded evidence of outcomes due to the long impact chain from the moment when advice is received to the moment when the advice is implemented. Nevertheless, the demand and catch-up needs of SMEs in terms of innovation capacities and digital competencies are empirically well-documented, and the funding is perceived as “strategically relevant and effective” by the evaluation.

Integrating advisory support with tangible investments might enhance outcomes, as demonstrated in the case study on the Maltese instrument (see Box 3). This is again linked to the fact that more ambitious and structured projects are associated with higher effectiveness. The WP2 database of beneficiaries contains very limited data on ultimate recipients of advisory services, making a robust econometric analysis difficult to implement. Nonetheless, descriptive statistics indicate that SMEs that received advisory services combined with an investment project generally have a higher average annual turnover before the project (EUR 3-4 million vs. less than EUR 1 million for those receiving advisory services only) and reached a much higher average turnover after the project (EUR 6 million for beneficiaries of multiple projects and EUR 1.5 million for beneficiaries of advisory services only). In terms of employment, SMEs benefiting from both types of instruments displayed employment growth after receiving funding, while beneficiaries of advisory services recorded very limited employment increase on average (see figures in Annex VI). Additional analysis is necessary to confirm this finding.

ERDF support has positively impacted SME survival rates, particularly for new enterprises and during the COVID-19 period. According to the common indicators related to the SME competitiveness objective, ERDF expenditure contributed to support around 500,000 newly established enterprises by the end of 2022.[70] Considering an average annual birth rate over the period 2014-2020 of approximately 9%,[71] this number corresponds to around 3% of the total number of SMEs created during that period. Across all countries analysed in the case studies, survival rates after three years of receiving support were

[70] Reference is made to the implemented value of the common output indicator CO05 - Number of new enterprises supported. The source is the EC database of Achievement Details.

[71] Based on Eurostat data on the average birth rate of enterprises over the period 2014-2020.

notably high, exceeding 90%. Furthermore, when examining the survival rate of SMEs benefiting from company creation support across all programmes and Member States, it was found that the average survival of these companies[72] is higher than the average survival rate at 3 or 5 years of companies in each Member State (based on Eurostat data). This suggests the effectiveness of the support provided in sustaining businesses and aiding their continued operation. However, caution is warranted in interpreting these figures due to potential biases in data sources and the influence of protective policies during the COVID-19 crisis, which likely played a role in aiding new enterprises during the pandemic.

The evidence of effectiveness for EU support in developing and upgrading industrial areas is equally uncertain. Data limitations on ultimate beneficiary SMEs were a recurring challenge across all regions, making comprehensive assessments difficult.

The programme and policy instrument governance/management stand out as critical for effectiveness. For instance, available evidence suggests that the selection of appropriate intermediaries not only helped reduce the time and costs to access funds (as suggested by the literature, see Section 2.2) but could also be decisive for more effective implementation of projects. Anecdotal evidence collected from the interviews with Managing Authorities of the 70 programmes reviewed and case studies indicates that the administrative procedures envisaged for project selection and assessment, if properly designed, could impact the quality at entry of funded operations, which in turn increased their probability of success. In Denmark, intermediary institutions contributed to the successful identification of potential growth companies, thus positively impacting the effectiveness of investment projects. On the contrary, in some regional Polish programmes, the decision to support the offer of advisory services through intermediary institutions rather than offering direct support to SMEs for the acquisition of advisory services proved to be ineffective. The reason is that the business support organisations generally offer low quality and generic assistance to SMEs in Poland that is not aligned with SME needs.

An unfavourable and unstable macroeconomic context may negatively affect the implementation and, therefore, the effectiveness of selected operations, as evidenced by the issues that emerged following the COVID-19 pandemic and the natural disasters that occurred in some regions throughout the programming period.[73] Different Managing Authorities claimed that travel restrictions imposed by the COVID-19 pandemic made it impossible to carry out some internationalisation activities as initially envisaged, particularly those supporting participation in fairs and international events.[74] Shortages of raw materials and price increases negatively influenced the implementation of investment projects for business creation and consolidation and for infrastructures.

Administrative changes helped mitigate the negative impact on effectiveness. The COVID-19 restrictions strongly impacted the investment propensity of SMEs in the tourism and CCI sectors, but flexibility mechanisms allowed ERDF support to adapt to SME needs post-pandemic. In Poland, simplification and flexibility measures were crucial during the inflation crisis triggered by the energy crisis and the Ukraine war. These measures included increasing the co-financing rate and extending project implementation dates, facilitating the completion of investments despite high inflation. [75]

[72] The age of the company was extracted from the ORBIS database. This variable was used to calculate the survival rate of beneficiary SMEs.

[73] Natural disasters in Greece (fires and floods), Portugal (fires) and Wallonia (floods) negatively impacted the execution of selected operations, many of which had been delayed or even cancelled.

[74] For instance, in Thüringen (Germany), the measure supporting SME participation in events and fairs eventually could not be implemented as trade fairs were generally cancelled during the pandemic, leading to the reallocation of ERDF funding to other policy instruments.

[75] The source is an interview to the Polish SME Envoy carried out by CSIL in the framework of another ongoing study on SMEs and high inflation for DG GROW (Contract number: 966/PP/GRO/SME/22/12761).

Table 11 – Answers to the evaluation questions: Effectiveness

Synthetic answer to the Effectiveness criterion	Ref. to more information
EQ 1. What have been the intended and potentially unintended effects of different policy interventions and their combination? EQ 1.1. What did the instruments supported intend to achieve? EQ 1.2. To what extent the way how ERDF instruments were combined with each other intended to reinforce the achievement of the intended objectives? EQ 1.3. Did the instruments supported achieved any unintended effect?	
The supported instruments aimed to foster SME growth, create new SMEs and jobs, enhance financial performance, increase productivity, expand exports, and boost tourism inflows to support the tourism sector. Instruments tailored for the pandemic focused on improving SME survival rates. ERDF programmes generally deployed multiple policy instruments targeting SMEs across various sectors and life stages. However, few programmes effectively combined different complementary ERDF instruments to reinforce objectives. Unintended positive effects included streamlined selection criteria and easier reimbursement rules to expedite fund absorption and reduce administrative burdens, alongside significant enhancements in public administration digitalisation and data interoperability. These effects are ascribed to the instruments designed to tackle the COVID-19 crisis and are expected to persist in future periods.	Sections 2.2, 3.2, 4.7 All case studies
EQ 2. To what extent have the objectives been achieved?	
By the end of 2022, ERDF measures reached nearly 1.8 million SMEs, surpassing the initial target of 800,000. ERDF instruments supported approximately 500,000 newly established enterprises and created more than 320,000 jobs. Despite some variability in effectiveness across different policy instruments and project types, ERDF support generally achieved its high-level objectives, resulting in positive outcomes in SME survival rates, turnover, employment, and productivity. Crisis relief measures contributed to high survival rates for beneficiaries, exceeding 90%, and generally surpassing the average survival rate of SMEs across all Member States.	Section 2.2 All case studies
EQ 3. To what extent was the ERDF support delivered as planned? What were the main bottlenecks which may have reduced its overall effectiveness?	
ERDF support was generally delivered as planned, with some adjustments made to increase the relevance of the intervention or speed up implementation. Certain conditions affected effectiveness: • Ambitious, multi-activity, forward-looking investment projects had higher effectiveness. • Integrating advisory support with tangible investments enhanced outcomes. • Combining various operations over time can more effectively aid less capable SMEs in achieving behavioral change and incremental capability improvements.	Section 4.1 All case studies
EQ 16. To what extent did the interventions result in innovation and technological upgrade in the supported SMEs? (e.g.: innovative structures/goods/processes, behavioural change, investment in tangible vs intangible assets, etc.)	
The extent of innovation and technological upgrades varied across policy instruments. In particular: • Investments in production expansion improved green and digital adoption, supporting the twin transition. • Tourism sector instruments achieved moderate to positive results in business model innovations and behavioural changes. • Company creation projects did not always meet innovation expectations.	All case studies

Synthetic answer to the Effectiveness criterion	Ref. to more information
• EU-supported advisory services showed uncertain immediate impacts on SME behavioural change.	
EQ 17. To what extent did the interventions focus on the internationalisation of SMEs and result in improving their access to global markets and international value chains?	
Interventions supporting SME internationalisation were fruitful for export-oriented SMEs, enhancing export values and indirectly boosting turnover and employment. Export orientation targeted both intra-EU and extra-EU markets equally. The impact on behavioural change for less experienced exporters was significantly more limited.	Case study on support to export

Source: CSIL and Prognos.

5.3. Coherence

The coherence criterion concerns the fit and functioning of the ERDF policy interventions for SMEs within the broader funding system for SME competitiveness (other EU, national, and regional initiatives). Under this criterion, the evaluation assessed how well ERDF support for SME competitiveness worked in combination with other regional, national and EU initiatives, by creating synergies and fostering joint action towards the EU policy objectives. More specifically, coherence is assessed from two perspectives:

- **Internal coherence**, which focused on assessing whether different instruments under the same ERDF programme or across different ERDF programmes within the same region/country were coherent and complementary to each other and to other regional/national policies not co-funded by ERDF; and

- **External coherence**, which focused on determining whether the ERDF instrument was coherent and complementary to other relevant EU instruments, including other ESIF tools.

The Common Provisions Regulation for the 2014-2020 programming period sought to establish a coherence in the planning and implementation of the support disbursed through both the European Structural and Investment Fund (ESIF) and through other instruments. The evidence gathered from the documentary analysis and interviews in the case studies allowed for a comprehensive assessment of internal and external coherence across the policy instruments implemented during the 2014-2020 programming period.

Key factors influencing coherence were identified. These were the experience of the Managing Authority, the degree to which policy formulation and implementation were centralised – the case studies have shown that coherence was higher in those regions where SME support measures were managed by a small number of bodies – and the nature of the existing policy mix.

The internal coherence of ERDF support measures for SMEs during the 2014-2020 programming period was relatively high, but achieved through *in-itinere* adjustments rather than strategic design. The assessment, based on both qualitative and quantitative data, indicates that coherence with other, non-ERDF funded national or regional measures was deemed moderately high for all policy instruments. It is important to note that the high degree of coherence resulted from adjustments made during implementation, as deconfliction and coordination mechanisms were generally not foreseen ex-ante. Managing Authorities rarely inscribed ERDF support within a wider strategic design for synergetic coordination of multiple measures to support SMEs throughout their lifecycle. This lack of strategic design occasionally led to overlaps between ERDF support and other forms of

national/regional support, particularly in federal countries where different funding sources were administered by different authorities.[76]

Despite these challenges, some positive examples of coherence were documented over the course of the evaluation. In several cases, ERDF support was coherently embedded within a wider mix of measures, each designed to support a specific phase of the SME lifecycle. For example, in Thüringen, as analysed in the case study "Support for production expansion, productivity and modernisation", [77] coherence was achieved through the establishment of demarcation mechanisms. These mechanisms included strict eligibility criteria, policy coordination mechanisms like coordination fora, and targeting strategies that excluded SMEs operating in sectors predominantly supported by other types of funding.

A similar assessment can be made when considering the coherence between ERDF support for SME competitiveness and other ERDF measures. The qualitative evidence collected indicated that the analysed measures were internally coherent, at least to the extent that no overlap was documented in terms of the targeted beneficiaries and no explicit competition between two similar ERDF measures emerged. This finding is complemented by the quantitative analysis illustrated in Section 4.7. Indeed, it has shown that, despite the fact that Managing Authorities rarely design separate ERDF support measures in a synergetic and complementary manner, beneficiary SMEs independently seek to synergistically combine different types of ERDF support to achieve scale effects. The extent to which this occurs for two specific kinds of support measures – namely the combination between ERDF support SME-competitiveness and that for innovation activities – indicates that this behaviour is more the exception than the norm: only 5 % of beneficiaries of SME-competitiveness measures also received ERDF support for innovation activities. Yet the number is non-negligible and suggests that, if systematic efforts to ensure complementarity between ERDF support measures were indeed made, more beneficiaries would benefit from the positive effects on their business that such a combination guarantees.

More effort is required to transform ERDF measures from being merely "coherent" to being truly "synergetic". The evidence collected points to a relatively high level of internal coherence between the analysed measures, but this coherence results more from the establishment of strict demarcation rules, ensuring that two measures do not interfere with each other's goals, rather than from a systematic effort to design and administer measures that are complementary in their objectives. In this sense, greater effort is needed to create synergetic measures that work together to achieve common goals.

ERDF measures faced even higher challenges in achieving external coherence with other EU funding opportunities. The qualitative data collected as part of the evaluation documented limited evidence of coherence between ERDF instruments and other EU funding avenues, whether ESIF or not. Policy instruments like "support to export and entry into new markets", "support to company creation" and "support to production expansion, productivity and modernisation" fared worse than others in this respect. The ERDF was found to blend better with other ESIF tools than with non-ESIF EU funding avenues, such as Horizon 2020 or the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) programmes.

Limited awareness and coordination challenges hindered the establishment of clear complementarities between ERDF and other EU funds. Managing Authorities were able to ensure sufficient deconfliction mechanisms with other ERDF tools through strict demarcation lines, but struggled to create complementarities, especially with the European

[76] One such example occurred in Hessen, analysed as part of the case study "Services for business growth", where, despite a high degree of coherence with regional measures, concerns were expressed in terms of potential overlap with support administered at the federal level.

[77] The analysed measure in Thüringen consisted in loans for larger investments projects that made available thanks to ERDF support. The loans were designed to be combined with national grants providing support for the same type of investments – the analysis has shown that 30% of the beneficiaries of the ERDF-enabled loans found the combination to be useful.

Social Fund. This difficulty was due in part to the limited awareness of the legislative conditionalities attached to other EU instruments. Many faced challenges in coordinating ERDF policy instruments with other European programmes due to varying regulations, criteria, and processes. The lack of central guidance led to a scarcity of explicit coordination mechanisms, resulting in ERDF support for SME competitiveness being only moderately coherent with other EU support measures. Any synergies between the ERDF and other programmes were sporadic rather than the result of a designed strategy.

Table 12 – Answers to the evaluation questions: Coherence

Synthetic answer to the Coherence criterion	Ref. to more information
EQ 8. How did the ERDF funding fit into the national policy mix (type of support institutions, forms of support, type and size of support companies) of EU Member States?	
ERDF funding was generally coherent with other national and regional ERDF measures. This coherence resulted from in-itinere adjustments rather than strategic design, with coordination mechanisms introduced during implementation based on initial learnings from inter alia evaluation by managing authorities during the programming period according to Art. 56 of EU Regulation 1303/2013.	Section 2.2 and 4.7; all case studies
EQ 9. To what extent was ERDF support coherent with other EU interventions having similar objectives? (overlaps, complementarities)	
ERDF support faced challenges in achieving external coherence with other EU interventions, especially non-ESIF EU funding avenues like the COSME programme with the objective to strengthen the competitiveness and sustainability of the EU's enterprises, particularly SMEs and encouraging entrepreneurial culture and promoting the creation and growth of SMEs. Limited awareness of other EU instruments among Managing Authorities and complex coordination mechanisms resulted in sporadic synergies only.	Section 2.2 and 4.7; all case studies

Source: CSIL and Prognos.

5.4. EU added value

The analysis of EU added value investigates the overall value, or benefit, deriving from providing support at the EU level instead than at the national or regional level. It is the value added over and above the value added by the actions of individual Member States alone (European Commission, 2011). It can result from various factors, such as coordination gains, legal certainty, financial leverage, or complementarities. Although there are still some difficulties in defining, operationalising and measuring EU added value, as this multifaceted concept has different meanings for different stakeholders (Tibor, 2020), the EU added value of ERDF support to SMEs can be seen in the following impacts in EU regions:

1. **Continuation effects**, that is ensuring a long-term strategic perspective, clear expectations and certainty of actors across different ERDF funding periods;

2. **Scale effects**, that is funding at larger scale than from the regional/national level, partially used for more ambitious interventions than those supported by regional/national funding;

3. **Leverage effects**, that is crowding in and maximising private investment with minimum public support to deliver Cohesion Policy objectives;

4. **Targeting effects**, that is the ERDF's influence to draw strategic attention to SMEs' needs and specific beneficaires;

5. **Capacity building effects**, that is diffusing good practices of administration for MAs, beneficairies and other stakeholders from the EU to the national and regional levels and vice versa in a system of multilevel governance; and

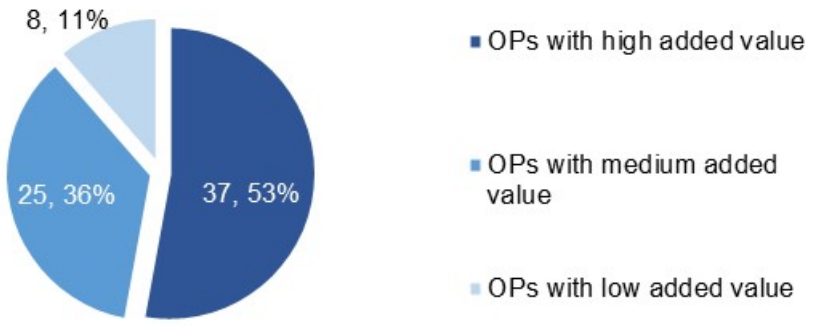
6. **Market integration effects**, that is embedding regional economies in European and global value chains through smart specialisation for internationalisation.

7. **Synergy effects**, that is, amplified outcomes produced when two or more entities work together, resulting in a combined effect greater than the sum of their individual contributions. This also includes common action when regional and/or national governments alone are not willing or unable to deal with the provision of a good or to respond to a market failure.

In more than half of the programmes analysed in-depth, interviewed Managing Authorities observed a high EU added value for SME support in the 2014-2020 period (see the Box below on the assessment approach and related figures). The different elements of EU added value are described in more detail below.

Box 10: Operationalisation and analysis of EU added value across the sample of 70 programmes

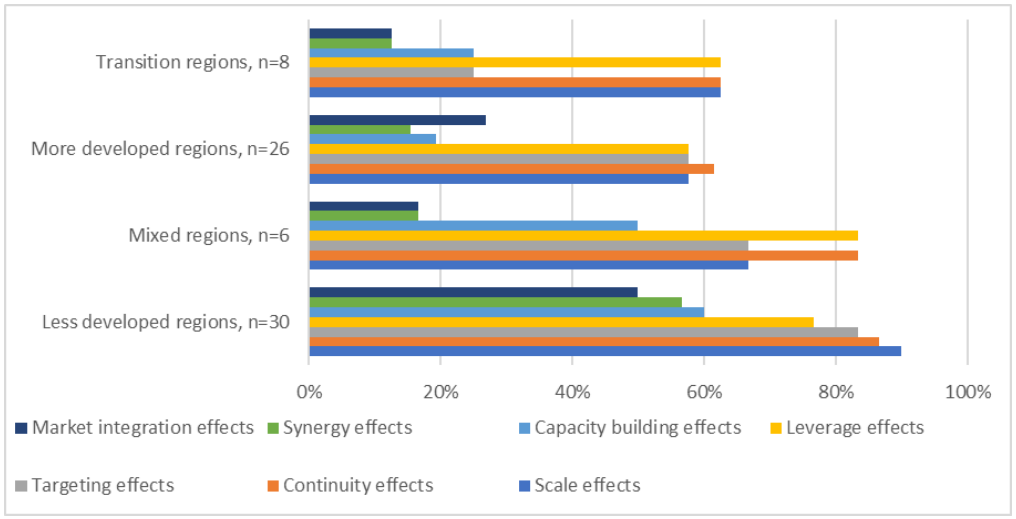
Country experts were asked to identify, based on interviews with Managing Authorities and desk research, whether a given EU added value effect was visible in the region. They answered 'yes' if a specific effect was present and 'no' if it was not. This scoring allowed for the measurement of EU added value on a notional scale across the 70 programmes analysed. Additionally, case studies conducted later provided a more specific analysis of EU added value in selected programmes. The analysis of the programmes revealed that a high EU added value was present in most cases (37 programmes), indicating that at least four of the identified EU added value effects could be observed. Only 8 programmes analyses showed a low EU added value.



Note on data: The assessment is based on country experts' input after having conducted interviews with Managing Authorities and desk research about 70 Operational Programmes (OPs). The levels of EU added value were defined as follows:
- High EU added value = four or more effects were confirmed by country experts;
- Medium EU added value = two to three effects were confirmed by country experts;
- Low EU added value = zero to one effect was confirmed by country experts.

Looking at the **different types of cohesion regions** and the level of EU added value, less developed regions attribute a higher EU added value to ERDF interventions than more developed regions. In these regions, the ERDF is often the only or main source of public funding for business support. For example, 22 out of 30 programmes from less developed regions were considered to have a high EU added value, but only 9 out of 26 programmes from more developed regions were considered to have a high EU added value. This trend holds for all different types of EU value added, as shown in the figure below.

Percentages of observed effects of EU added value in programmes analysed per type of region



Source: CSIL and Prognos based on the interviews with Managing Authorities and desk research of 70 OPs.

5.4.1. Continuation effects

The continuation of funding is a distinct feature of ERDF support. Across all programmes analysed, this effect was named most often (52 out of 70 programmes). Many funding schemes could be developed in subsequent funding periods and benefit from lessons that can be transferred from one seven-year programming cycle to another, as discussed in Section 4.4 There is a shared consensus that ERDF support is an opportunity for longstanding planning exercises for both Managing Authorities and beneficiaries. The continuity of funding has downsides too. As a possibly negative side-effect of ERDF support, it was observed that some beneficiary organisations, including SMEs, repeatedly participated with success in ERDF calls for proposals within and across funding periods (see Section 4.5). On the one hand, this phenomenon is associated with monopolising access to specific infrastructure and services funded by the ERDF, such as under the policy instrument "Services for business growth, modernisation and networking", on the other hand, such services are offered by some well-established regional actors, such as chambers of commerce, with the necessary knowledge, resources and network to offer them at all.

5.4.2. Scale effects

Scale effects are the second-most cited effect, observed in 51 out of 70 programmes analysed. ERDF support for SME competitiveness allowed for large investments and extensive operations, which led to great outcomes such as enhanced productivity, expanded services or fast growth. High ERDF funding allowed the programming of more ambitious interventions resulting in the implementation of larger projects, for instance as practiced in Austria, or to reach more beneficiaries, for instance micro-enterprises in Ireland. In Hungary, ERDF support increased the funding available for local business infrastructure investments. Consequently, both the number of supported projects and the quality of services provided increased – on a higher level than would have been possible without ERDF support. In Thüringen (Germany), ERDF added value showed in the acceleration and implementation of large-scale investment projects, while additionally offering the possibility for more follow-up investments. The "booster effect" of the ERDF, as one consulted Managing Authority phrased it, could be ascribed to the favourable funding conditions of ERDF support. Scale effects were particularly identified in less developed regions as added

value of ERDF support (27 out of 30 less developed regions), underlining the ERDF's importance to support the business environment in these regions.

5.4.3. Leverage effects

ERDF financial instruments can improve the competitiveness of SMEs by leveraging private investment. Such leverage effects were observed in 48 of the 70 programmes analysed. While for some programmes the added value lies in the fact that private investment could be leveraged (as required) for the ERDF interventions and the interventions would not have been possible without ERDF support, for other programmes it was highlighted that ERDF support leveraged private investment beyond the required co-financing. In Poland the first case was mentioned. The involvement of private investors' capital was a key feature of the equity instrument implemented. Without EU support, it would not have been possible to involve private investors on such a scale, including venture capital companies and business angels. In Bulgaria, it was noted that ERDF support has been instrumental in leveraging investments in SMEs on a larger scale; in Germany, in business creation, public bodies play an important role in triggering investments for ERDF actions. In Italy, it was reported (based on an ex-ante evaluation of financial instruments) that ERDF support through financial instruments was expected to have a leverage effect on private investment. A significant leverage effect of around 7.4 in 2015 was found for guarantees provided by the Fondo Centrale di Garanzia. The situation is similar in Germany, where supported projects have led to follow-on investments, for example in North Rhine-Westphalia. There, beneficiaries of development, advisory and networking measures reported private investments that were leveraged beyond the end of ERDF support (follow-up investments). One third of survey respondents reported secured follow-up investments amounting to an estimated EUR 28.5 million for around 220 beneficiaries (Prognos AG, 2020).

The ERDF funding support facilitated the leveraging of private investment due to the credibility and visibility of EU-supported projects. This was exemplified in Thüringen, where EU loans improved the risk situation of banks. As a result, they were more open to lending to companies, knowing that they received funding with low-interest rates from an EU institution. In the Netherlands, ERDF support played a crucial role in enabling an equity investment fund to attract private investors and further expand supported SMEs. The companies that closed the financing round with the equity fund successfully onboarded private investors, such as business angels. This success was due to the support received through ERDF for the financing round with the equity fund.

5.4.4. Targeting effects

ERDF support was used for targeting specific aspects of SME competitiveness for which no national or regional funding was available. Targeting effects were indicated by two-thirds of Managing Authorities in the sample (46 out of 70 OPs). They were referenced to by 25 out of 30 less developed regions, 15 out of 26 developed regions, two out of eight transition regions and six out of eight transition regions. Particularly, in many less developed regions there are numerous examples of this situation, such as ERDF support:

- As the principal form of support for company creation in Bulgaria;
- As decisive factor to accelerate the competitiveness increase of SMEs in the tourism sector in Estonia, because no support scheme like the ERDF was available in that field;

- Exclusively backing SME internationalisation in Poland;
- For SME competitiveness in Slovakia as national funding for economic development was reserved for larger enterprises.

In Western European regions too, specific targeting due to ERDF measures was observed in the policy instruments analysed to ensure demarcation from, avoiding overlapping with and displacement of other instruments. This refers for example to the main instrument for SME internationalisation in Portugal or the targeting of only micro-enterprises' production expansion in Ireland – in both Member States, the measures were supported by the ERDF only.

5.4.5. Capacity building effects

Capacity building effects due to ERDF support for SMEs were significantly more prevalent in less developed regions during the 2014-2020 period. These effects were observed in 28 out of 70 programmes analysed, particularly in more than half of the less developed regions (18 out of 30 programmes analysed). In contrast, they were much less indicated for more developed regions (five out of 26 programmes analysed). The discrepancy of more than 40% between less developed and more developed regions demonstrates the high demand of less developed regions in building public policy capacity for investment in SMEs and learning within Member States and regions. Especially in these regions, entities that succeed in Cohesion Policy programmes often leverage their success to access other initiatives like the Connecting Europe Facility and Horizon 2020 or collaborate with the EIB. Their experience with Cohesion Policy frequently enhances their ability to engage in these endeavours (Ferreira, 2020).

Having the right administrative skills is crucial for using Cohesion Policy funds effectively – on the side of Managing Authorities, on the side of beneficiaries and on the side of the wider Cohesion Policy ecosystem (European Commission, 2021a). Without strong institutions, built on structures, human resources, (information technology) systems and tools, Managing Authorities encounter notable challenges in utilising ERDF support competently and maximising its effectiveness. Without an understanding of the rules and obligations that go along with economic development programmes, for instance, the application and reporting procedures, enterprises cannot reap the benefits from such programmes. Therefore, both Managing Authorities and beneficiaries must be trained in sound and transparent financial management to ensure the smooth implementation of ERDF support.

If ERDF support for SMEs coexists with similar regional and national interventions, the EU Cohesion Policy funding can have additional capacity-building effects compared to the baseline of no ERDF support to SMEs. The improvement of actors, structures, and processes for the management of regional and national economic development programmes derives the added value of ERDF support for SMEs in terms of capacity building. In complex fields like financial instrument management, the EU acquis transfers well-established hard and soft laws to regional policymakers. This is reinforced through initiatives like fi-compass, a platform and community of practice for advisory services on financial instruments, which was established at the beginning of the 2014-2020 period. The Managing Authority from Wallonia (Belgium) indicated for instance that working with national and regional contributions to set up financial instruments would have been complicated since many rules and procedures would need to be designed from scratch. In contrast, the default ERDF framework for the region's guarantee and microcredit scheme SOCAMUT was quite clear and without the ERDF support, the total amount of financial support, number of supported SMEs and positive socioeconomic impact would have been lower.

During the 2014-2020 period, the OECD confirmed that the EU's governance rules on strategic planning and financial control significantly impact governance and development, ranking the EU budget at the highest level in performance budgeting compared to other OECD countries (OECD, 2017). Member States with clear, well-managed programmes under solid strategies in line with the EU model show higher growth and impacts. For example, two concrete long-established principles diffused by ERDF support for SMEs strengthen the capacity of the Cohesion Policy ecosystem:

- The *shared management* method ensures that ownership, transparency and accountability of investments remains within Member States, while the EU takes on responsibility for aligning regional and national efforts with the EU's agreed priorities towards long-term sustainable development, such as an economy with net-zero greenhouse gas emissions by 2050; or

- The *partnership principle* in ERDF support implies that policy decisions are made at the level most competent to carry them out, involving the expertise of stakeholders, including workers', employers' and civil society organisations, in a cooperative manner to ensure their soundness and legitimacy.

As regards "Support to the development of industrial areas" for example, in Hungary, the quality of services provided within the areas reached a higher level than without ERDF funding due to ERDF-specific requirements. Moreover, in Wallonia (Belgium), the inclusion of environmental aspects was a distinguishing factor of ERDF support. Moreover, projects could be implemented at a faster pace in comparison to conventional regional/national funding schemes with stronger budgetary limitations.

5.4.6. Market integration effects

Market integration due to ERDF support was noted in a range of regions, particularly less developed ones. According to the data on observed EU added value-related effects, that on market integration was indicated for 24 out of 70 programmes analysed, covering all categories of regions and notably less developed ones (15 out of 30 programmes analysed). While this feedback shows that regions ascribe some importance to market integration effects due to ERDF operations for SME competitiveness, such "softer" effects were less frequently mentioned than the material continuation, scale or leverage effects.

The most relevant policy instrument supported by the ERDF to strengthen SMEs' integration in the European market is the one to build their capacity for export and entry into new markets. Some SMEs desire to expand globally, which also affects how they tap into new markets, access resources like knowledge and goods for innovation and cut costs. Relying solely on domestic market strategies could harm their ability to compete (Geyer & Uriep, 2012). ERDF operations under the policy instrument "Support to export and entry into new markets" have especially contributed to overcome internal barriers of SMEs, that is their financial and capacity constraints for internationalisation, rather than external, company-independent circumstances, such as mere support in market analysis, finding a business partner or client acquisition (Mueller-Using, Urban & Wedemeier, 2020). This responds to SMEs' desire to first, strategically build up their internal capacity to internationalise through smart specialisation and regional clusters, before entering a new market, which can be amplified by experience of managers with foreign markets. Building the capacity for entering markets inside and outside the EU through competitive advantages and productivity gains was a dominating instrument of the EU's Regional Innovation Strategies for Smart Specialisation (S3) under the ERDF in 2014-2020 and excellence initiatives such as Horizon 2020. In addition, stakeholders supported the view that SMEs' involvement in (innovation) clusters, for instance in Croatia or Greece, demonstrated a more orchestrated and effective approach to market integration and internationalisation as

opposed to direct grants to single SMEs in international fairs.[78] However, it is not possible to determine if the instrument actually helped SMEs expand within the EU internal market or beyond the EU borders.

Next to the support to export and entry into the new markets, **the ERDF support for SME competitiveness can also contribute to attracting investments from outside the EU**. For instance, ERDF-supported projects like "Upgrading the Courcelles Logistics Park"[79] or "Upgrading the Aéropole Science and Technology Park (Charleroi)"[80] under the policy instrument "Support to the development of industrial areas" in Belgium have created hubs for logistics, life sciences, aeronautics or telecommunications, attracting foreign companies to locate in the region.

The policy instrument "Support to tourism" has significantly contributed to the international market integration of regions like Estonia and Midi-Pyrénées and Garonne in France. The analysis of ERDF-supported policy instruments in these regions shows that this support has enhanced their appeal as European tourist destinations:

- In Estonia, ERDF support improved the quality of services and marketing in what was previously a less touristy region. Consequently, the number of arrivals in tourist accommodations increased from 3.09 million in 2014 to 3.79 million in 2019. Despite a pandemic-induced drop, arrivals settled at 3.25 million in 2022 (Statista Research Department, 2024).

- In Midi-Pyrénées and Garonne, ERDF support helped mitigate the concentrated tourist influx during the summer months, particularly in the pilgrimage site of Lourdes. This support aimed to distribute visitors more evenly across different times of the year (addressing seasonality) and locations, such as camping sites, to promote sustainable resource utilisation.

However, similar effects of market integration and reduction of regional disparities were not observed in Greece, despite considerable ERDF support for tourism. In Greece, ERDF funding primarily benefited regions with well-established tourist profiles, reinforcing the traditional "sea and sun" approach to tourism development rather than promoting balanced market integration across all regions. This uneven distribution of support can be seen in the allocation of funds and operations between two related support measures: establishing new firms and supporting existing ones. The ERDF support gravitated towards regions with higher regional GDP from tourism, leading to greater benefits for these areas and less support for regions with emerging tourism sectors.

5.4.7. Synergy effects

Synergy effects from ERDF support for SME competitiveness were the least observed as part of the postulated EU added value effects. They were only indicated for 23 out of 70 programmes and for four out of 26 programmes of more developed regions. Combining the low rate of confirmation of synergy effects of ERDF support for SME competitiveness with a lack of qualitative evidence for the same suggests that they might rather occur in policy areas where cross-border cooperation finances and produces a given good or service at the EU level as concrete European public good, as the added value is explicitly derived from the joint design and a common effort of Member States (for example, Fuest & Pisani-Ferry, 2019). Synergies and mutual benefits through EU action can for

[78] Breakout session on the discussion of the policy instrument "Support to export and entry into new markets" in the hybrid seminar on the "Ex Post Evaluation of Cohesion Policy Programmes 2014-2020 Financed by the ERDF. Work Package 6 – SME Support", held on November 16, 2023 in Brussels, Belgium.

[79] See https://www.parclogistiquecourcelles.be/ (last accessed on February 15, 2024).

[80] See https://www.aeropole-charleroi.com/ (last accessed on February 15, 2024).

instance be observed in fields such as the common purchase of raw materials or vaccine procurement, building cross-border digital connectivity infrastructure or borders management.

While ERDF support for SME competitiveness plays an important role in regional business ecosystems, there is potential to further enhance its contribution to fostering European public goods and strategic interregional cooperation. The 2014-2020 ERDF support for SME competitiveness primarily targeted regional actors and could have further capitalised on opportunities to leverage the EU's single market advantages, such as European standards, geographical indications, or intellectual property. Although ERDF investments had a strong regional focus and built important linkages between European regions and the EU level, they could have been more effective if they had targeted interregional cooperation for strategic objectives.[81] In the 2014-2020 period, such synergy effects of investment in SMEs were somewhat addressed by COSME, the EU programme for the competitiveness of enterprises and SMEs, however with a budget of EUR 2.3 billion that was significantly smaller than that reserved for SME competitiveness under the ERDF.

Table 13 – Answers to the evaluation questions: EU added value

Synthetic answer to the EU added value criterion	Ref. to more information
EQ 13. To what extent would the objectives of the policy have been pursued in the absence of ERDF support? EQ 13.1. What are the distinguishing factors between the ERDF support and other national initiatives to support SMEs (if existing)? EQ 13.2. To what extent the observed outputs, results and impacts could have been achieved without the ERDF support?	
To little or no extent. In the absence of ERDF support, the objectives for SME competitiveness would likely be less effectively pursued. ERDF funding offers SMEs from regions sustained, multi-year support and the ability to leverage private investment, which often surpasses what national or regional funding can provide. It enables large, ambitious projects, particularly in less developed and well-demarcated regions, that might not be feasible with other sources alone. Thus, ERDF support generally targets to agreed objectives and enhances the scale and impact of SME projects beyond what might be achieved otherwise.	Sections 4.1 and 4.4
EQ 14. To what extent did the ERDF support contribute to reducing the disparities between the levels of development of the various regions?	
To some extent. Regions have calibrated ERDF instruments with the aim to reduce regional disparities, for instance, by offering higher co-financing rates in less developed than in more developed regions as input. This mechanism equipped less developed regions, especially the rural and thinly populated, with important infrastructure (e.g. industrial areas or for tourism) but whether this output helped retain enterprises and people in the regions for productivity and prevented that these regions fall behind other regions cannot be fully confirmed by evidence gathered in this specific evaluation study. One counterargument to the reduction of disparities through ERDF support is that not only less developed but also more developed regions, especially urban areas, benefitted from ERDF support as well directly and indirectly through increased trade and more integrated supply chains, posing a barrier to more upward socioeconomic convergence at EU and national levels.[82] Targeting only the most dynamic firms in regions can in fact worsen existing disparities. On economic cohesion in general, the *Ninth report on economic, social and territorial cohesion* notes that while regional disparities across the EU narrowed up until the financial crisis, progress has	Section 4.3; all case studies

[81] For example, following the model of the "Important Projects of Common European Interest" (IPCEI) – a pivotal strategic tool in executing the EU Industrial Strategy. An IPCEI serves to pool knowledge, expertise, financial assets, and economic stakeholders across the EU, aiming to surmount significant market or systemic deficiencies and societal hurdles that would otherwise remain unaddressed. IPCEIs constitute expansive European consortia within crucial strategic value chains, comprising interlinked company initiatives.

[82] More than a quarter of the population in the EU (28%) resides in regions where the GDP per capita is less than 75% of the EU average (European Commission, 2024).

since stagnated, largely due to slower growth in less developed regions of Central and Eastern Europe and growing divergence in some transition regions, particularly in Southern Europe (European Commission, 2024).	
EQ 18. What was the influence of extending ERDF support to the use of working capital & support to undertakings in difficulty (new instrument & scope)? EQ 18.1. What was the underlying rationale of extending the ERDF support to the use of working capital and to support undertakings in difficulty? EQ18.2. What were the implications of extending ERDF support to the use of working capital & support to undertakings in difficulty (new instrument & scope) on operations and results?	
The extension of ERDF support to working capital and struggling enterprises aimed to bolster SME resilience amid pandemic-related disruptions which exposed differences in economic structures, with sectors more severely impacted by restrictions and supply chain disruptions taking longer to recover. Extended ERDF support helped preserve regional capabilities and maintain convergence, enabling SMEs to adapt and survive, leading to high survival and job retention rates. The introduction of new instruments to support SMEs in the crisis period did not affect allocations of other instruments due to the additional funds injected by the European Commission. The case study confirms that the ERDF instrument supported SMEs effectively react to the COVID-19 pandemic, resulting in high SME survival and job retention rates.	Section 2.2 Case study on liquidity and working capital support

Source: CSIL and Prognos.

5.5. Efficiency

The efficiency criterion considers the resources (financial, human effort, time) used by an intervention for the given changes generated by the intervention. It looks specifically at the speed of implementation and funds disbursement as well as the associated administrative costs and burdens and room for simplification. The case studies highlighted the different contextual and programme-specific factors that influenced the implementation of ERDF support, making it either more or less efficient. They are summarised below.

Striking a balance between simplification and accuracy of control remains a challenge. Smooth and quick selection and reporting processes are ideal for attracting a wider population of SMEs. Simplifications in the policy instruments for SME internationalisation instruments in Poland (simplification of selection criteria, possibility of correcting the application) were introduced to significantly reduce the administrative burden on the Implementing Body, favour quick fund absorption and project start. SMEs value clear selection procedures, which boosts their willingness to participate. Prompt communication regarding project awards is crucial to prevent implementation delays. An open rolling-call system, used to select beneficiaries through a "first-come-first-served" approach under a non-repayable grant scheme, as seen in Tuscany and Malta, is favoured by SMEs due to its lower administrative costs, as well as flexibility in application submission based on evolving needs. This approach is more appropriate when selection aims to maximise the number of beneficiaries and accelerate fund absorption. However, it is less suitable for selecting more ambitious and complex investment projects that require a comprehensive evaluation of all submitted applications based on a pre-established matrix.

A significant simplification arises from avoiding repeated compliance checks, especially when companies apply for multiple instruments. For instance, Thüringen-Invest's combination of grants and loans - conditional on the grant - was effective. This method enabled the Managing Authority to provide both a grant and loan while checking compliance only once, leading to cost savings in application document reviews as per the ERDF and guidelines. Consequently, loan-related administrative costs dropped. The administrative burden of grant applications has also been eased due to the involvement of local intermediary organisations. In Ireland, the LEOs (Local Enterprise Offices) network

has been instrumental in reaching a majority of SMEs. Their widespread presence allowed them to consistently interact with about half of the companies in their catchment area. This relationship with LEOs streamlined information flow and reduces duplication. Additionally, LEOs assisted with project applications and business plan development, alleviating administrative pressures on micro-enterprises.

Administrative complexity has raised both costs and time of project preparations, often requiring the use of external consultants. In Slovenia, beneficiaries complained about the excessive bureaucracy (forms to fill in, requirements on the selection of the external contractor, posters, websites, reports) and non-digitised procedures for submitting documentation. This complexity often forced SMEs to hire external consultants, raising their costs and creating barriers for smaller companies. In Slovakia, while steps like digitisation and streamlined certification processes were introduced, beneficiaries still grappled with slow project preparation. Stakeholder interviews revealed that the intricacy of project preparation compelled many applicants to engage external consultants, possibly deterring potential new applicants. While applicants encounter administrative hurdles in Bulgaria, Managing Authorities did not actively monitor these challenges. Administrative complexity associated with the implementation of infrastructure projects in Wallonia was also reported, and it was one of the main causes of delayed implementation of the projects.

The time necessary to launch a new instrument and delays in initiation and execution can adversely affect the efficiency of the instruments. In Wallonia, delays in executing projects aimed at developing industrial areas might explain the low output achievements. Indeed, the targets for 2023 fell short in several areas, notably with only 45 hectares of new industrial areas equipped out of the 80 hectares targeted, and just 540 meters of access roads developed compared to the 3,940 meters planned. While the number of companies housed in the redeveloped infrastructures exceeded the target with 14 against the expected 12, other goals such as host infrastructures built, redevelopment projects, and job creation were significantly underachieved, with only 8 infrastructures built out of the planned 12, 1 redevelopment project completed out of the 3 targeted, and no jobs created out of the 491 anticipated.[83]

The lags and underachievement often stem from the prolonged procedures associated with these projects. When examining financial instruments supporting company creation, introducing a new support tool required significant time, hampering its prompt execution. In Bulgaria, equity and quasi-equity instruments only proceeded once the Fund of Funds manager set guidelines for private operators and allocated the funds. In Slovakia, the selection of financial intermediaries providing venture capital support was not conducted until 2019 and 2020, possibly impacting the limited projects funded thus far. Nonetheless, this phase can be viewed as capacity-building, likely reducing future implementation times for similar tools. Notably, the groundwork during this period facilitated the swift deployment of COVID-19 relief measures, utilising the pre-established financial institution network and clear financial products like loan guarantees. Indeed, COVID-relief measures were launched very quickly because they could rely on an already existing network of financial institutions and well-known financial products (mainly loan guarantees).

Changes in national and regional government impacted instrument implementation. For instance, in Andalucía, despite earlier extension notices, some calls were abruptly closed due to regional elections and government change. This discouraged applicants, resulting in less mature project proposals and selection delays. The premature closure, after prior extension announcements, reduced company enthusiasm and readiness. The new government's delay in establishing autonomous committees further hampered the project approval process.

[83] Achievement indicators were provided by the Managing Authority, see the case study.

COVID-19 profoundly affected the implementation of EU support. While having a negative, although minor, effect on project implementations, it also paved the way for enhanced digitalisation within public administration, leading to greater data interoperability. This transition significantly alleviated administrative pressures on SMEs and sped up fund uptake. For example, Greece leveraged an existing tax platform to fetch data on applicants' recent incomes and taxes. Portugal combined automation with other simplifications, such as using external accountants to verify revenue drops and later cross-checking using tax data. Italy simplified loan approvals during the pandemic, thanks to the increased frequency of meetings held by the Management Council for approving operations (twice a week instead of once), digital advancements, and suspended creditworthiness assessments. This efficiency led to the average guarantee approval time dropping to mere days and a surge in daily processed applications from 1,000 to 60,000. From this point of view, stakeholders recognised these COVID-induced measures as the most effective.

The form of finance has been identified as the main discriminating factor when assessing costs or benefits of policy instruments. Evaluation findings indicate that repayable forms of support, whether through debt-line or equity financing from private or public institutions, generally exhibit greater potential to mitigate administrative burdens for both SMEs and administrations compared to non-repayable grants. In the design phase, this efficiency stems from the involvement of intermediaries, which streamline the launch of instruments, reducing the resources and time required from Managing Authorities compared to designing non-repayable grant schemes. For example, in Poland, financial instruments were favoured over subsidies due to quicker access to capital and reduced formalities, aided by financial intermediaries. Similarly, in Slovakia, administrative burdens hindered ERDF grant projects, while financial instrument processes were perceived as less complex and faster, despite some paperwork requirements. Furthermore, eligibility and selection criteria for financial instruments tend to be more straightforward, easing the burden on SMEs during the selection phase. The expedited selection process and shorter time-to-funding for financial instruments also minimise waiting times for SMEs, facilitating access to necessary funds for project implementation. Regarding benefits, the landscape is nuanced.

It should also be noted that a direct comparison of cost-effectiveness between reimbursable funds and non-repayable grants is not entirely appropriate. On the one hand evidence suggests that SMEs demonstrate greater commitment to repayment when dealing with reimbursable funds, potentially enhancing their overall performance, and financial instruments have the capacity to reach a larger number of SMEs compared to non-repayable grants for equivalent funding amounts, resulting in potentially higher systemic economic impacts at regional or national levels. On the other hand, it is worth noting that non-repayable grants are often better suited for reaching the most disadvantaged firm and it is therefore plausible that non-repayable grants may play a more significant role in fostering growth for less capable and financially robust SMEs or those in less developed areas.

Some interviews raised the issue that costs charged by the financial institutions for equity instruments were considered too high. In Slovakia, the different seed capital investment funds for start-up support applied management fees ranging from about 1% to 6% of the project value. When the performance fee is also considered, the total costs could reach nearly 20% of the project value (in the case of direct equity supported by Slovak Investment Holding). The high fees can be attributed to the inherent nature of equity investments involving considerable costs related to due diligence, compliance, and portfolio company support. Conversely, smaller management fees were paid to financial instruments providing loans and guarantees. However, while it appears that no fees have been paid to financial instruments in France, Germany, and Italy, these may indeed be cases where fees were paid to the respective fund managers by using other sources than the programme resources. Moreover, when it is the financial intermediary with whom the risk was shared to conduct the due diligence, the expenses of the fund manager to assess the individual

investments were minimised, which could result in reduced fees for guarantee and loan financial instruments.

There is no information or data available on the administrative costs for the Managing Authorities to set up and implement financial instruments. These would need to be added to the management costs and fees to have a comprehensive quantification that could eventually be compared with the estimated administrative costs for managing programme resources i.e., a median 5.5% for the resources aimed at enhancing the competitiveness of SMEs.[84] Any comparison would anyhow need to consider the different nature of the costs considered, as the management costs and fees for implementing financial instrument can often be determined based on a competitive selection procedure.

Overall, providing a confident assessment of the magnitude of management fees and costs within ERDF co-financed financial instruments is highly challenging. While Cohesion Policy primarily focuses on costs and fees funded by programme contributions, these expenses may be covered by other national resources. Additionally, determining the scale of these expenses before closure is difficult as these were disbursed throughout the implementation period.

See more findings on the factors affecting the efficiency of policy instruments in Annex VII.

Table 14 – Answers to the evaluation questions: Efficiency

Synthetic answer to the Efficiency criterion	Ref. to more information
EQ 4: What are the underlying factors and drivers which influence the implementation of the ERDF support? EQ 4.1. What are the contextual factors and drivers which influence the implementation of the ERDF support? EQ 4.2. What are the programme-specific factors and drivers which influence the implementation of the ERDF support?	
An unstable macroeconomic context, such as impacts from COVID-19 and natural disasters, and changes in government can hinder ERDF implementation. Programme-specific factors highlight the importance of governance and management. Effective selection of intermediaries and well-designed administrative procedures for project selection and assessment are crucial for reducing access time and costs, enhancing project quality at entry, and ensuring successful implementation.	Section 2.2 All case studies
EQ 5: Which inefficiencies and obstacles have been identified and how were they addressed? EQ 5.1. Which enforcement costs were borne as part of the implementation of the policy instruments? EQ 5.2. How were inefficiencies and obstacles addressed?	
Enforcement costs included increased administrative complexity, raising costs and preparation time, often requiring smaller SMEs to hire external consultants and creating entry barriers for them. To address inefficiencies, measures included avoiding repeated compliance checks, involving local intermediaries to ease administrative burdens, and enhancing digitalisation for better data interoperability, which sped up fund uptake and reduced pressures on SMEs.	Section 4.5 All case studies
EQ 6: What were the results of SME support through financial instruments as compared to grants? EQ 6.1. How do the benefits generated by the different policy instruments compare with their costs? EQ 6.2. What were the results of SMEs support through financial instruments as compared to grants?	

[84] See Spatial Foresight and t33 (2018), New assessment of ESIF administrative costs and burden Final Report – October 2018.

Synthetic answer to the Efficiency criterion	Ref. to more information
The form of finance is the key factor in assessing the costs and benefits of policy instruments. Repayable support (debt or equity) tends to reduce administrative burdens for both SMEs and administrations more effectively than non-repayable grants. Financial instruments can be more effective than grants under certain conditions. Equity support is particularly effective for company creation in developed regions and can also succeed in less developed regions if targeted at promising projects. Debt instruments are suitable for SMEs capable of independently financing projects, facilitating access to additional capital without market distortions. However, grants remain crucial for supporting the most disadvantaged firms.	Section 4.6 Annex VII Cross-case financial instruments Case study on support to company creation, and support to product expansion, productivity and modernisation
EQ7: Under which circumstances did policy instruments work best in addressing the needs of the target groups?	
Continuation from past policies, with incremental adjustments for changing contexts and SME needs, generally improved the suitability and effectiveness of policy instruments. A trial-and-error approach for new instruments often led to success. When initial designs failed to address SME needs, prompt adjustments by Managing Authorities and Implementing Bodies ensured better outcomes.	Sections 4.3 and 4.4

Source: CSIL and Prognos.

5.6. Assessment of the Theory of Change: synthesis of results

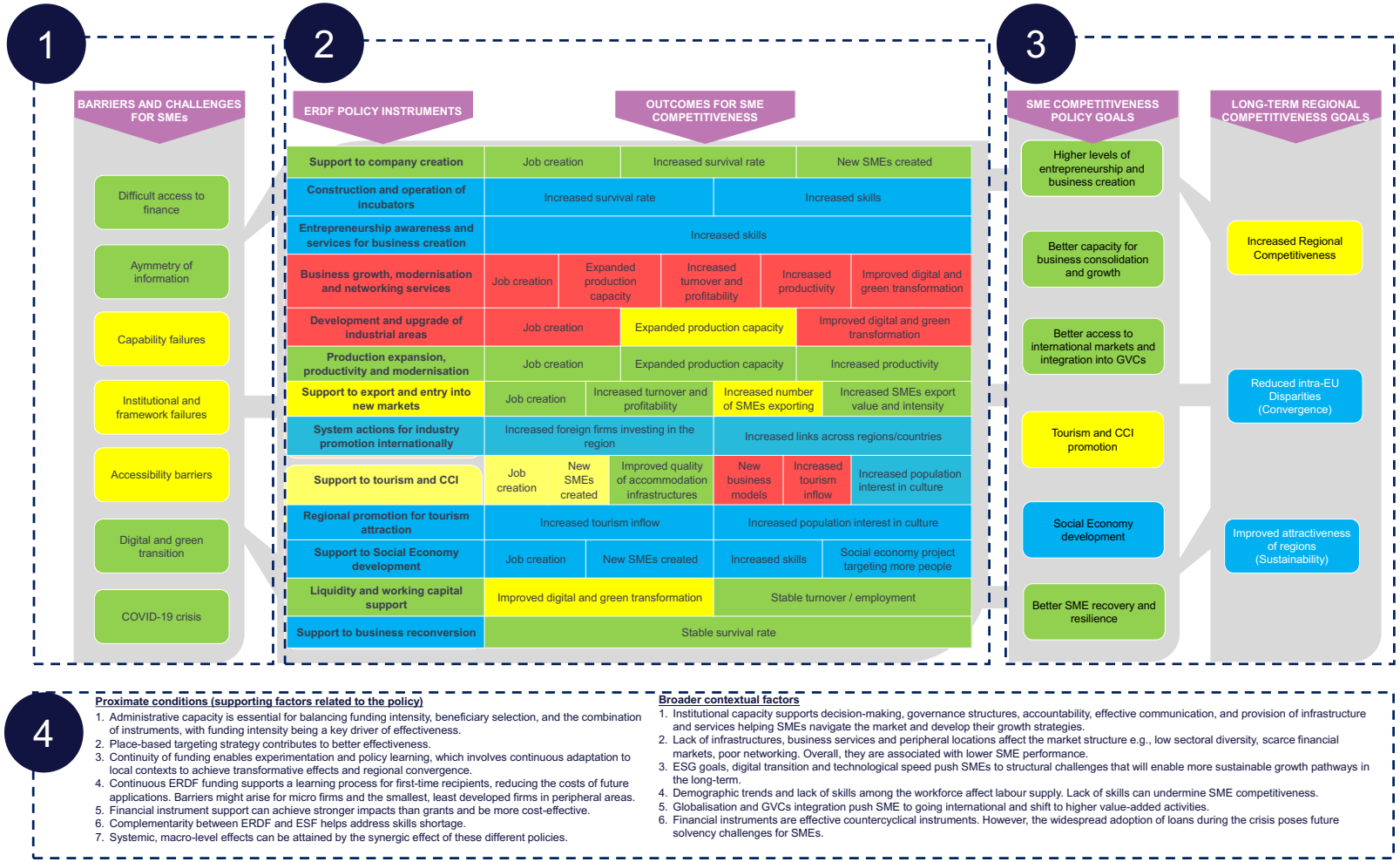
This section presents a summary chart illustrating the results of testing the initial Theory of Change, explained and depicted in Section 2.2 (Figure 10). It provides an overview of how well the policy interventions met their intended objectives and expected outcomes, and the role played by any supporting factors related to either the policy instruments or broader contextual conditions. The chart synthesises key findings discussed in the previous Sections 4 and 5.

Figure 21 provides a snapshot of the results of the testing exercise. It uses colour-coding to represent the degree of achievement in different parts of the Theory of Change. More specifically:

- Green boxes indicate parts of the theory (barriers, outcomes, policy goals) that the ERDF was expected to address/achieve and that were generally effectively tackled/achieved by the policy instruments mobilised during the 2014-2020 period, according to the evidence collected.
- Yellow boxes represent parts of the theory (barriers, outcomes, policy goals) that the ERDF expenditure has only partially addressed /achieved, or where evidence is mixed.
- Red boxes indicate parts of the theory (outcomes) that were not generally achieved within the observed time frame.
- Blue boxes indicate areas where no evidence is available because they were not specifically investigated within this evaluation.

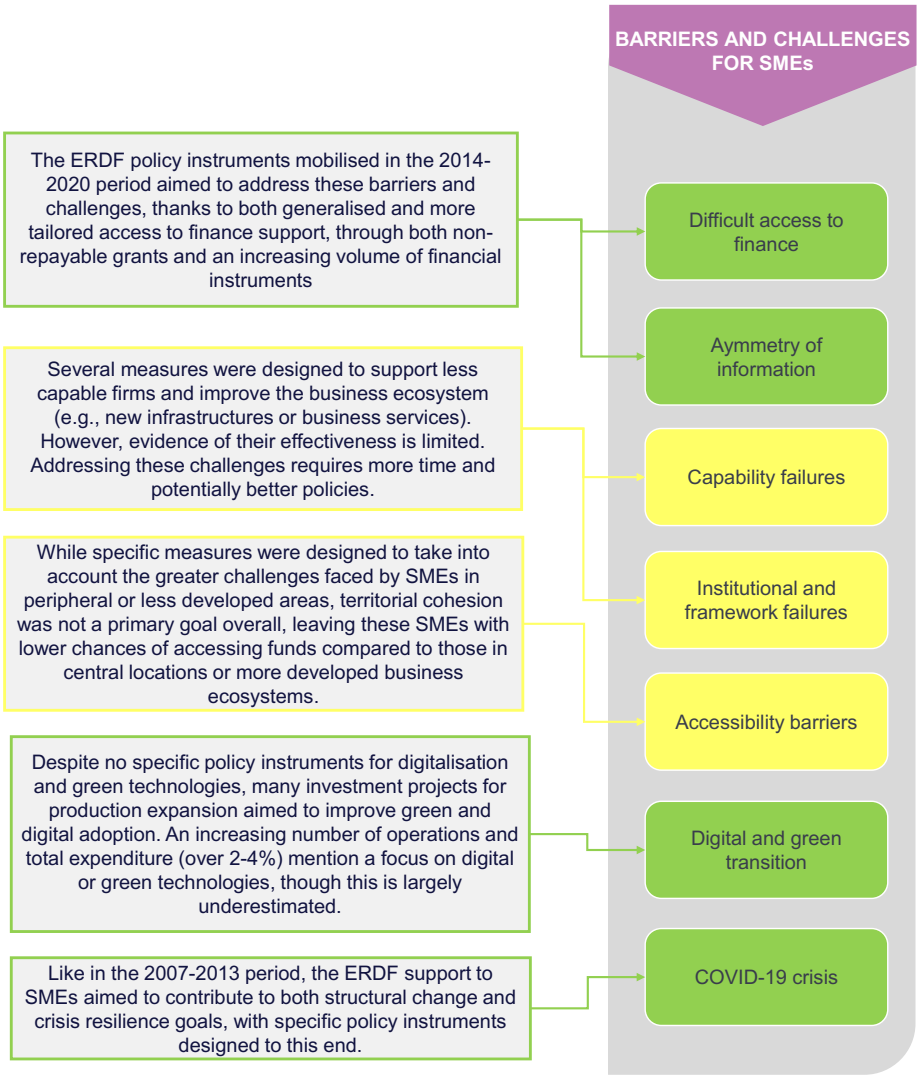
The following four charts provide a deeper analysis of specific parts of the Theory of Change, synthesising the assessment behind the colour coding.

Figure 21: Simplified Theory of Change for ERDF support to SMEs: the results of the theory testing exercise



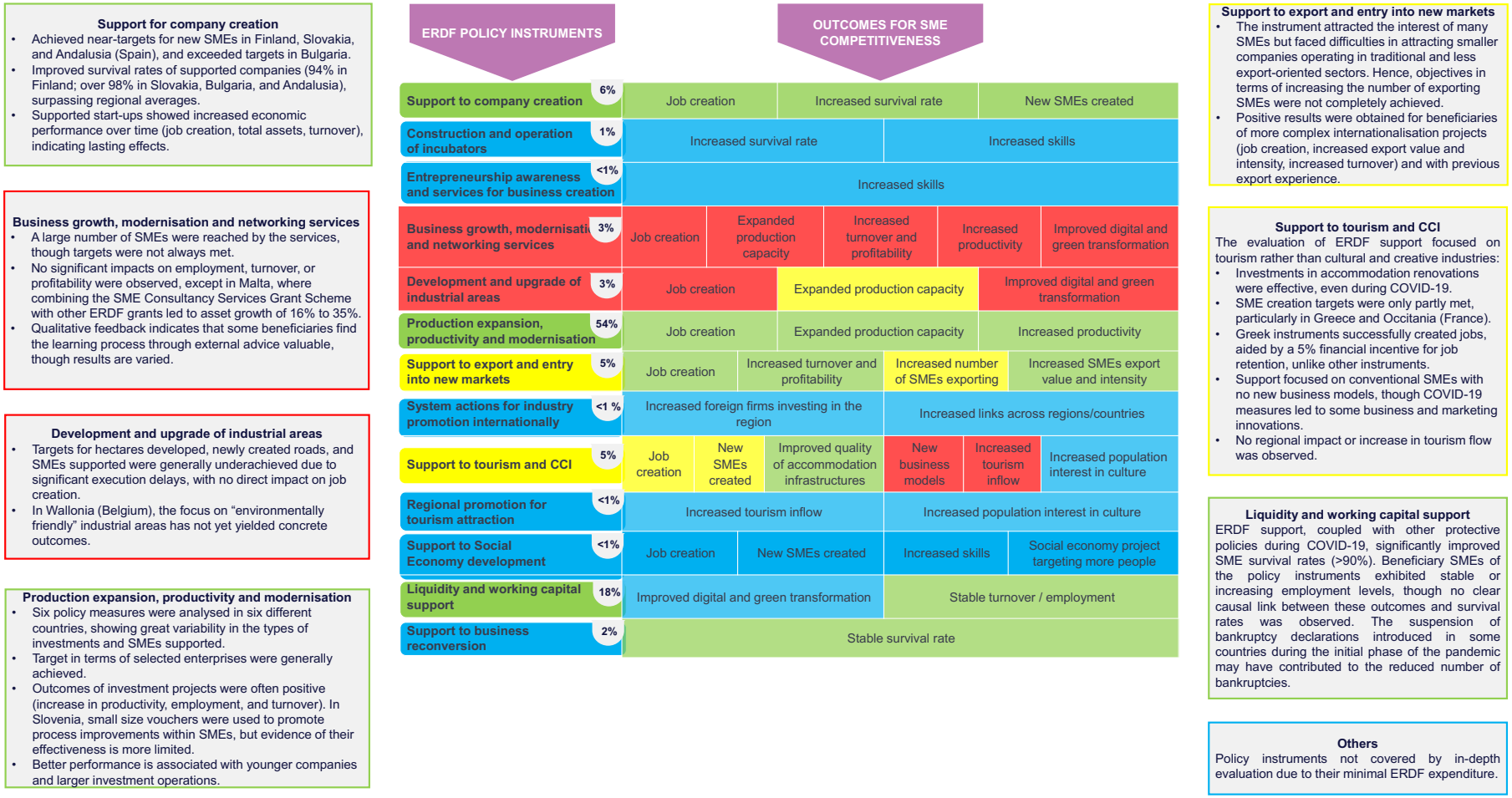
Note: *Green boxes* indicate parts of the theory (barriers, outcomes, policy goals) that the ERDF was expected to address/achieve and that were generally effectively tackled/achieved by the policy instruments mobilised during the 2014-2020 period, according to the evidence collected. *Yellow boxes* represent parts of the theory (barriers, outcomes, policy goals) that the ERDF expenditure has only partially addressed /achieved, or where evidence is mixed. *Red boxes* indicate parts of the theory (outcomes) that were not generally achieved within the observed time frame. *Blue boxes* indicate areas where no evidence is available because they were not specifically investigated within this evaluation. *Source*: CSIL & Prognos.

Figure 22: Simplified Theory of Change for ERDF support to SMEs: the results of the theory testing exercise – part 1



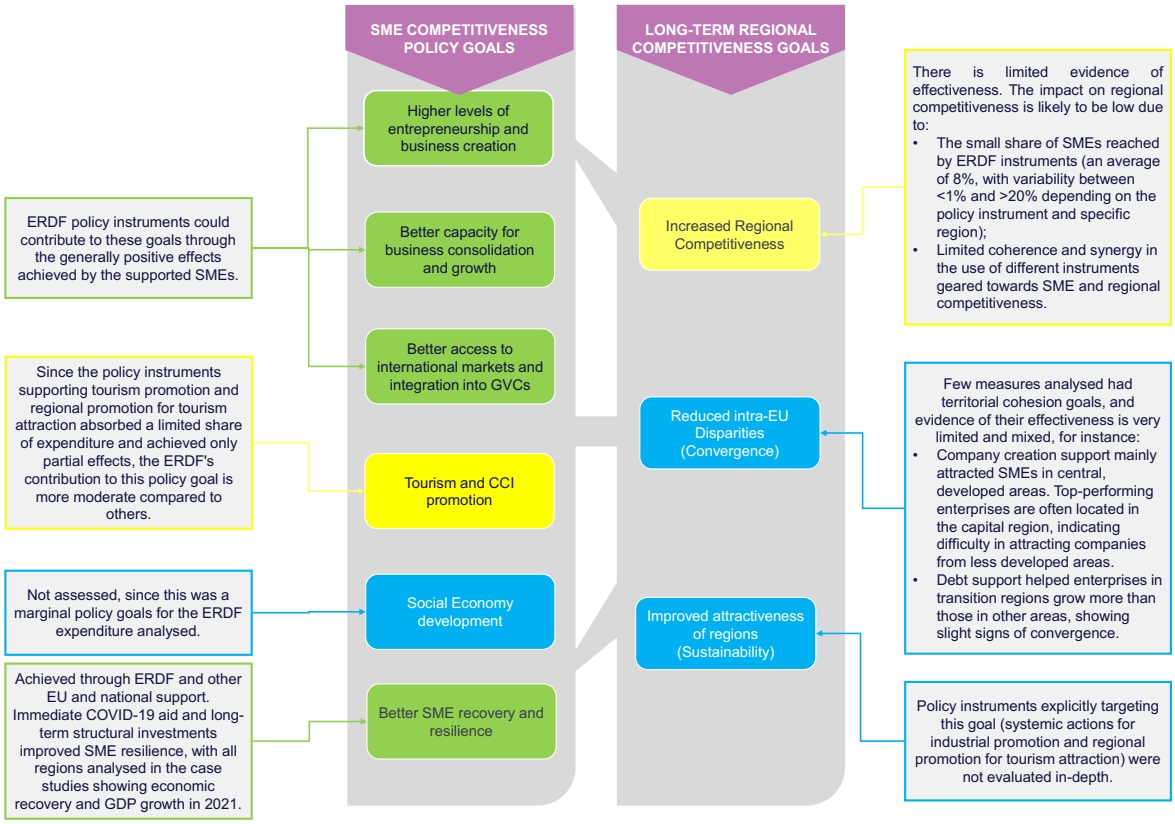
Note: The chart uses colour-coding to represent the degree of achievement in different parts of the Theory of Change. In this chart, *green boxes* indicate barriers and challenges that the ERDF was expected to address and were effectively tackled by the policy instruments mobilised during the 2014-2020 period. *Yellow boxes* represent barriers and challenges that the ERDF expenditure has only partially addressed.
Source: CSIL & Prognos.

Figure 23: Simplified Theory of Change for ERDF support to SMEs: the results of the theory testing exercise – part 2



Note: The percentage share of the total public expenditure allocated to each policy instrument, up to the end of 2020, is shown. The chart uses colour-coding to represent the degree of achievement in different parts of the Theory of Change. In this chart, *green boxes* indicate outcomes that ERDF policy instruments likely contributed to (or caused) positively. *Yellow boxes* represent outcomes that ERDF instruments only partially contributed to, or where evidence is mixed. *Red boxes* indicate outcomes that were not generally achieved within the observed time frame. *Blue boxes* indicate areas where no evidence is available.
Source: CSIL & Prognos.

Figure 24: Simplified Theory of Change for ERDF support to SMEs: the results of the theory testing exercise – part 3



Note: The chart uses colour-coding to represent the degree of achievement in different parts of the Theory of Change. In this chart, *green boxes* indicate SME and regional competitiveness goals that ERDF policy instruments likely contributed to positively. *Yellow boxes* represent goals that ERDF instruments have only partially addressed, at best. *Blue boxes* indicate areas where no evidence is available.
Source: CSIL & Prognos

Figure 25: Simplified Theory of Change for ERDF support to SMEs: the results of the theory testing exercise – part 4

Proximate conditions (supporting factors related to the policy) – initial theory

1. Administrative capacity is essential for balancing funding intensity, beneficiary selection, and the combination of instruments, with funding intensity being a key driver of effectiveness.
2. Place-based targeting strategy contributes to better effectiveness.
3. Continuity of funding enables experimentation and policy learning, which involves continuous adaptation to local contexts to achieve transformative effects and regional convergence.
4. Continuous ERDF funding supports a learning process for first-time recipients, reducing the costs of future applications. Barriers might arise for micro firms and the smallest, least developed firms in peripheral areas.
5. Financial instrument support can achieve stronger impacts than grants and be more cost-effective.
6. Complementarity between ERDF and ESF helps address skills shortage.
7. Systemic, macro-level effects can be attained by the synergic effect of these different policies.

Proximate conditions (supporting factors related to the policy) – after theory testing

1. The administrative capacity of Managing Authorities and intermediate bodies is essential for ensuring the use of the most *effective and efficient project selection procedures*, in line with the instruments' goals. Good administrative capacity can also enable the combination of different instruments and *policy experimentation. More capable SMEs can implement ambitious and long-term oriented investments, and this is a key driver of effectiveness.*
2. Place-based targeting strategy contributes to better effectiveness, *thanks to the mobilisation of the most relevant instruments in line with the SME needs and context conditions. Alignment with the S3 priorities could further enhance effectiveness.*
3. Continuity of funding enables experimentation and policy learning, which involves continuous adaptation to local contexts to achieve transformative effects and regional convergence.
4. Continuous ERDF funding supports a learning process for first-time recipients, reducing the costs of future applications. Barriers might arise for micro firms and the smallest, least developed firms in peripheral areas.
5. Financial instruments *do not necessarily achieve stronger impacts* than grants, but they can be more cost-effective in certain contexts and for certain types of SMEs.
6. Complementarity between ERDF and ESF can help address skills shortage *(indicated by the literature, although not tested by the evaluation).*
7. Systemic, macro-level effects can be attained by the synergic effect of these different policies *(indicated by the literature, although not tested by the evaluation).*

Broader contextual factors – initial theory

1. Institutional capacity supports decision-making, governance structures, accountability, effective communication, and provision of infrastructure and services helping SMEs navigate the market and develop their growth strategies.
2. Lack of infrastructures, business services and peripheral locations affect the market structure e.g., low sectoral diversity, scarce financial markets, poor networking. Overall, they are associated with lower SME performance.
3. ESG goals, digital transition and technological speed push SMEs to structural challenges that will enable more sustainable growth pathways in the long-term.
4. Demographic trends and lack of skills among the workforce affect labour supply. Lack of skills can undermine SME competitiveness.
5. Globalisation and GVCs integration push SME to going international and shift to higher value-added activities.
6. Financial instruments are effective countercyclical instruments. However, the widespread adoption of loans during the crisis poses future solvency challenges for SMEs.

Broader contextual factors – after theory testing

1. Institutional capacity supports decision-making, governance structures, accountability, effective communication, and provision of infrastructure and services helping SMEs navigate the market and develop their growth strategies. *Institutional capacity, whether strong or weak, can be found in both more and less developed regions, with no significant territorial differences observed in the case studies.*
2. Lack of infrastructures, business services and peripheral locations affect the market structure e.g., low sectoral diversity, scarce financial markets, poor networking. Overall, they are associated with lower SME performance and *greater challenges in absorbing EU funds.*
3. ESG goals, digital transition and technological speed push SMEs to structural challenges that will enable more sustainable growth pathways in the long-term *(indicated by the literature, although not tested by the evaluation).*
4. Demographic trends and lack of skills among the workforce affect labour supply. Lack of skills can undermine SME competitiveness.
5. Globalisation and GVCs integration push *more innovative and capable* SME to going international and shift to higher value-added activities.
6. Financial instruments are effective countercyclical instruments. However, the widespread adoption of loans during the crisis poses future solvency challenges for SMEs.

Note: The chart uses colour-coding to represent the degree of realisation of different factors/conditions. *Green text* indicates a factor that was confirmed to exist after the testing exercise. *Purple text* is used to highlight the fine-tuning of the initial theory following the testing exercise. *Orange text* represents a factor/condition that was not fully confirmed.
Source: CSIL & Prognos.

6. Lessons learned and policy implications

This last section highlights the lessons learned from the evaluation. These lessons can provide valuable insights and policy implications for improving future interventions and enhancing SME support strategies. This is particularly important considering the backdrop of aggregate statistics indicating a decline in SME competitiveness in the EU since 2011 (Section 2.1).

A diverse mix of qualitative and quantitative data was used to evaluate the effectiveness of various interventions supporting SME competitiveness during the Cohesion Policy 2014-2020 period. These interventions, including measures to enhance SME resilience following the COVID-19 pandemic, were analysed both as individual policy instruments and within the broader policy mix across different contexts. Despite considerable heterogeneity in evidence reliability, as discussed in Section 1.3.2, the evaluation benefited from the triangulation of different sources. The findings presented in the previous sections focus on results with stronger convergent evidence from multiple sources, while results with high uncertainty were either omitted or, if included, their higher degree of uncertainty has been clearly indicated.

Managing Authorities and SMEs widely agree that one of the key aspects of the EU-added value of ERDF support for SME competitiveness is the opportunity it provides for long-term planning by national and regional policymakers, due to the extended programming period. Furthermore, interviews with SMEs revealed that ERDF support significantly impacts the scale of funded projects, enabling or accelerating the implementation of larger and more ambitious operations that would otherwise not have been feasible.

Support for production expansion, productivity, and modernisation, as well as support for export and entry into new markets, were generally associated with positive outcomes on beneficiary SMEs. These include increased turnover, employment, assets, profitability, and export intensity. Higher positive results (i.e. higher turnover or increase in export intensity) were observed for investment projects targeting capable SMEs and promising projects, both in more and less developed regions. Positive evidence of effectiveness in terms of business survival was also found for instruments supporting company creation. In addition to supporting investments, ERDF played an important role in supporting recovery from COVID-19, jointly with all other sources of funding that were deployed. In particular, the introduction of simplified administrative procedures related to the instruments supporting liquidity and working capital during COVID-19 has led to improvements in implementation processes.

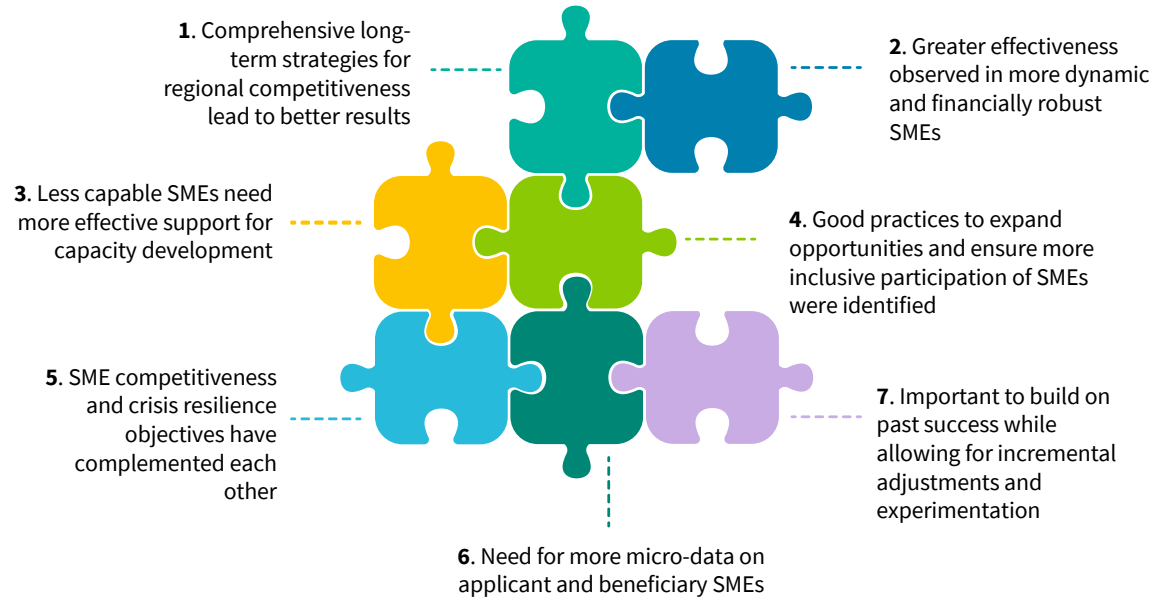
The impact of some forms of ERDF support on SMEs, though promising, requires more time to become visible. This finding refers, in particular, to advisory services or support aimed at less experienced firms. While they have the potential to stimulate behavioural change in beneficiary SMEs, their effects are generally not yet visible and may require more time to materialise. As discussed in Section 4.1, the commitment of beneficiaries to implementing follow-up investments and their existing human resources and skills are crucial factors that can positively influence the effectiveness of the aid received.

Overall, the ERDF instruments reached approximately 1.8 million SMEs, accounting for around 8% of the average number of SMEs active in the EU. This figure is a very rough estimate derived from monitoring indicators, which conceals significant variability across different policy instruments and regions. Moreover, this estimate does not account for the fact that some companies may benefit from multiple projects, potentially inflating the apparent reach of the ERDF, as discussed in Section 4.5.

The evaluation found weak evidence that ERDF support for SME competitiveness achieved systemic effects and long-term structural transformation goals in regions. This is partly due to the small share of firms supported in many regions, but especially the challenges of identifying impacts on regional ecosystems, given the influence of numerous concurrent factors and interconnections between various areas that affect SME competitiveness, such as access to infrastructure, human capital, and research and innovation activities. Furthermore, seeking synergies between different EU instruments to support SMEs, whether within Cohesion Policy programmes or between Cohesion Policy and other EU or national funding opportunities, was not frequently pursued explicitly. This complementary use of different instruments could potentially increase the effectiveness of public support but remained largely underutilised.

The remainder of this section presents and elaborates on the main lessons learned from the evaluation, as depicted in the following figure.

Figure 26: Lessons learned from the evaluation



Source: CSIL & Prognos.

Lesson 1. Comprehensive long-term strategies for SME competitiveness, identifying the key regional actors that can drive change and transformation and those that risk being left behind, lead to better results

While the mix of instruments used was deemed relevant by Managing Authorities and beneficiaries to address the needs of SMEs, past ERDF programmes often lacked a comprehensive strategy for enhancing SME competitiveness. Instead, these programmes focused narrowly on specific actors or lacked a clear targeting strategy to concentrate resources effectively. Additionally, essential factors like skills development, infrastructure provision, and market access, which are crucial for regional structural change, were sometimes overlooked (refer to Section 4.7 and Section 5.3 on Coherence). Furthermore, evidence indicates that some SMEs have successfully combined ERDF support for competitiveness with research and innovation objectives. However, challenges and uncertainties remain about ensuring explicit coordination at the level of specific instruments or operations.

The implementation of Smart Specialisation Strategies (S3) could serve as a place-based strategic framework for guiding this approach, particularly concerning the link between SME competitiveness and research and innovation policy. While alignment between S3 priorities and SME competitiveness instruments was not mandatory, some Managing Authorities have already begun applying preferential criteria for projects under the SME competitiveness objective that align with the S3. This approach aimed to facilitate a cohesive and synergistic deployment of resources and efforts. Preliminary quantitative analysis, which would require further exploration in a separate study, suggests the effectiveness of concentrating ERDF expenditure for business investments in sectors prioritised by the S3, is associated with improved post-project performance for beneficiaries. This is in comparison to programmes where expenditure for SME competitiveness was not aligned with the S3. More specifically, the average turnover growth rate (after-before project) observed in regions where ERDF expenditure was concentrated in S3 sectors is 3 points higher on average compared to other regions, even after controlling for other firm or context-specific characteristics. This positive correlation is particularly notable for policy instruments supporting business expansion, company creation, and tourism development. Interestingly, the correlation is not solely based on the concentration of expenditure in a few sectors, as confirmed by additional analysis on ERDF expenditure. Instead, it is the concentration on sectors aligned with the S3 that appears to have a statistically significant impact on performance.[85]

The alignment of S3 with the EU's industrial and technological priorities could not only enhance SME growth and innovation but also contribute to broader EU industrial objectives. This strategic alignment includes critical areas such as advanced battery technologies, data and cloud technologies, decarbonisation, semiconductors, smart manufacturing, and sustainable mobility. By focusing on these strategic areas, regions can leverage synergies between SME support and key technological advancements, fostering a more integrated and cohesive approach and contributing to the EU's broader industrial and technological ambitions.

A balanced strategic approach is essential to support both innovative and traditional SMEs without worsening territorial disparities. On the one hand, it involves identifying and supporting key actors, including sectors and types of companies, that have the potential to contribute to innovation and drive significant structural change in the region. On the other hand, prioritising support for these key actors should not come at the expense of SMEs, operating in more traditional sectors, as this could worsen territorial disparities. Tailored support measures should be devised to address the unique needs and challenges of both types of SMEs effectively (see more on this below).

To maximise regional impacts, it is crucial to design ERDF interventions that explicitly combine various forms of support. Evidence shows that SMEs tend to tap into both competitiveness and research, innovation, and technological development support from ERDF. This frequent overlap highlights the natural synergy between competitiveness and innovation. Enhancing how different interventions – both in regional, national and EU-level programmes – interact and complement each other is key. Establishing mechanisms to ensure these combinations at the policy instrument or operational level from the outset of the ERDF intervention design could significantly enhance systemic effects across regions.

[85] See discussion in Section 4.3 and results of the econometric analyses in Annex V.

Lesson 2. ERDF support tends to yield better results in SMEs which display more dynamic and financially robust capacities

More dynamic, capable, and financially robust SMEs tend to exhibit better economic performance after undertaking ERDF-supported projects. These companies possess the resources necessary to embark on ambitious investment projects. In the 2014-2020 period, such investments were generally larger in size, often focusing on digitalisation or new technologies or stemming from research and innovation activities, included multiple activities and were guided by a structured development strategy.

This evaluation has demonstrated that ambition yields results, maximising the effectiveness of policy instruments aimed at supporting SMEs (see also Section 4.1). Econometric analyses demonstrated that larger projects correlate with higher increases in turnover, employment, or profitability following project implementation (see Annex V). For instance, a 1 percentage point increase in the value of a project for business expansion is associated with a 6.7 percentage point higher turnover growth rate for the beneficiaries in the two to three years after receiving the aid. Additionally, the case study on internationalisation instruments revealed that implementing large-scale internationalisation programmes is associated with significant increases in export intensity (share of export sales in total sales) and value. Two counterfactual impact evaluations carried out on Portuguese and Polish instruments show that export intensity increased by up to 6 percentage points for beneficiary SMEs in both countries. Better export performance is reflected in improved financial outcomes, such as increased turnover. Although it was not possible to measure the impact of these outcomes on regional competitiveness directly, companies equipped with enhanced export capabilities can play a pivotal role in fostering structural change within their regions.

A competitive selection process was more effective in identifying quality projects. Policy instruments that prioritise projects based on their quality, rather than on a first-come, first-served basis, had the capacity to produce better and more enduring outcomes for beneficiary SMEs. Often, these selection processes were based on competitive procedures with preferential terms or eligibility criteria aligned with the strategic objectives of the instrument. Another effective method for encouraging more ambitious interventions was by promoting the integrated use of policy instruments throughout the lifecycle of a company. For example, combining advisory services with investment opportunities or emphasising integrated activities as part of a comprehensive development plan can lead to more impactful support for SMEs. Additionally, establishing clear follow-up investment schemes (e.g., through regional funding banks) can enhance the effectiveness of the initial "seed funding" provided by the ERDF.

The risk of a deadweight effect for more robust SMEs can be mitigated by utilising financial instruments instead of grants. The evaluation indicates that loans were particularly effective for financially stronger SMEs, typically larger enterprises, and economically viable projects. This approach promotes a more efficient allocation of resources, especially in more developed Member States where ERDF aid intensity is relatively low and the beneficiary SMEs can partially fund the investments themselves. When more ambitious projects are also significantly riskier, albeit potentially more rewarding, the use of equity investments appeared particularly appropriate. More specifically, there is evidence that ERDF-backed equity investments could effectively support newly created and young companies with substantial growth potential, and in regions with thin financial markets.

Combining repayable and non-repayable forms of support is possible and can be effective, as demonstrated by the Thüringen-Invest programme, which provided a mix of grants and loans conditional on receiving the grant. However, there were few instances of this practice during the 2014-2020 period, primarily due to the administrative challenges

perceived by Managing Authorities and intermediaries in implementing such schemes. Additionally, it is important to ensure that the terms of ERDF-conditioned loans are competitive with normal loans from local banks to maintain their attractiveness. This was not the case for Thüringen-Invest, and as a result, the instrument has been discontinued in the 2021-2027 period.

Effective project selection, requiring a deep understanding of the SME landscape and rigorous competitive procedures, is crucial for identifying high-potential SMEs and ensuring the success of policy instruments. Not only must SMEs possess the necessary capabilities to undertake ambitious projects, but Managing Authorities and intermediaries responsible for designing policy instruments and selecting projects also need to have the requisite skills and expertise. While case studies highlight the aim to support high-quality projects and more dynamic SMEs, the implementing bodies sometimes had to adjust the selection process to accelerate fund absorption or meet monitoring indicators. This adjustment often resulted in prioritising speed and measurable outcomes over the competitive selection of the most promising projects.

Investments in skills are crucial for enhancing the capabilities of both SMEs and the authorities tasked with implementing policy instruments. Specialised training, continuous professional development, and sector-specific expertise can significantly improve the capacity of Managing Authorities and intermediaries to effectively design and implement the policy instruments. Simultaneously, providing SMEs with access to training in critical areas such as digital transformation, sustainable practices, mentorship, and technology can equip them to undertake ambitious and innovative projects.

Lesson 3. Evidence shows potential for supporting skills and capacity development in SMEs operating in local and more traditional sectors

There is a need to identify more effective forms of support in regions or sectors where gaps persist. During the 2014-2020 period, assistance in the form of advisory services and customised support tailored for relatively simpler projects and investments was predominantly directed to less capable and less experienced companies. However, empirical evidence from the case studies indicated that their success rate varied, highlighting the need for more effective support mechanisms.

Limited observed outcomes may be due to two possible factors. On the one hand, for positive effects to be observed, these companies need to engage in a behavioural change process that requires some time. For instance, it is unlikely that participation in a workshop providing information about the opportunities of digitalisation immediately reflects in a shift in practices and processes within the company; or that participation in an international fair immediately results in increased export intensity. More time and complementary activities are necessary before observing positive economic returns. On the other hand, some SMEs that have understood how to gain access to public funding may become entrenched in a cycle of dependency rather than embarking on a genuine path of growth and innovation.

Effective support requires a more coordinated provision of various forms of assistance. The evaluation has shown that financial aid, training programmes, mentorship, and advisory services, aimed at addressing the specific needs of these companies comprehensively, can provide more effective support. Indeed, there is evidence that combining financial support with advisory services can enhance the effectiveness of both interventions by ensuring that companies have the necessary resources and knowledge to implement strategic changes successfully. Non-repayable support is generally the most appropriate form of support for these companies, especially the smallest ones.

Moreover, it is crucial to implement support mechanisms that not only address immediate needs but also foster a culture of transformation and innovation within SMEs, in line with their actual capabilities. This could involve offering targeted training and mentoring programmes aimed at developing sustainable business practices and instilling a mindset of continuous improvement, for instance in the adoption of digital and green technologies. This would be particularly important as digitalisation and sustainability are becoming increasingly crucial factors for competitiveness and growth in today's markets. Less capable SMEs, particularly those operating in more traditional sectors and local markets, can significantly contribute to the overall twin transition goals through technology uptake, despite not being at the forefront of innovation.

The use of local intermediaries, closely connected to businesses, can significantly enhance the effectiveness of ERDF support for less capable SMEs. Ireland has exemplified this through a successful model where local intermediaries provide highly tailored support to micro-companies, guiding them through a process of structural change and gradually enhancing their competitiveness. Importantly, the administrative burden for these companies, as well as for the implementing bodies, can be minimised with simpler application and reporting procedures, and with an open rolling-call system. These mechanisms are appropriate for accelerating fund absorption and engaging a larger number of SMEs, especially those benefitting from relatively simple projects, such as small grant schemes or advisory services.

Lesson 4. The study found good practices in expanding opportunities for more inclusive SME participation in Cohesion Policy

Data on beneficiaries reveals that over 15% of SMEs have benefited from multiple ERDF projects under the SME competitiveness objective (Section 4.5). These SMEs have repeatedly participated in ERDF calls, demonstrating their familiarity with the process and their active engagement with the system. While the continuity of programming and funding supports the effectiveness of long-term structural transformation goals, it also highlights the necessity for measures to address entry barriers and ensure inclusivity in accessing support. This is particularly crucial for micro-sized and less capable SMEs, which face the strongest entry barriers but also have a great need for support (as discussed in the previous point).

The evaluation has identified good practices to broaden the spectrum of SMEs benefiting from funding under Cohesion Policy:

- **Targeted outreach and support.** Tailored outreach programmes can be implemented to engage SMEs historically absent from ERDF calls. This could involve offering customised assistance like capacity-building workshops, mentoring programmes, or technical support to aid SMEs in navigating the application process and meeting eligibility criteria. A good example is the promotion campaign organised in Portugal at the launch of the liquidity and working capital support policy instrument (see Section 4.5).

- **Inclusive application, selection and reporting processes**. Simplifying and streamlining application processes, by reducing bureaucratic hurdles, providing clear guidance on application requirements, and offering support in completing application forms, can contribute to making support more accessible to a broader range of SMEs. The pandemic has facilitated enhanced digitalisation and data interoperability in public administration, which ultimately can ease administrative pressures on SMEs. Quick and simple selection processes, which benefit from automated application and selection systems, are particularly suitable for policy instruments targeted at a broad number of SMEs and that attract a large number of

applications (e.g., advisory services). They should be applied when they do not compromise the possibility of selecting higher-quality projects based on a thorough assessment of the strategic and technical content. A notable example of how this trade-off can be addressed is provided by the Polish "Go to Brand" measure implemented under the national Smart Growth Programme, which promotes SME exports. The instrument used quickly verifiable eligibility criteria to select quality proposals and SMEs with high growth prospects, eliminating selection criteria that did not significantly differentiate applications or have a significant impact on project selection. This Polish instrument also successfully demonstrates how the use of standard scales of unit costs, lump sums, and flat-rate financing can significantly simplify expenditure reporting by beneficiary SMEs, thereby favouring their participation in ERDF programmes.

- **Promoting collaboration and consortia**. SMEs can be encouraged to collaborate and form consortia for joint funding applications. By pooling resources and expertise, smaller SMEs can enhance their competitiveness in securing funding and participating in larger projects. This approach is particularly appropriate for internationalisation projects, and it has proven effective where export support was provided through well-established and competent local intermediary organisations, such as clusters and consortia of companies, as opposed to temporary networks (see the case study on the Tuscany policy instrument). Successful outcomes were observed for companies involved in consortia due to the greater visibility and credibility as a group in international fairs, as well as the support received by the leading organisation in designing and implementing the project.

- **Diversification of funding criteria**. There is potential for diversifying the funding criteria and introducing criteria that prioritise the participation of new or underrepresented SMEs in funding opportunities. An example of this approach can be observed in Portugal, where some "special calls" were launched with a narrower target, aimed at increasing the probability for certain types of SMEs to benefit from EU support. For instance, one call was launched to target internationalisation projects by SMEs located in low-density territories, while another call targeted exporting firms with less exporting capability, measured by an initial level of export intensity lower than 15%. Along the same lines, diversified criteria may entail specific requirements for SMEs that have not previously received funding or quotas for first-time applicants.

Lesson 5. Long-term structural change and short-term resilience objectives have coexisted

The evaluation demonstrated that long-term competitiveness objectives and short-term resilience objectives in a crisis period can coexist, reinforcing each other (see Section 4.2). By combining ad hoc crisis instruments with an anticyclical role alongside more strategically oriented, long-term measures, the ERDF has offered a good mix of interventions capable of addressing both immediate and structural needs for SMEs. This combination supports resilience-building without losing sight of sustainable growth and structural transformation goals.

In practice, however, the distinction between interventions aimed at business investments and those providing general liquidity support during the COVID-19 pandemic was less clear-cut than expected. The evaluation reveals that approximately one-fourth of the funds allocated for liquidity support to SMEs in 2020 were also, at least partially, used for initiating investments. For example, some companies in the hospitality sector used these funds for renovation projects and to implement new digital software for order and client management, taking advantage of the temporary business closures during

lockdowns to make these improvements. Similarly, other companies invested in new digital solutions, like e-commerce platforms, as a way to cope with the restrictions on physical operations. These findings suggest that general access to finance instruments not only contributed to SME resilience, but might also, in some cases, supported structural change objectives.

Even amid the crisis, some SMEs strategically utilised the additional liquidity not only to address immediate survival needs but also to strengthen their position for long-term resilience and competitiveness. By directing part of the support toward investments, these SMEs effectively leveraged crisis funds to lay a foundation for future growth, integrating short-term relief with forward-looking improvements. The REACT-EU programme (Recovery Assistance for Cohesion and the Territories of Europe) further illustrates the value of integrating recovery efforts with long-term structural goals. Launched as an emergency response to COVID-19, REACT-EU has effectively revitalised investment activities, particularly aligning with the goals of the digital and green transition, thus paving the way to the 2021-2027 strategic priorities.[86] This demonstrates that even crisis recovery support can align with structural change when there is an overarching long-term strategy in place. This orientation channels all efforts towards specific goals, amplifying the overall effectiveness and ensuring a more targeted approach to recovery and resilience-building initiatives.

However, this broad flexibility in fund usage may have resulted in some inefficiencies, as it allowed funds to be allocated across a wide range of expenses without a clear targeting strategy. This lack of specificity blurred the line between short-term survival and longer-term competitiveness goals, potentially causing overlaps and displacement effects among policy instruments intended for different purposes. The key lesson is the importance of defining clear theories of change for crisis relief measures as well, ensuring that funds are directed with specific, measurable objectives in mind. A well-defined targeting approach can help balance immediate support with strategic, longer-term outcomes, optimising the impact of resources on resilience and sustainable growth.

Lesson 6. The evaluation highlights the crucial need for more microdata on beneficiary SMEs to design better policies

The evaluation underscores the necessity of detailed microdata on direct and indirect beneficiary SMEs to design and implement more effective policies. Knowing the identity of supported companies, including those receiving intermediated support through financial institutions or other intermediary bodies, is crucial for understanding the impact of different forms of support and for ensuring accountability and transparency. The Work Package 2 – Preparatory Study for the ex-post evaluations of the 2014-2020 period has collected and harmonised the beneficiary data available in the regional and national information systems and revealed the lack of complete data across nearly all Member States. There are especially significant limitations in the microdata on SMEs that benefit from financial instruments. Financial institutions often act as intermediaries, making it difficult to trace the ultimate beneficiaries due to confidentiality issues and the complexity of financial transactions (see more details on data limitations in Section 1.3.2 and Box 7 in Section 79).

The econometric analyses implemented in the context of this evaluation have shown the usefulness of having good beneficiary data to assess the impact of support measures (see Annex V and the policy instrument case studies). These analyses revealed that better quality data on beneficiaries allows for a more precise measurement of outcomes such as increased turnover, employment growth, and improved profitability among

[86] See data here https://cohesiondata.ec.europa.eu/stories/s/REACT-EU-Fostering-crisis-repair-and-resilience/26d9-dqzy/.

supported SMEs. This, in turn, helps in understanding the firm, project, or context-related variables that are correlated with better post-project performance, thereby refining the design of future support programmes to ensure they are more effective in achieving their intended goals.

To improve the tracking and evaluation of SMEs benefiting from support programmes, a practical solution would be to record unique identification codes, such as VAT identifiers. Using VAT IDs, which all businesses already have, can enhance consistency in data collection. This would facilitate the integration and comparison of data from various sources, leading to more comprehensive and reliable datasets. This approach avoids adding additional layers of bureaucracy, making it an efficient and effective method for improving data tracking and evaluation.

Moreover, it is important to ensure the tracking and recording not only of direct beneficiaries of EU support but also of the end beneficiaries of financial instruments, training, advisory support, and any other instruments delivered by intermediary organisations, as well as unsuccessful applicants. Not only must the number of these applicants and end beneficiaries be recorded, but their identification should also be possible. This is essential to facilitate the tracking of fund flows to their ultimate beneficiaries and to enhance accountability. Data on unsuccessful applicants are especially useful for conducting more counterfactual impact evaluations, which allow for the assessment of impacts causally attributed to the intervention, offering more robust evidence of effectiveness.

Advancements in digital technology can significantly enhance the collection and management of microdata. Implementing robust digital systems for data collection can facilitate real-time tracking of SME beneficiaries. These systems can ensure that data on financial transactions, support measures, and SME outcomes are captured accurately and efficiently. For instance, developing an integrated digital platform where SMEs register and report their use of funds can provide valuable insights. This platform can be designed to ensure data privacy while allowing policymakers to access aggregated data for analysis.

Lesson 7. There is a case for fostering a culture of adaptive policy design

The evaluation indicates that a successful approach in policy design often builds on accumulated experience while leaving room for incremental adjustments and refinements. Several examples of policy instruments analysed show that the continuation of already established interventions helps build on years of knowledge and learning, offering stability and continuity in programme design. Coupling this with a trial-and-error approach allows for innovation and adaptation, enabling Managing Authorities to explore new ideas and refine existing practices based on real-world feedback (see more in Section 4.4).

The long-term programming of Cohesion Policy is an undeniable asset for achieving effective support for SMEs (as discussed in Section 5.4 on EU added value). By leveraging past successes and encouraging innovative adjustments, Managing Authorities can address evolving challenges and meet the dynamic needs of SMEs. To achieve this, it is essential to systematically collect feedback from beneficiaries and stakeholders, monitor and evaluate the effectiveness of different interventions, and use these insights to refine strategies and improve policy design and future programming. This approach ensures that policies remain relevant and impactful in a constantly changing economic landscape.

Adaptation and innovation can be beneficial for both leading SMEs and less capable ones. A more experimental policy design that integrates flexibility, iterative testing and real-time adjustments could support leading SMEs by fostering an environment that actively encourages risk-taking. For instance, by allocating resources for pilot instruments or flexible

funding mechanisms, policy design can create conditions to enable SMEs to undertake more ambitious projects, explore new technologies, refine their business models, driving significant growth and fostering a culture of continuous improvement and adaptability. For less capable SMEs, an adaptive approach can be a vital tool for testing and discovering more effective forms of support, such as targeted training programmes, mentorship initiatives, or customised financial aid packages.

Proper incentives must be in place to stimulate experimentation and adaptive policy design. It has been shown that the Cohesion Policy programmes in principle provide flexibility in funding allocation to allow for adjustments based on evolving needs and priorities (see Section 4.4). While incremental adjustments are valuable, there is also scope for more systematic testing of new instruments, moving beyond incremental improvements to foster a broader culture of innovation. To this end, proper incentives must be in place to empower Managing Authorities with this flexibility and prevent concerns related to fund absorption and achievement of target indicators from impeding more innovative policy design. The flexibility granted by the European Commission when the COVID-19 pandemic hit the economy enabled all Managing Authorities to react quickly and introduce new instruments (or adjust existing ones) to support SMEs. Allocating a portion of funding specifically for pilot projects or experimental initiatives aimed at addressing emerging challenges or testing new solutions could further encourage policy adaptability.

Knowledge sharing and the exchange of best practices among Managing Authorities and stakeholders across different regions and countries is crucial for enhancing institutional learning and capacity. By sharing lessons learned from successful experiments and policy adjustments and promoting the adoption of innovative approaches in various contexts, institutions can refine their strategies, leading to more effective and efficient programme implementation. Examples of good practices can come from all contexts. While the literature highlights regional differences in the quality of government institutions across the EU and that lower levels of quality are consistently found in less developed regions, as measured by the European Quality of Government Index,[83] this evaluation did not find consistent and clear-cut regional patterns affecting the effectiveness of policy instruments. For instance, there are examples of policy instruments implemented in more developed regions that experienced greater problems in design and implementation than the same policy instruments implemented in less developed areas.

ANNEXES

Annex I. Evaluation questions

EFFECTIVENESS	Answers provided in
EQ 1. What have been the intended and potentially unintended effects of different policy interventions and their combination? ❖ EQ 1.1. What did the instruments supported intend to achieve? ❖ EQ 1.2. To what extent the way how ERDF instruments were combined with each other intended to reinforce the achievement of the intended objectives? EQ 1.3. Did the instruments supported achieved any unintended effect?	Section 0, 4.5 and 4.7
EQ 2. To what extent have the objectives been achieved?	
EQ 3. To what extent was the ERDF support delivered as planned? What were the main bottlenecks which may have reduced its overall effectiveness?	Section 0
EQ 16. To what extent did the interventions result in innovation and technological upgrade in the supported SMEs? (e.g.: innovative structures/goods/processes, behavioural change, investment in tangible vs intangible assets, etc.)	Section 4.1 and 0
EQ 17. To what extent did the interventions focus on the internationalisation of SMEs and result in improving their access to global markets and international value chains?	
EFFICIENCY	**Answers provided in**
EQ4: What are the underlying factors and drivers which influence the implementation of the ERDF support? ❖ EQ4.1. What are the contextual factors and drivers which influence the implementation of the ERDF support? ❖ EQ4.2. What are the programme-specific factors and drivers which influence the implementation of the ERDF support?	Section 5.5
EQ5: Which inefficiencies and obstacles have been identified and how were they addressed? ❖ EQ5.1. Which enforcement costs were borne as part of the implementation of the policy instruments? ❖ EQ5.2. How were inefficiencies and obstacles addressed?	
EQ6: What were the results of SME support through financial instruments as compared to grants? ❖ EQ 6.1. How do the benefits generated by the different policy instruments compare with their costs? ❖ EQ 6.2. What were the results of SMEs support through financial instruments as compared to grants?	Section 4.6 and 5.5
EQ7: Under which circumstances did policy instruments work best in addressing the needs of the target groups?	
COHERENCE	**Answers provided in**

EQ 8. How did the ERDF funding fit into the national policy mix (type of support institutions, forms of support, type and size of support companies) of EU Member States?	Section 4.7 and 5.3
EQ 9. To what extent was ERDF support coherent with other EU interventions having similar objectives? (overlaps, complementarities)	
RELEVANCE	**Answers provided in**
EQ 10. How relevant were the investments made under the ERDF to achieve the investment in growth and jobs objective? ❖ EQ 10.1. What was the underlying rationale of ERDF support to SMEs and how did it compare to the needs of SMEs at the start of the programming period? ❖ EQ 10.2. To what extent the scope and volume of ERDF investment were adequate to achieve the growth and employment objectives?	Section 4.3 and 5.1
EQ 11. How did the COVID crisis impact on the relevance and range of ERDF support? ❖ EQ 11.1. What was the influence of the COVID crisis on the mix of policy instruments mobilised? ❖ EQ 11.2. Did the ERDF instruments match, or respond to the challenges posed by the COVID crisis?	Section 5.1
EQ 12. To what extent were the investments made under the ERDF in line with the national/regional smart specialisation strategies? ❖ EQ 12.1. How was ERDF investment targeted in respect of sectors and types of beneficiaries? ❖ EQ12.2. What is the degree of alignment of targeted and selected beneficiaries with the S3 priority areas?	Section 4.3 and 5.1
EQ 15. To what extent were the instruments and delivery mechanisms relevant and adequate to achieve the intended objectives of the programmes?	Section 4.4 and 5.1
EU ADDED VALUE	**Answers provided in**
EQ 13. To what extent would the objectives of the policy have been pursued in the absence of ERDF support? ❖ EQ 13.1. What are the distinguishing factors between the ERDF support and other national initiatives to support SMEs (if existing)? ❖ EQ 13.2. To what extent the observed outputs, results and impacts could have been achieved without the ERDF support?	Section 5.4
EQ 14. To what extent did the ERDF support contribute to reducing the disparities between the levels of development of the various regions?	
EQ 18. What was the influence of extending ERDF support to the use of working capital & support to undertakings in difficulty (new instrument & scope)? ❖ EQ 18.1. What was the underlying rationale of extending the ERDF support to the use of working capital and to support undertakings in difficulty? ❖ EQ18.2. What were the implications of extending ERDF support to the use of working capital & support to undertakings in difficulty (new instrument & scope) on operations and results?	Section 4.2 and 5.4

Annex II. Methodological overview: limitations and mitigation measures

Table 15 – Methodological challenges and mitigation measures in the application of the various data collection and analysis tools

Methodological tool	Application	Degree of reliability	Possible limitations	Mitigation measures
To reconstruct the Theory of Change				
Review of programming documents	To gain a comprehensive understanding of programme rationales and the variety of policy instruments utilised in different contexts.	**High**: Socuments are official and provide a structured overview of the programme's goals and expected outcomes.	Official documents may not sufficently inform on actually implemented or recent practices.	Information collected from programming documents was verified with interviews with programme managers and data collected and analysed through descriptive statistical analyses.
Semi-structured interviews with programmes' designers and managers	To explore more extensively the rationale behind the policy intervention as well as its intended effects.	**Medium**: The reliability of the data gathered may vary depending on the interviewee, influenced by factors such as their previous experience, expertise, and interest. Due to the semi-structured nature of the interviews, it was not feasible to synthesise all the information collected according to pre-defined variables.	1. The interviewees may be biased, i.e., they may have the tendency to provide information that reflects positively on their actions or decisions. 2. Interviews may not capture the full range of stakeholders' perspectives or experiences, particularly if certain stakeholders are not included in the interview process.	1. During interviews, the interviewees were challenged using information/data collected from previous desk research, particularly on contentious points (e.g., in case their position is not fully convincing or somehow conflicted with available evidence). 2. In the majority of cases, interviews included multiple interviewees or multiple interviews were conducted with different stakeholders in some specific contexts.
Review of existing literature	To collect information on the needs and rationale behind public support for SME competitiveness.	**Medium – high**: The reliability depends on the sources reviewed (whether peer-reviewed and academically rigorous sources or not).	The collected literature may not cover local or recent developments relevant to SMEs' specific contexts or may not be based on rigorous research methods.	The literature review was conducted as comprehensively as possible, with a preference for peer-reviewed and academic sources, more recent sources, papers and articles

Methodological tool	Application	Degree of reliability	Possible limitations	Mitigation measures
				applying counterfactual or other econometric methods, whenever available.
To test the Theory of Change				
Counterfactual impact evaluations	To assess the causal impact of an intervention, including the heterogeneity of effects across different beneficiary SMEs.	**Very high**: This method can provide strong causal inference.	These analyses, as they require rich data on both beneficiary SMEs and a control group of non-beneficiary SMEs, required to access firm-level administrative databases. The evaluation may be constrained by the limited time available for conducting the assessment, potentially limiting the depth and scope of the analysis.	Under each policy instrument case study, the feasibility of a counterfactual impact evaluation was assessed, and the possibility of accessing additional firm-level data was explored by the Team (e.g., using Orbis data) and/or with Managing Authorities during interviews: whenever data were available and sufficient, these analyses were conducted.
Econometric multivariate analysis	To detect the factors, either related to the beneficiary SMEs or the instrument or the context, associated with better results.	**Medium – high**: if the model specifications are correctly chosen to reflect the complexities of the relationships between variables, this analysis can test the existing relationships between different variables.	These analyses are dependent on the quality and granularity of data. Data on the full list of beneficiary SMEs was not available in the WP2 database. Additionally, further data at the beneficiary level had to be gathered from other sources (i.e., Orbis) to evaluate the effectiveness of the instruments. The unavailability of pertinent data resulted in the exclusion of some SMEs from the sample used for the econometric analyses. For a more comprehensive understanding of the challenges associated with this method, please refer to Annex V.	An analysis comparing the country representation in the sample of SME beneficiaries included in the WP2 database and the sample considered for the econometric analyses has been conducted (refer to Annex V for more details). Differences between the two samples were considered when interpreting the results. The findings of the econometric analyses were validated through triangulation with other qualitative evidence gathered during the evaluation.

Methodological tool	Application	Degree of reliability	Possible limitations	Mitigation measures
Descriptive statistical analysis	• To describe how expenditure was allocated and spent. • To assess the ability of interventions to achieve specific outputs. • To assess the systemic effects of an intervention by looking at regional macro-level data.	**High**: when descriptive statistics were used to describe and summarise data. **Low**: When the purpose was to draw evidence to assess effectiveness.	1. Descriptive statistical analyses were generally based on data included in the WP2 database, whose cut-off date is the end of 2020. As a result, these analyses could only offer a partial depiction of the evidence. 2. Additional descriptive statistical analyses were conducted on context indicators at regional/national level related to the SME competitiveness; while the analysis of these data was useful for detecting some potential changes in SME competitiveness performance at the regional/national level, it was not sufficient to assess the contribution of the ERDF to such changes.	1. More updated data on beneficiary SMEs were requested to the Managing Authority during interviews. 2. The results of descriptive statistical analyses were complemented by additional evidence coming from other sources, such as interviews or previous studies and evaluations.
Semi-structured interviews	• With programmes' managers: to gather factual evidence and opinions on the mechanisms activated by the policy in action. • With beneficiary SMEs: to collect evidence on the results achieved by policy instruments.	**Medium**: The reliability may depend on the interviewee.	1. The interviewees may be biased, i.e., they may have the tendency to provide information that reflects positively on their actions or decisions, or have an opportunistic behaviours due to social desirability biases. 2. Interviews may not capture the full range of stakeholders' perspectives or beneficiaries' experiences. 3. The evaluation's focus on a large number of policy instruments in parallel within a very short timeframe (approximately 3 months including the summer holiday period) limited the possibility to arrange more than 20 interviews	1. During interviews, the interviewees were challenged using information/data collected from previous desk research, particularly on contentious points (e.g., in case their position is not fully convincing or somehow conflicted with available evidence). 2. Multiple interviews with different beneficiaries were conducted, aiming to gather a diverse range of perspectives. Efforts were also made to verify the representativeness of various types of beneficiaries to the greatest extent possible. Additionally, in some instances, previous studies and surveys involving unsuccessful

Methodological tool	Application	Degree of reliability	Possible limitations	Mitigation measures
			for the same region/country's policy measure.	applicants were available. These were analysed to incorporate the perspective of non-beneficiary SMEs as well.
Existing Member State evaluations	To collect previous research and evaluations assessing the effectiveness of SME support instruments in diverse contexts.	**Medium**: Independent research, whose reliability may depend on the methodology and rigor of methods applied.	There can be variability in the quality of evaluations across different Member States, depending on the methodologies applied, as well as in the depth of the evaluations. The evaluations were sometimes only ex-ante or interim evaluations and/or focused on specific instruments or on overly broad policy objectives.	The results of these evaluations were used as one component of the evidence to triangulate findings or gather more information on the context and programme specificities.
Review of programme implementation reports	To collect data on expected and achieved outputs, such as percentage of resources allocated and spent, number of SMEs reached, etc.	**Medium – High**: When the purpose was to collect data on achieved outputs. **Low**: When the purpose was to draw evidence to assess effectiveness.	These reports typically provide more detailed information on the implementation process rather than on the results actually achieved by interventions.	The information collected was primarily used to analyse implementation challenges that might limit the effectiveness of interventions, rather than to assess their overall effectiveness.
Stakeholders seminar	To generalise the evaluation's results and findings.	**Low – medium**: The reliability depends on the sample of participants and their contribution.	While valuable for gathering diverse perspectives, the reliability of the conclusions drawn from the discussion can be influenced by group dynamics and the representativeness of those participating.	- The Team aimed to ensure a well-balanced and representative group of participants, particularly with regard to geographical diversity. - Skilled moderators animated the discussion, adeptly engaging participants, ensuring their active involvement, and guided the discussion with the objective of gathering evidence to corroborate preliminary findings.

Source: CSIL & Prognos.

Annex III. Methodology to develop the taxonomy of policy instruments

The ERDF policy instruments supporting SME competitiveness in the 2014-2020 were identified with a combination of a top-down and bottom-up approach. On the one hand, the exercise has been guided by the findings of the literature review performed under Task 2, which informed on the types of policy instruments that can be mobilised to promote SME competitiveness, their rationale, expected types of direct and end beneficiaries and mechanisms of effectiveness. On the other hand, it has built on the in-depth scrutiny of the ERDF expenditure data at the level of operations and beneficiaries during the 2014-2020 programming period. The specific activities performed to identify the policy instruments are listed here.

1. **Initial literature review** (Task 2) to identify a general model/theory of SME competitiveness and guide the identification of the policy instruments deployed to support SMEs.

2. **Extraction of the full list of operations, related beneficiaries and monitoring indicators** corresponding to at least one of the 9 FoIs in the scope of this evaluation, from the Single Database developed by Work Package 2 – Preparatory Study. No other selection criteria have been set, e.g., in terms of Thematic Objective. This extraction produced a database of 265,289 operations, concentrating an allocation of EUR 70.1 billion of total eligible expenditure, 90% of which was classified under the objective of SME competitiveness (Thematic Objective 3). The remainder was distributed under Thematic Objectives, such as research and innovation (Thematic Objective 1), Information and Communication Technologies (Thematic Objective 2), low-carbon economy (Thematic Objective 4), environment protection (Thematic Objective 6), employment (Thematic Objective 8),social inclusion (Thematic Objective 9), efficient public administration (Thematic Objective 11) and technical assistance (Thematic Objective 12). This database covers all MS (except for Luxembourg) + UK, for a total of 203 programmes (175 national and regional programmes and 28 programmes for territorial cooperation).[87] Two additional regional programmes (West Wales and The Valleys programme and East Wales programme) which were not included in the WP2 Single Database were also considered for the mapping exercise using the data on the public list of operations made available on the Managing Authority website.[88] Therefore, in total, the database initially considered included 177 national and regional programmes and 28 programmes for territorial cooperation for a total of 265,321 operations and EUR 70.7 billion of allocated expenditure as of the end of 2020.

3. **First-level review of the extracted database of ERDF operations and their attribution to a list of coherent policy instruments**. This initial clustering exercise was carried out in a semi-automated way on the entire database. The process involved searching for relevant keywords across various dimensions (depending on the availability of the information across programmes), such as the Specific Objective, programme measure/action, title of the call for proposals, Thematic Objective, and FoI, to name a few. In cases where these variables were not informative enough, the operation title and description were also considered. As the

[87] The categorisation data available on the Cohesion Data Platform shows that, as of the end of 2023, a total of 228 programmes (i.e., 182 national and regional programmes and 46 programmes for territorial cooperation) have supported SME competitiveness.

[88] See https://gov.wales/eu-structural-funds-programme-2014-2020-approved-projects

operations data of more programmes and Member States were reviewed, the policy instrument taxonomy was refined through an iterative approach, ensuring consistency in how policy instruments were defined across different contexts. If a new policy instrument was identified, it was added to the taxonomy and factored in when classifying the remaining operations.

4. **Second-level review, by conducting a more manual classification of operations**. It was made to fine-tune the classification of policy instruments. The preliminary clustering of the entire database of operations was reconsidered also in the light of a more complete reading of the title and description of operations (when available), the type of beneficiaries, and the monitoring indicators attached to operations.

5. **Extensive literature review of policy instruments** (Task 2) to better characterise each policy instrument in terms of their ToC. This richer review was conducted in parallel to the second-level review and contributed to the fine-tuning of the taxonomy of policy instruments, their definition and, hence their attribution to particular operations.

6. **Check and validation by the country experts** of the clustering of operations into policy instruments, building on their direct knowledge of the programme and rationale of ERDF support. This check was carried out while reviewing the programming documents for the purpose of the review carried out under Task 1 on a sample of 70 programme.

7. **Check the coherence between the typologies of policy instruments identified under other Work Packages.** This step was aimed at identifying potential overlaps and defining clear boundaries between the policy instruments funded during the 2014-2020 programming period under different policy objectives (and, therefore under other Work Packages). This check has been conducted with the team working on Work Packages that include operations supporting SMEs with the aim to foster Research, Technological Development and Innovation (Work Package 4 - RTDI), the uptake of Information and Communication technologies (Work Package 5 – ICT), and the protection of the environment (Work Package 7 – Climate and environment) considering the higher risk for overlaps.[89] However, additional checks were also

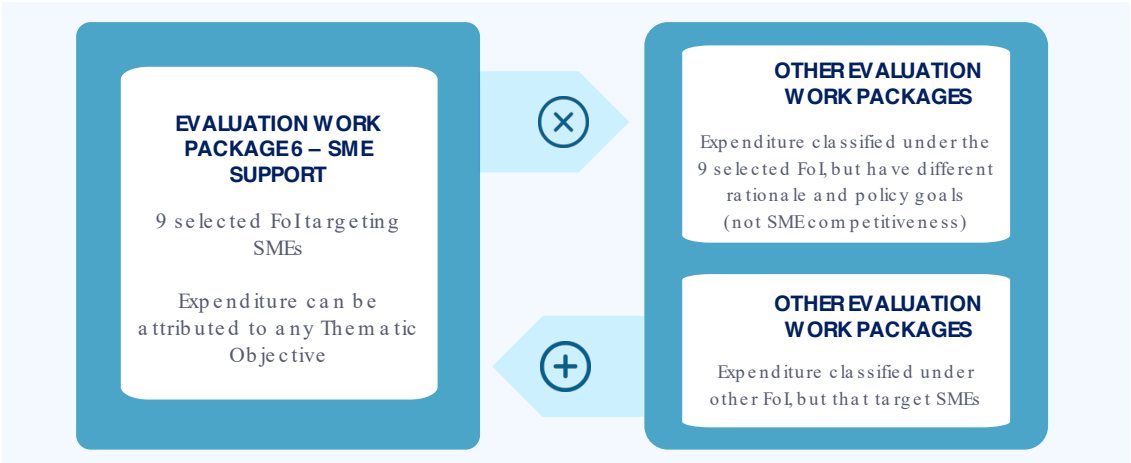
[89] In relation to WP4 – RTDI, potential overlaps were mainly identified with the policy instruments 2.1. Support to production expansion, productivity and modernisation and with the policy instruments 1.3. Support to company creation. SME competitiveness and research and innovation objectives may be strongly interrelated, especially when supporting start-ups. To distinguish between operations aimed at pure SME competitiveness and those targeting RTDI in SMEs, the following approach was adopted. If the investment was geared towards supporting research and development activities within SMEs, including within new innovative start-ups, it was classified under WP4 – RTDI. Conversely, investments aimed at supporting the commercialisation of innovation or acquiring specific equipment and machinery not directly linked to research and innovation activities were categorised under WP6 – SME, even when implemented by innovative SMEs and start-ups.

In relation to WP5 – ICT, potential overlaps were identified with the policy instruments 2.1. Support to production expansion, productivity and modernisation and, to some extent, 3.1. Support to export and entry into new markets under WP6 and the policy instrument 2 - Digital services and applications for businesses under WP5. While the digital component may be present in all the aforementioned policy instruments, the ultimate purpose of the investment was used to distinguish between them. If the investment aimed to improve the ICT uptake of enterprises, it was classified under WP5 - ICT. Conversely, if the investment aimed to support SME growth and internationalisation, it was classified under WP6 - SME, even if it included the acquisition of digital components or e-commerce investments.

Regarding WP7 – Climate and Environment, potential overlaps were identified between the instrument supporting 4. Tourism and CCI promotion under WP6 and the policy instruments related to Energy efficiency in enterprises and to Culture under WP7. Support to SMEs in the tourism and CCI sector may involve renovation investments (including energy efficiency). As for the case of RTDI and ICT investments, such operations were retained under WP6 if their primary aim was to support SMEs in the tourism sector and promote the improvement of the touristic offer to increase the tourists' inflow, rather than energy efficiency investments to achieve specific environmental objectives. Moreover, boundaries were established with regard to the Culture policy instruments under WP7. The broad distinction made in this field between the two WPs was the following: the investment aims to preserve and conserve cultural sites or institutions or had an urban renewal component aimed at promoting quality of life for citizens and visitors, it is classified under WP7. If the investment aimed to increase the inflow of tourists in a specific territory and ultimately have economic benefits for local SMEs, it was classified under WP6.

carried out with the team of other Work Packages in the following phases of the evaluation, such as Work Package 8 – Transport, Work Package 9 – Employment, Edication and social cohesion and Work Package 12 – Crisis response. In fact, although ERDF funding for SME competitiveness was generally classified under the 9 FoIs in the scope of the evaluation, interventions for SME competitiveness were also be found under other FoIs that were not included in the scope of this evaluation. At the same time, it was found that not all operations classified under any of the 9 FoIs are relevant for SME competitiveness, as they can instead be geared towards different primary objectives.

Figure 27: Defining the scope of the evaluation



Source: CSIL & Prognos.

As a result of the last activity described above, **the expenditure considered to classify policy instruments does not solely pertain to the expenditure falling under the 9 Fields of Intervention (FoI) in scope, nor does it encompass all of it entirely**, as shown in the table below. On the one hand, it considers some expenditure that, albeit not classified under any of the FoI in scope, relates to SME competitiveness. They cover a total of EUR 1.9 billion, thus accounting for 2.8% of the total expenditure classified. On the other hand, the expenditure analysed excludes operations classified under the 9 FoI in scope if they are related to policy objectives other than SME competitiveness. These operations account for a total allocated expenditure of EUR 2.7 billion.

Table 16 – Identified expenditure in scope and not in scope

	Total expenditure allocation at 2020 (MEUR)	Share of total expenditure allocation at 2020 (% over total)	Number of operations
Total expenditure allocated to the SME competitiveness policy instruments, of which:	**69,917**	**96.2%**	**268,919**
Classified under any of the 9 FoI in scope	67,951	97.2%	260,867
Classified under other FoI but related in fact to SME competitiveness	1,966	2.8%	8,052
Total expenditure classified under the 9 FoI in scope, but not related to SME competitiveness. They refer to:	**2,769**	**3.8%**	**4,454**
Research and Innovation (WP4)	1,659	59.9%	3,567
Climate and Environment (WP7)	723	26.1%	570
ICT (WP5)	354	12.8%	219
Employment, education and social cohesion (WP9)	17	0.6%	86
Transport (WP8)	13	0.5%	6
Crisis response (WP12)	2	0.1%	2
Others - technical assistance	1	0.0%	4

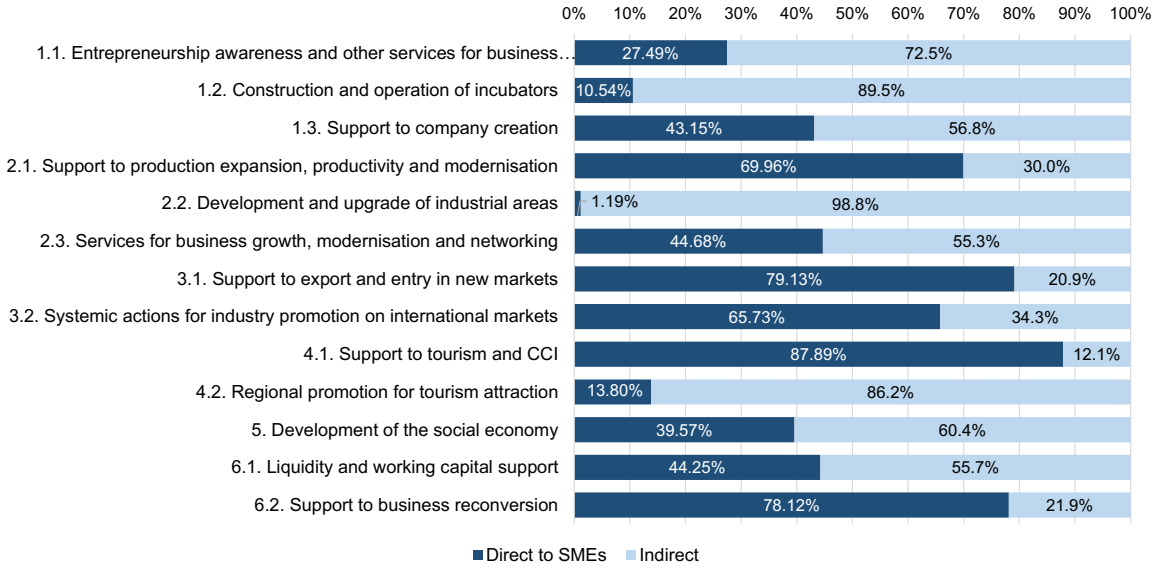
Source: CSIL & Prognos, based on WP2 expenditure data (last update: end of 2020)

Annex IV. Analysis of ERDF expenditure across the policy instruments

This Annex presents some additional key features of the policy instruments deployed to support SME competitiveness. It is mainly based on the analysis of the database of expenditure at operation and beneficiary level up to the end of 2020 assembled under Work Package 2 – Preparatory Study. However, it also builds on the EC Categorisation Data updated as of the end of 2023 to provide some additional statistics on the forms of finance.

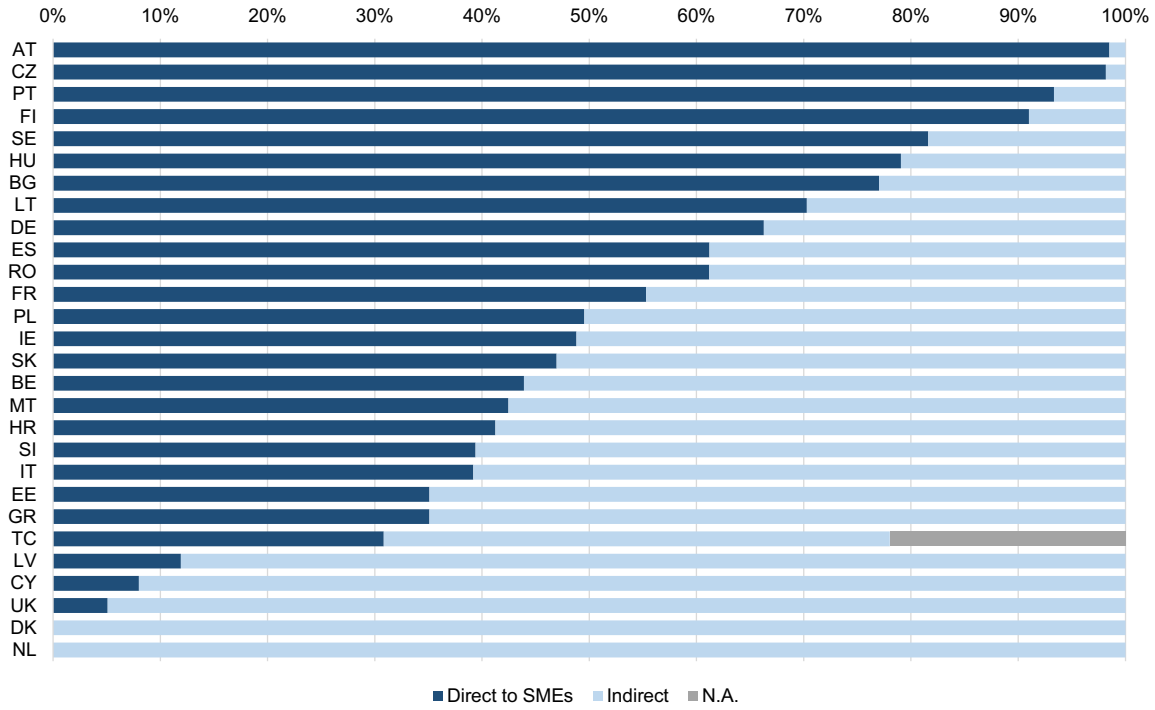
With regards to the **delivery mechanisms,** the following figures shows their distribution across different types of policy instruments as well as across the different Member States.

Figure 28: Distribution of total expenditure by mode of delivery (direct to SMEs or indirect) and policy instrument



Source: CSIL & Prognos, based on WP2 expenditure data (last update: end of 2020).

Figure 29: Distribution of total expenditure by mode of delivery (direct to SMEs or indirect) and Member State



Note: TC stands for Territorial Cooperation programmes (Interreg) and includes all CPs.
Source: CSIL & Prognos, based on WP2 expenditure data (last update: end of 2020).

The following table shows the distribution of expenditure and operations, including by type of policy instruments, according to the **typology of beneficiaries** that has been created to cluster the direct beneficiaries targeted by all operations funded to support SME competitiveness.

Table 17 – Total expenditure allocated by type of direct beneficiaries

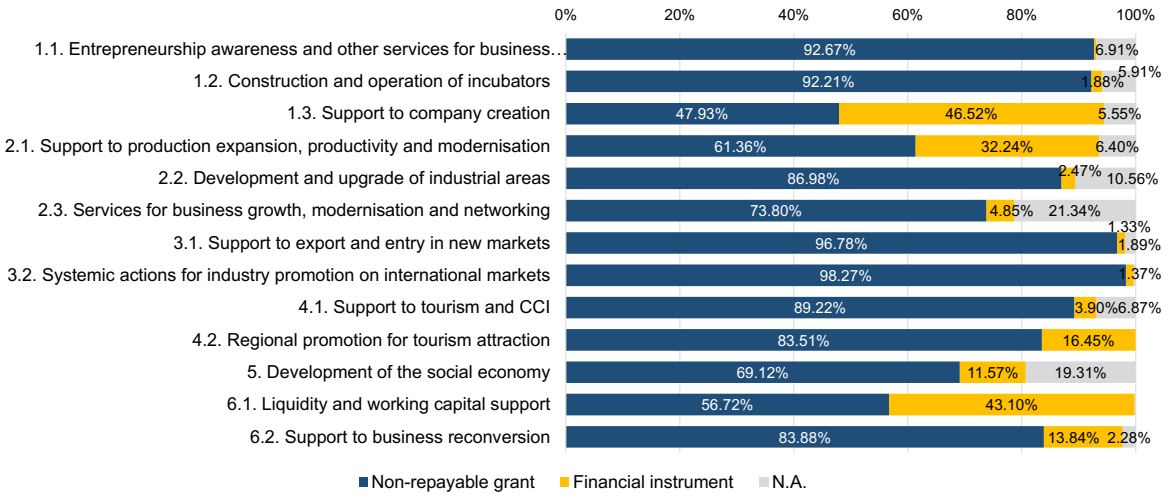
Type of beneficiaries	Total expenditure allocation at 2020 (MEUR)	Share of total expenditure allocation at 2020 (% over total)	Number of operations	Share of operations (% over total)
SMEs	40,388	57.76%	256,294	95.31%
Financial institutions	17,044	24.38%	347	0.13%
Public administrations	5,814	8.32%	5,017	1.87%
Other business support organisations	1,927	2.76%	1,450	0.54%
Mix of beneficiaries	1,867	2.67%	1,557	0.58%
Public agencies	540	0.77%	167	0.06%
Industrial park operators	285	0.41%	184	0.07%
Chambers of commerce	279	0.40%	2,113	0.79%
Incubators	263	0.38%	154	0.06%
Other intermediary organisations (not specified)	240	0.34%	94	0.03%

Type of beneficiaries	Total expenditure allocation at 2020 (MEUR)	Share of total expenditure allocation at 2020 (% over total)	Number of operations	Share of operations (% over total)
Partnership of business support organisations and other intermediaries	130	0.19%	81	0.03%
Cluster organisations	79	0.11%	179	0.07%
Partnership of SMEs	39	0.06%	375	0.14%
Civil society organisations	30	0.04%	39	0.01%
Science and Technology Parks	13	0.02%	19	0.01%
Higher education institutions	5	0.01%	8	0.00%
Others	25	0.04%	125	0.05%
Total	**68,243**	**100%**	**262,889**	**100%**

Source: CSIL & Prognos, based on WP2 expenditure data (last update: end of 2020).

The following figure presents the main **forms of finance** used across different types of policy instruments.

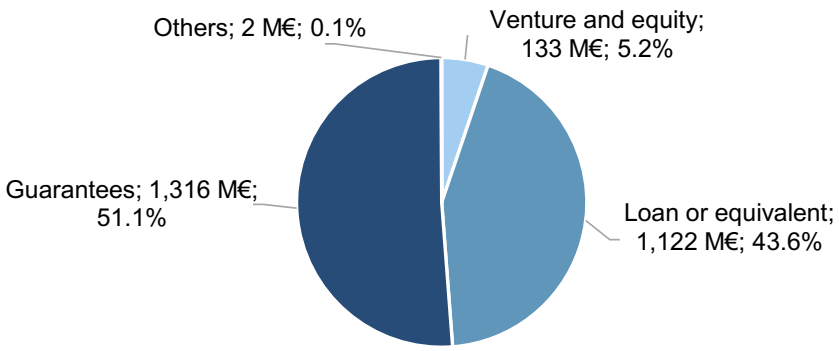
Figure 30: Distribution of total expenditure by form of finance and policy instrument



Source: CSIL & Prognos, based on WP2 expenditure data (last update: end of 2020).

The main types of financial instruments used as of the end of 2023 under the Thematic Objective related to SME competitiveness (Thematic Objective 3) are instead presented in the figure below.

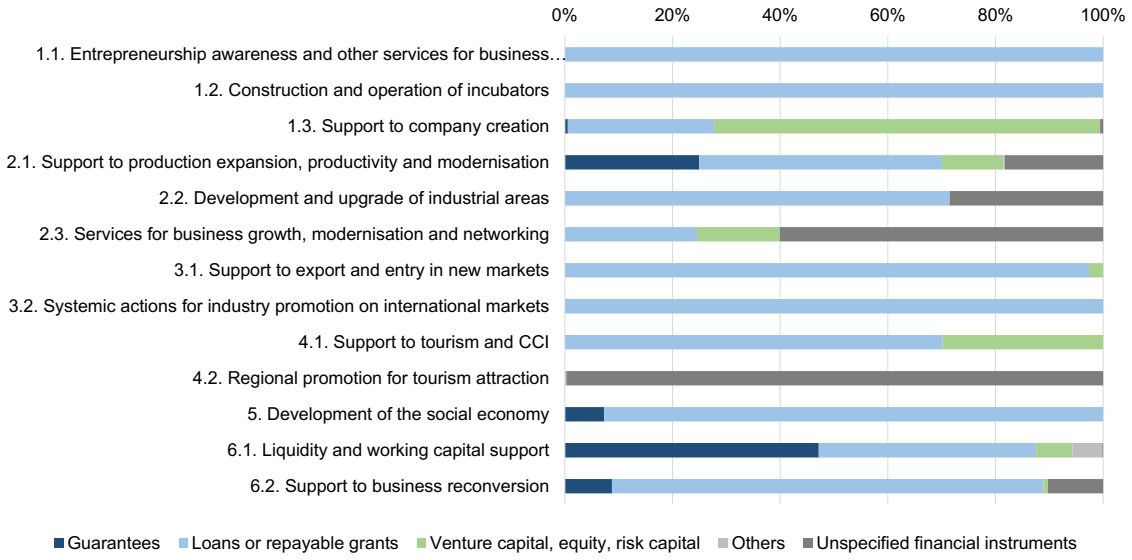
Figure 31: Distribution of planned expenditure for financial instruments by policy instrument



Note: the figure includes information on the forms of finance used under the SME competitiveness objective (Thematic Objective 3) and considering the variable "Planned Total Amount (Notional)" for the year 2023.
Source: CSIL & Prognos, based on EC categorisation data (last update: end of 2023).

Instead, the following figure zooms into the **types of financial instruments** used across the different policy instruments as of the end of 2020.

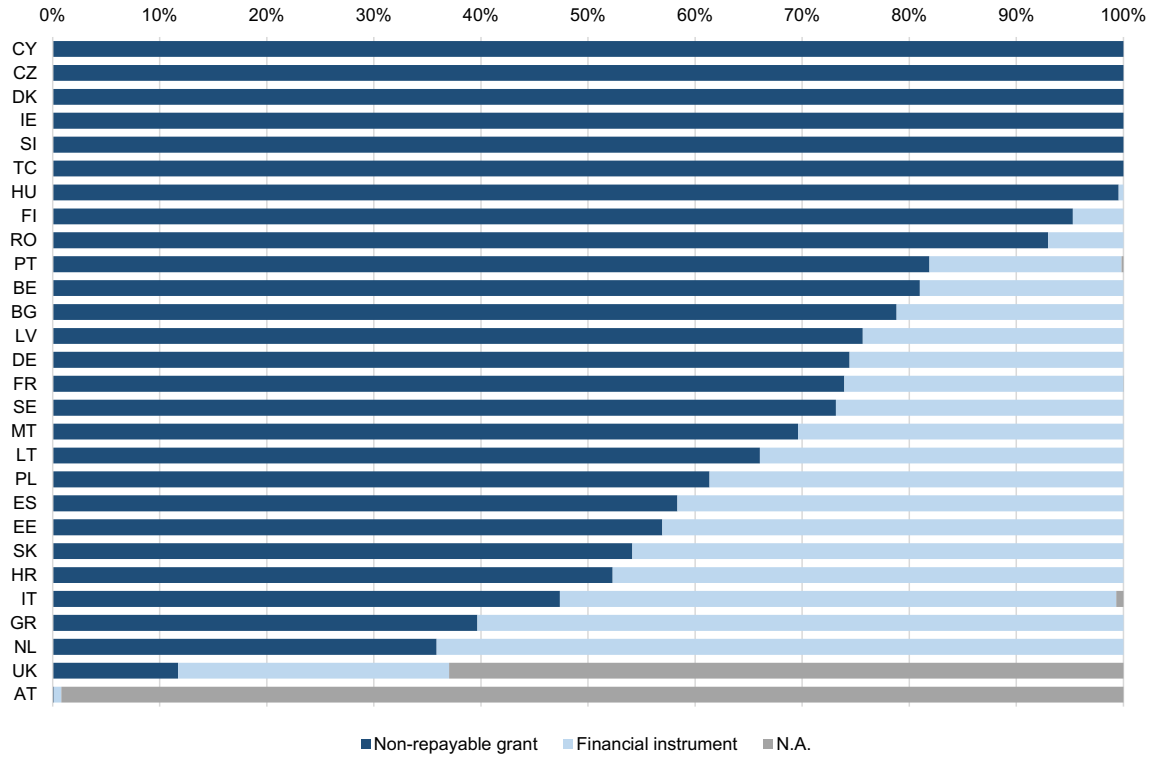
Figure 32: Distribution of total expenditure for financial instruments by policy instrument



Source: CSIL & Prognos, based on WP2 expenditure data (last update: end of 2020).

The figure presented below depicts the use of financial instruments in various Member States.

Figure 33: Distribution total expenditure by form of finance and Member State



Note: TC stands for Territorial Cooperation programmes (Interreg) and includes all CPs.
Source: CSIL & Prognos, based on WP2 expenditure data (last update: end of 2020).

Annex V. Additional analysis of beneficiary data

Annex V.1 The sample

This Annex presents a thorough examination of the sample of beneficiary data. Its primary focus is to elucidate the beneficiary sample's features and underscore the challenges associated with the analysis process.

The database created under the Preparatory Study Work Package 2 (WP2) has been the fundamental source of beneficiary data. Nonetheless, it provides only a partial view of the beneficiaries due to significant limitations: data is updated until 2020, meaning any SMEs supported after this date are not captured. Moreover, the database contains incomplete information on financial instrument recipients and the ultimate recipients of the other intermediated instruments. Finally, since a massive number of SMEs are anonymised, it has not been possible to retrieve the additional financial information needed to analyse their performance. The initial WP2 database comprises 679,669 SMEs (617,696 when considering unique beneficiaries) underwent thorough cleaning and were then matched with the ORBIS database to collect financial information. In preparation for the matching process, we conducted thorough cleaning of the beneficiaries' names to achieve uniformity. This effort was essential, given that variations in company names occurred when they received more than one type of support. A total of 267,562 (218,253 when considering unique beneficiaries) SMEs could be matched with ORBIS.

Table 18 – SMEs distribution by country before and after the ORBIS matching

Country	End beneficiaries in the WP2 database	ORBIS Sample	Difference
AT	0%	0%	0.13
BE	0%	1%	0.59
BG	5%	12%	7.35
CY	0%	0%	0.04
CZ	1%	2%	1.34
DE	3%	3%	-0.21
DK	0%	0%	0.01
EE	0%	0%	0.2
ES	10%	20%	9.45
FI	1%	2%	0.88
FR	2%	3%	1.75
GR	4%	3%	-1.15
HR	1%	2%	1.01
HU	1%	2%	1.14
IE	0%	0%	0.09
IT	53%	15%	-37.39
LT	1%	2%	0.76
LU	0%	0%	0
LV	1%	2%	0.99

Country	End beneficiaries in the WP2 database	ORBIS Sample	Difference
MT	0%	0%	0.07
NL	0%	0%	0.02
PL	7%	7%	0.79
PT	7%	16%	8.87
RO	1%	2%	1.31
SE	0%	0%	0.06
SI	0%	1%	0.62
SK	1%	2%	1.21
UK	0%	0%	0.07

Notes: Beneficiaries sample size is 679,669, while ORBIS sample size is 267,562.

Source: CSIL & Prognos.

Table 18 reports the result of the cleaning process. **The distribution of WP2 beneficiaries across various countries compared to their representation in the ORBIS sample reveals significant differences, which should always be considered in interpreting the results of the analysis carried out in this report**. Italy, with a substantial negative difference of -37.39%, is markedly underrepresented in the ORBIS sample. This contrasts with Spain and Portugal, which show notable positive differences (9.45% and 8.87%, respectively), indicating an overrepresentation in the sample. Bulgaria's positive difference further emphasises the potential discrepancies in how ERDF support is reflected in the sample versus actual beneficiary distribution. Conversely, Greece's slight negative difference suggests a minor underrepresentation.

The same consideration reflects on the distribution by form of finance. Table 19 reports the same comparison by form of finance. The major change is related to the huge loss of Italian SMEs in terms of financial instruments, with a difference of about -70. This loss is related to the huge number of anonymised SMEs in the Italian SMEs. This indicates **a vast gap between the actual beneficiaries involved with financial instruments and those represented in the ORBIS sample**. Conversely, Spain shows an overrepresentation in financial instruments, with a difference of +34.88. Bulgaria and Slovakia both show substantial differences, with about +4.7 each.

Table 19 – SMEs distribution by country and form of finance before and after the ORBIS matching

Country	Beneficiaries		ORBIS Sample		Diff. Grant	Diff. FI
	Grants	Financial instruments	Grants	Financial instruments		
AT	0.0%	0.0%	0.0%	0.0%	0.01	0
BE	0.1%	0.6%	0.1%	3.1%	0.02	2.54
BG	10.8%	1.1%	14.9%	5.8%	4.09	4.66
CY	0.2%	0.0%	0.2%	0.0%	-0.05	0
CZ	2.8%	0.0%	3.4%	0.0%	0.6	0.01
DE	6.6%	0.5%	3.7%	0.1%	-2.92	-0.41
DK	0.0%	0.0%	0.0%	0.0%	0	0
EE	0.4%	0.0%	0.5%	0.0%	0.11	0
ES	7.2%	12.0%	8.4%	46.9%	1.21	34.88

Country	Beneficiaries		ORBIS Sample		Diff. Grant	Diff. FI
	Grants	Financial instruments	Grants	Financial instruments		
FI	1.5%	0.2%	1.9%	0.8%	0.36	0.63
FR	1.1%	2.1%	0.9%	9.7%	-0.17	7.6
GR	10.8%	0.0%	4.2%	0.0%	-6.53	0
HR	1.6%	1.4%	1.2%	5.5%	-0.36	4.14
HU	2.0%	0.0%	2.7%	0.0%	0.71	0
IE	0.3%	0.0%	0.3%	0.0%	-0.01	0
IT	20.6%	73.1%	20.6%	3.0%	0.02	-70.07
LT	1.5%	1.3%	0.9%	5.3%	-0.63	3.96
LU	0.0%	0.0%	0.0%	0.0%	0	0
LV	1.4%	0.3%	1.8%	1.5%	0.43	1.18
MT	0.1%	0.2%	0.1%	0.6%	0	0.34
NL	0.0%	0.0%	0.0%	0.0%	0	0.01
PL	9.2%	4.9%	8.2%	5.3%	-1.02	0.42
PT	18.3%	0.5%	21.9%	2.4%	3.63	1.95
RO	1.3%	0.9%	1.6%	4.3%	0.24	3.4
SE	0.4%	0.0%	0.3%	0.0%	-0.11	0
SI	1.2%	0.0%	1.5%	0.1%	0.32	0.07
SK	0.4%	1.1%	0.5%	5.8%	0.09	4.69
UK	0.1%	0.0%	0.1%	0.0%	-0.01	0.01

Notes: Beneficiaries sample size is 679,669, while ORBIS sample size is 267,562.

Source: CSIL & Prognos.

The country misrepresentation is therefore reflected across policy instruments. Table 20 reports the distribution after the cleaning process. As a results, Liquidity and working capital support is significantly underrepresented (-21.9), while Support to production expansion, productivity, and modernisation is highly overrepresented (11.52), along with Support to export and entry in new markets (+6.29).

Table 20 – SMEs distribution by policy instrument before and after the ORBIS matching

Policy instruments	Beneficiaries	ORBIS Sample	Difference
Entrepreneurship awareness and other services for business creation	1%	0%	-0.63
Construction and operation of incubators	0%	0%	0.04
Support to company creation	4%	6%	2.23
Support to production expansion, productivity and modernisation	29%	41%	11.52
Development and upgrade of industrial areas	0%	0%	0.04

Policy instruments	Beneficiaries	ORBIS Sample	Difference
Services for business growth, modernisation and networking	0%	0%	0.21
Support to export and entry in new markets	5%	12%	6.29
Systemic actions for industry promotion on international markets	0%	0%	-0.02
Support to tourism and CCI	2%	2%	0.19
Regional promotion for tourism attraction	0%	1%	0.44
Development of the social economy	0%	0%	0.12
Liquidity and working capital support	56%	34%	-21.97
Support to business reconversion	2%	4%	1.56

Notes: Beneficiaries sample size is 679,669, while ORBIS sample size is 267,562.

Source: CSIL & Prognos.

Finally, Table 21 reports the difference in the distribution of policy instrument by form of finance. Analysing the distribution of SMEs across various ERDF policy instruments and comparing it with the ORBIS sample, the most striking change is observed in the domain of Support to production expansion, productivity, and modernisation under financial instruments (FI). Here, the actual allocation stands at 31.3%, while the ORBIS sample suggests a significantly higher representation at 79.0%, resulting in a massive positive difference of 47.6. Conversely, a major shift is noted in Liquidity and working capital support for FI, where a negative difference of -51.1 emerges. The actual beneficiary percentage is 66.2%, far exceeding the ORBIS sample's representation of 15.1%.

Table 21 – SMEs distribution by policy instrument and form of finance before and after the ORBIS matching

Policy instruments	Beneficiaries		ORBIS Sample		Diff. Grant	Diff. FI
	Grant	FI	Grant	FI		
Entrepreneurship awareness and other services for business creation	1.9%	0.0%	0.1%	0.0%	-1.8	0.0
Construction and operation of incubators	0.1%	0.0%	0.1%	0.0%	0.0	0.0
Support to company creation	7.6%	2.1%	6.8%	5.4%	-0.7	3.4
Support to production expansion, productivity and modernisation	25.2%	31.3%	24.5%	79.0%	-0.7	47.6
Development and upgrade of industrial areas	0.1%	0.0%	0.1%	0.0%	0.0	0.0
Services for business growth, modernisation and networking	0.6%	0.0%	0.6%	0.0%	0.0	0.0
Support to export and entry in new markets	14.0%	0.0%	16.5%	0.2%	2.5	0.2
Systemic actions for industry promotion on international markets	0.1%	0.0%	0.0%	0.0%	-0.1	0.0
Support to tourism and CCI	5.2%	0.1%	3.2%	0.0%	-2.1	0.0
Regional promotion for tourism attraction	1.0%	0.0%	1.1%	0.0%	0.2	0.0

Policy instruments	Beneficiaries		ORBIS Sample		Diff. Grant	Diff. FI
	Grant	FI	Grant	FI		
Development of the social economy	0.4%	0.0%	0.4%	0.0%	0.0	0.0
Liquidity and working capital support	39.0%	66.2%	41.5%	15.1%	2.5	-51.1
Support to business reconversion	4.9%	0.3%	5.0%	0.3%	0.2	-0.1

Notes: Beneficiaries sample size is 679,669, while ORBIS sample size is 267,562. *Source*: CSIL & Prognos.

The analysis of the representation of the sample cannot be performed under other characteristics such as SMEs size or sector of activities, given the huge number of missing values of such information in WP2 dataset. Precisely, size is missing from 423,919 beneficiaries, while sector of activity is missing from 399,274 beneficiaries.[90]

Information on the size and sector of activity of SMEs has been integrated based on ORBIS micro data, along with the age of the companies, based on the year of incorporation provided by ORBIS. The financial data integrated were the turnover and the number of employees available for the period from 2014 to 2022. However, not all the SMEs matched with ORBIS could be used for analysis for several reason, including lack of financial data for the years of interest, misreporting of year of incorporation of the company, lack of the NACE sector in both sources of data, lack of years of staring and/or ending the projects in WP2 dataset. For all these reasons, the sample used to carry out the econometric analysis is 119,436. Table 22 reports the distribution of beneficiaries on selected characteristics used in the econometric analysis, along with the average turnover and number of employees as recorded in ORBIS for the year the projects commenced (i.e. T0).

Table 22 – Final sample selected characteristics

Variable	Percent	Avg. Turnover at T0 (MEUR)	Avg. Number of Employee at T0
Size			
Micro	60%	0.5	4.4
Small	30%	3.5	24.1
Medium	10%	12.0	100.2
NACE - 1 digit			
Manufacturing	27%	5.2	41.4
Wholesale and retail trade	21%	3.1	14.1
Accommodation and food service activities	13%	0.5	11.4
Professional, scientific and technical activities	8%	1.0	11.8
Construction	6%	2.9	25.9
Information and communication	5%	1.8	19.1
Transportation and storage	4%	1.7	15.0

[90] For beneficiaries with available NACE sector information, the quality of this data is consistently poor. This is attributed to the merging of classification levels—ranging from 1-digit to 4-digit—into a single dataset, posing challenges in extracting nuanced details.

Variable	Percent	Avg. Turnover at T0 (MEUR)	Avg. Number of Employee at T0
Administrative and support service activities	4%	1.4	14.5
Other activities (less than 3% in the total distribution)	11%	4.5	16.3
ERDF category			
Less developed	72%	5.75	35.9
More developed	22%	14.29	33.2
In transition	5%	7.8	40
Territory			
Urban	59%	2.44	36
Rural	41%	3.21	35.15

Notes: Turnover at T0 and Number of Employees at T0 refer to the turnover level and employee count for each SME, as recorded in ORBIS for the year the projects commenced. Final sample is 119,436 and refers to the sample used to perform econometric analysis.

Source: CSIL & Prognos.

Annex V.2 Results of econometric analysis

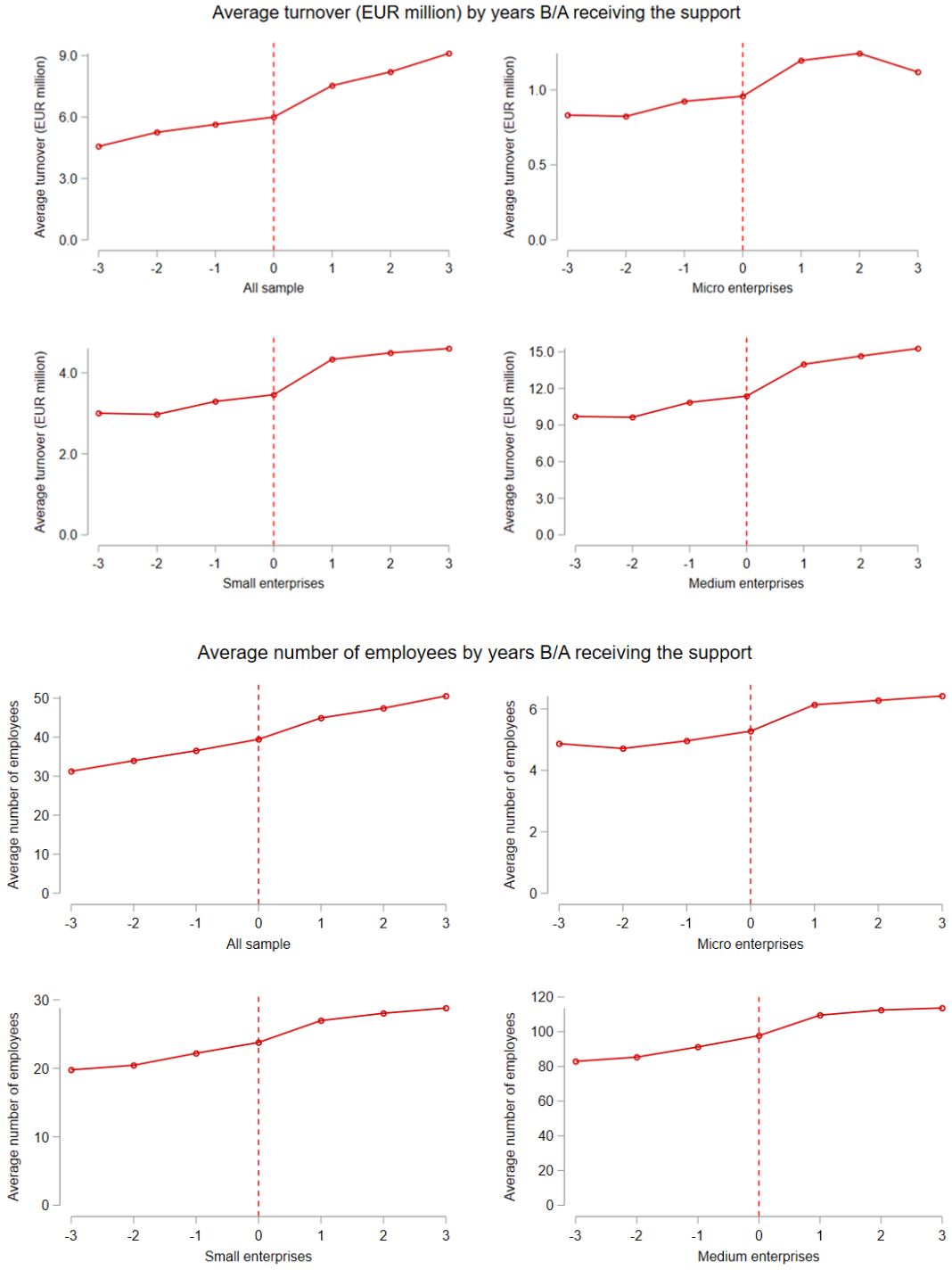
This Annex presents more details on the findings presented in the Section 4 and 5.

V.2.1 Relationship between amount of public support and performance

As a first step in investigating the relationship between ERDF support and the performance of SMEs, the dynamics of average turnover and number of employees before and after receiving the support were analysed. Figure 34 illustrates the average turnover and employment of beneficiary SMEs before/after the project by size class for the instruments support to business expansion, support to export, and support to tourism development. What clearly emerges from the figures analysis is that the beneficiaries of the three instruments, regardless of the company size, followed a positive pattern.

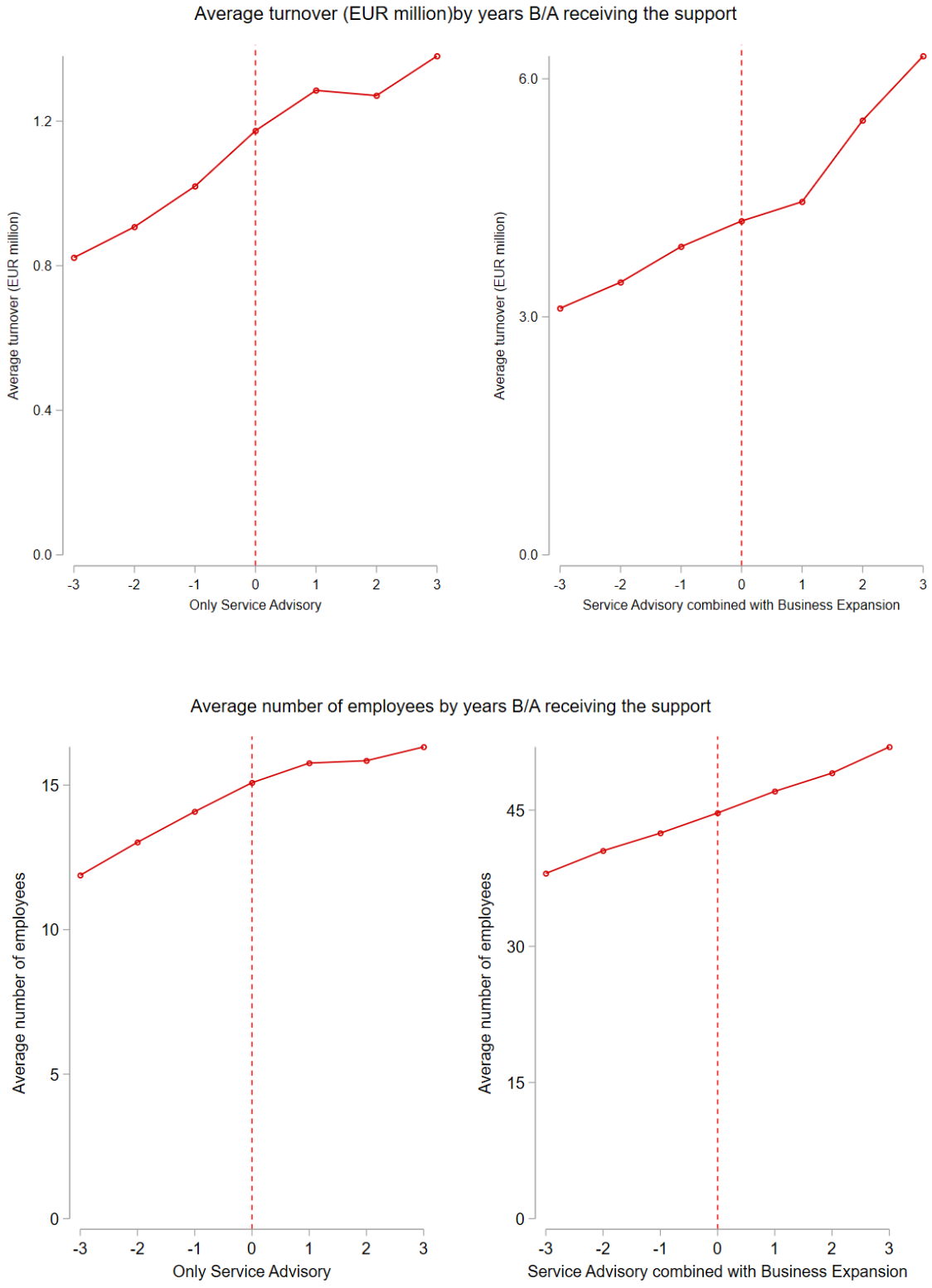
The same descriptive exercise was performed to describe the dynamics of SMEs supported by advisory services and SMEs that received combined support between advisory services and business expansion. Figure 35 shows the dynamics, which again is found to be positive for both groups of SMEs. Among the two groups, **SMEs receiving a combined form of support show better performances**.

Figure 34: Average turnover and employment of beneficiary SMEs before/after the project by size class – instruments: support to business expansion, support to export, support to tourism development



Note: The total sample is composed of beneficiaries from Austria, Belgium, Bulgaria, Czech Republic, Germany, Spain, Finland, France, Greece, Croatia, Hungary, Ireland, Italy, Lithuania, Latvia, Malta, Poland, Portugal, Romania, Sweden, Slovenia, Slovakia, and the United Kingdom. The graphs show the average turnover and employment of SMEs benefitting support for business expansion and modernisation, support to export, and support to tourism in the 1, 2, and 3 years before the project start and 1, 2, 3, years after the project completion.
Source: CSIL & Prognos.

Figure 35: Average turnover and employment before/after the project of beneficiary SMEs that have received only advisory services and advisory services combined with business expansion



Note: Sample is composed of Germany, Croatia, Poland, Portugal, Sweden, United Kingdom. The graphs show the average turnover and employment of SMEs benefitting support for advisory services and advisory services combined with business expansion in the 1, 2, and 3 years before the project start and 1, 2, 3, years after the project completion.
Source: CSIL & Prognos.

Then, a first analysis is conducted to investigate the relationship between the amount of the subsidy received under a specific instrument and the pre-post project variation of economic performance and number of employees of the beneficiaries. This analysis has focused solely on operations directly targeted at SMEs (with no intermediary) and considered only non-repayable forms of support. The econometric analysis is presented in Table 23 and Table 24 and it has been performed on the subsample of SMEs beneficiaries of support to business expansion, company creation, support to export and entry into new markets, and support to tourism and creative company industries. The calculation of the dependent variables – before-after growth rate of turnover and number of employees – involved assessing performance levels from three to two years before the project started and from two to three years post-completion. The presence of start-up beneficiaries might seem contradictory. However, they could be considered because they were, in many cases, start-ups within their first three years of activity. It is worth noting that support was not limited to seeding; it also encompassed early-stage consultancy services and investments. For these reasons, for beneficiaries of company creation, the assessment periods ranged from three to one year before the project's initiation and from three to one year after its conclusion. The analysis has been replicated two-time spans, one until 2019 and one until 2022.

The analysis reveals a positive and statistically significant correlation between the size of the projects, *Value of the projects (log)*, represented by the logarithm of the project's value across various policy instruments, and enhanced performance (measured by turnover or employment growth rate) in the two to three years following project completion. This finding is consistently reflected in most of the models presented in both tables, indicating that larger investments tend to be associated with better performance compared to the average performance observed in the two to three years before project initiation. This implies that larger investments might trigger economies of scale. The correlation is consistently statistically significant after controlling for other potential factors influencing SME performance, such as the characteristics of beneficiary SMEs or the region/context in which they are located. The results are stable regardless of the period take into consideration. However, coefficients estimated in the specifications that consider all periods are generally lower, indicating the pandemic effect. For beneficiaries of support to export is observed that the value of the project has no correlation with the number of employees. The restricted sample for support to tourism and creative companies, the value of project is not statistically significant, however, the sample size is drastically reduced by missing values in the dependent variable.

The age of the company – grouped into categories in the specifications of business expansion, support for export and tourism, and creative industries – is found to be negatively correlated with both the turnover and employment growth rates in each specification. This means that the younger a company was when starting the project, the more it is expected to grow three years after the project's completion. This might happen because younger companies are more receptive to change and potentially more inclined to undertake structured and ambitious projects. The findings hold also for start-ups. However, we cannot claim that this is not merely a selection effect, where younger companies benefiting from the ERDF are inherently better. Additionally, it is important to note that younger companies exhibit a more uncertain growth pattern and a higher growth pace than older companies.

As for other controls, it is observed that the firm size, measured as the value of the turnover at T0 in logarithm form, is negative or insignificant. This could reflect the high share of small firms and their constant return to scale in production.

Table 23 – Multivariate analysis – Turnover growth rate and size of the project by policy instrument

	Turnover Growth Rate 3 years before/after receiving the aid							
	Business Expansion		Support to export		Tourism and Creative Company Industries		Company Creation	
VARIABLES	Until 2019	All period	Until 2019	All period	Until 2019	All period	Until 2019	All period
Value of the project (log)	0.067***	0.052***	0.011	0.025***	0.130**	0.079***	0.114***	0.100***
	(0.008)	(0.005)	(0.019)	(0.009)	(0.064)	(0.022)	(0.030)	(0.020)
Age at project start between 5 and 10 years (dummy) -/ Ref. Category (Between 0 and 5)	-0.120**	-0.169***	-0.278***	-0.220***	-0.429	-0.309***	-	-
	(0.052)	(0.025)	(0.071)	(0.036)	(0.266)	(0.073)	-	-
Age at project start over 10 years (dummy) – /Ref. Category (Between 0 and 5)	-0.354***	-0.389***	-0.596***	-0.508***	-0.471**	-0.479***	-	-
	(0.045)	(0.022)	(0.061)	(0.030)	(0.209)	(0.059)	-	-
Age at project start (log)	-	-	-	-	-	-	-0.275***	-0.219***
	-	-	-	-	-	-	(0.041)	(0.026)
Turnover at t0 (log)	-0.029***	-0.020***	0.016	0.016**	0.019	-0.013	0.011	0.016
	(0.010)	(0.005)	(0.016)	(0.007)	(0.052)	(0.016)	(0.027)	(0.017)
Controls at SME level	YES	YES	YES	YES	YES	YES	YES	YES
Controls at territory level	YES	YES	YES	YES	YES	YES	YES	YES
Country Dummy	YES	YES	YES	YES	YES	YES	YES	YES
Constant	YES	YES	YES	YES	YES	YES	YES	YES
Observations	3,139	12,551	1,502	6,311	108	1,148	657	1,577
R-squared	0.093	0.114	0.111	0.107	0.237	0.114	0.139	0.093

Notes: The total sample is composed of beneficiaries from Austria, Belgium, Bulgaria, Czech Republic, Germany, Spain, Finland, France, Greece, Croatia, Hungary, Ireland, Italy (baseline), Lithuania, Latvia, Malta, Poland, Portugal, Romania, Sweden, Slovenia, Slovakia, and the United Kingdom. Sample size among periods varies depending on the number of missing values in the dependent and controls variables. Only non-repayable aid operations are considered. Company creation considers all those beneficiaries who applied for support between the ages of 1 and 3. Turnover growth rate is measured as the turnover variation in the 2 or 3 years before the project start and 2 or 3 years after the project completion, with the exception of company creation, where the range considered was 1 to 3 before and after. “Value of the project” indicates the log of the amount of the grant. For business expansion, support to export and Tourism and Creative Company Industries, the age at project start reference category is Less than 5 years. Controls at SME level include age, age square, the turnover at T0. Controls at the territory level include a set of dummies for the EDRF category and a dummy that takes value 1 when the company is located in an urban area. The estimator is an OLS. Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1 Source: CSIL & Prognos

Table 24 – Multivariate analysis – Employee growth rate and size of the project by policy instrument

	Employees Growth Rate 3 years Before/A receiving the aid							
	Business Expansion		Support to export		Tourism and Creative Company Industries		Company Creation	
VARIABLES	Until 2019	all period	Until 2019	all period	Until 2019	all period	Until 2019	all period
Value of the projects (log)	0.098***	0.032**	0.031	0.008	0.839*	0.162**	0.138***	0.129***
	(0.018)	(0.015)	(0.049)	(0.023)	(0.464)	(0.070)	(0.041)	(0.035)
Age at project start between 5 and 10 years (dummy) / ref (Between 0 and 5)	-0.576***	-0.705***	-0.600***	-0.233**	-0.710	-0.121		
	(0.195)	(0.225)	(0.202)	(0.115)	(0.759)	(0.130)		
Age at project start over 10 years (dummy) / ref (Between 0 and 5)	-0.929***	-1.042***	-1.187***	-0.750***	-0.327	-0.229**		
	(0.203)	(0.244)	(0.209)	(0.107)	(0.482)	(0.116)		
Age at project start (log)							-0.201***	-0.144***
							(0.049)	(0.037)
Turnover at t0 (log)	-0.007	0.012	0.107**	0.084***	-0.146	-0.016	-0.016	0.016
	(0.020)	(0.055)	(0.042)	(0.025)	(0.151)	(0.027)	(0.029)	(0.023)
Controls at SME level	YES	YES	YES	YES	YES	YES	YES	YES
Controls at territory level	YES	YES	YES	YES	YES	YES	YES	YES
Country Dummy	YES	YES	YES	YES	YES	YES	YES	YES
Constant	YES	YES	YES	YES	YES	YES	YES	YES
Observations	2,784	11,533	1,333	5,740	98	973	617	1,403
R-squared	0.112	0.030	0.111	0.041	0.172	0.039	0.185	0.066

Notes: The total sample is composed of beneficiaries from Austria, Belgium, Bulgaria, Czech Republic, Germany, Spain, Finland, France, Greece, Croatia, Hungary, Ireland, Italy (baseline), Lithuania, Latvia, Malta, Poland, Portugal, Romania, Sweden, Slovenia, Slovakia, and the United Kingdom. Sample size among periods varies depending on the number of missing values in the dependent and controls variables. Only non-repayable aid operations are considered. Company creation considers all those beneficiaries who applied for support between the ages of 1 and 3. Employment growth rate is measured as the number of employees variation in the 2 or 3 years before the project start and 2 or 3 years after the project completion, with the exception of company creation, where the range considered was 1 to 3 before and after. “Value of the project” indicates the log of the amount of the grant. For business expansion, support to export and Tourism and Creative Company Industries, the age at project start reference category is Less than 5 years. Controls at SME level include age, age square, the turnover at T0. Controls at the territory level include a set of dummies for the EDRF category and a dummy that takes value 1 when the company is located in an urban area. The estimator is an OLS. Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1 Source: CSIL & Prognos

Subsequently, an additional econometric analysis was performed to investigate the correlation between the total amount of subsidies received by SMEs and their performance by policy instrument, conditional to a number of other characteristics. In this case, the sample comprises also financial instrument beneficiaries.

The dependent variable used is the turnover before-after project growth rate. The analysis has been replicated for two time spans, one until 2019 and one until 2022. The regressions were initially run considering all beneficiaries of each instrument and then restricted to the countries representing the majority of the beneficiaries. The policy instrument considered were business expansion (Table 25), support to export (Table 26), and support to tourism and creative company industries (Table 27). The same exercise could not be conducted on beneficiaries of indirect support due to the lack of a substantial sample for carrying out an econometric analysis.

For each instrument (Table 25-27), it emerges that the total amount of ERDF support received by a beneficiary (*Total subsidies (log)*) is always positively correlated with the performance variation before and after the completion of the project. This means that not only are larger projects important in triggering economic growth for beneficiaries, but the number of projects is also crucial. This is likely because it allows them to take advantage of support across different areas of development or through follow-up projects. For instance, Higher increase in performance is also detected for those SME combining business expansion and support to export with advisory services. As observed in previous Tables (23-24), the estimates covering up to 2019 are higher, indicating that the effectiveness of the ERDF support has been influenced by COVID. Additionally, the estimated coefficients for age dummies are consistent with previous findings.

The coefficient associated with the dummy grant is found to be negative for beneficiaries of business expansion and tourism support policy instruments, while it is insignificant for support to export. This means that companies whose support was delivered via financial instruments have grown more compared to beneficiaries of grants. Apparently, the mode of delivery for support to export has not been relevant. These results are also consistent with the literature and the findings from the case studies. In fact, companies receiving grants are systematically different from those receiving support through financial instruments.

Some hints of catching up are observed in the restricted sample until 2022 for business expansion beneficiaries, where the coefficient associated with more developed regions becomes statistically significant, indicating that SMEs located in less developed regions are growing more. The same is true for the sample of support to tourism and creative company industries.

Table 25 – Multivariate analysis – Business Expansion

	Turnover Growth Rate 3 years before/after receiving the aid			
VARIABLES	Until 2019	Until 2019 restricted sample BG, IT, PT	All period	All period restricted sample BG, IT, PT
Total amount of ERDF received (log)	0.07***	0.06***	0.06***	0.04***
	(0.01)	(0.01)	(0.00)	(0.01)
Grant (dummy) / Ref. Category (Financial Instrument)	-0.10**	-0.12**	-0.09***	-0.08**
	(0.05)	(0.05)	(0.03)	(0.04)
Age at project start between 5 and 10 years (dummy) / Ref. Category (Between 0 and 5)	-0.16***	-0.17***	-0.19***	-0.21***
	(0.04)	(0.06)	(0.02)	(0.03)
Age at project start over 10 years (dummy) / Ref. Category (Between 0 and 5)	-0.41***	-0.44***	-0.44***	-0.46***
	(0.03)	(0.05)	(0.02)	(0.03)

Turnover at t0 (log)	-0.04***	-0.07***	-0.02***	-0.02***
	(0.01)	(0.01)	(0.00)	(0.01)
In transition (dummy) / Ref. Category (Less developed)	0.05	0.04	0.03	0.02
	(0.04)	(0.11)	(0.02)	(0.05)
More developed (dummy) / Ref. Category (Less developed)	0.02	-0.05	-0.02	-0.09***
	(0.03)	(0.05)	(0.02)	(0.02)
Urban (dummy) / Ref. Category (Rural)	0.02	-0.02	0.00	0.01
	(0.02)	(0.03)	(0.01)	(0.02)
Combination with service advisory (dummy)	0.11**	0.23	0.10***	0.05
	(0.05)	(0.21)	(0.04)	(0.17)
Country Dummy	YES	YES	YES	YES
Constant	YES	YES	YES	YES
Observations	8,139	3,094	24,854	8,547
R-squared	0.098	0.103	0.106	0.097

Notes: The sample includes Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Germany, Spain, Finland, France, Greece, Croatia, Hungary, Ireland, Italy, Lithuania, Latvia, Malta, Poland, Portugal, Romania, Sweden, Slovenia, Slovakia, and the United Kingdom. Sample size varies depending on the number of missing values in the dependent and controls variables. Turnover growth rate is measured as the turnover variation in the 2 or 3 years before the project start and 2 or 3 years after the project completion. Total amount of ERDF received (log) is obtained as the sum of all the aids that the firm has received under different instrument for SME competitiveness. Grant is a dummy that takes 1 if the subsidy for business expansion has been delivered through grant, 0 if it was delivered with financial instrument. Controls at SME level include a set of dummies for the age at project start, the reference category is Less than 5 years and the initial turnover (log). Controls at the territory level include a set of dummies for the EDRF category, a dummy that takes value 1 when the company is located in an urban area, and a dummy that takes value 1 if the company has combined business expansion support with advisory services. Country Dummy is a set of dummy that controls for the country of the enterprises. The estimator is an OLS. Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1. Source: CSIL & Prognos.

Table 26 – Multivariate analysis – Support to Export

	Turnover Growth Rate 3 year Before/After			
VARIABLES	Until 2019	Until 2019 restricted sample IT, PT	All period	All period restricted sample IT, PT
Total amount of ERDF received (log)	0.05***	0.04**	0.04***	0.03***
	(0.01)	(0.02)	(0.00)	(0.01)
Grant (dummy) Ref. Category (Financial Instrument)	-0.10	-0.08	-0.22	-0.23
	(0.14)	(0.14)	(0.16)	(0.16)
Age at project start between 5 and 10 years (dummy) / Ref. Category (Between 0 and 5)	-0.23***	-0.29***	-0.21***	-0.26***
	(0.05)	(0.07)	(0.02)	(0.04)
Age at project start over 10 years (dummy) / Ref. Category (Between 0 and 5)	-0.50***	-0.57***	-0.51***	-0.51***
	(0.04)	(0.06)	(0.02)	(0.03)
Turnover at t0 (log)	-0.02**	-0.02	0.01**	0.01
	(0.01)	(0.01)	(0.00)	(0.01)
In transition (dummy) /Ref. Category (Less developed)	-0.01	0.12	-0.02	0.04
	(0.06)	(0.09)	(0.02)	(0.06)
More developed (dummy) /Ref. Category (Less developed)	0.04	0.04	-0.02	-0.04**
	(0.05)	(0.07)	(0.02)	(0.02)
Urban (dummy) /Ref. Category (Rural)	-0.04	-0.03	-0.02	-0.05*
Country Dummy	YES	YES	YES	YES
Constant	YES	YES	YES	YES
Observations	4,057	1,805	16,662	7,229
R-squared	0.092	0.113	0.104	0.121

Notes: The sample includes Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Germany, Spain, Finland, France, Greece, Croatia, Hungary, Ireland, Italy, Lithuania, Latvia, Malta, Poland, Portugal, Romania, Sweden, Slovenia, Slovakia, and the United Kingdom. Sample size varies depending on the number of missing values in the dependent and controls variables. Turnover growth rate is measured as the turnover variation in the 2 or 3 years before the project start and 2 or 3 years after the project completion. Total amount of ERDF received (log) is obtained as the sum of all the aids that the firm has received under different instrument for SME competitiveness. Grant is a dummy that takes 1 if the subsidy for support to export has been delivered through grant, 0 if it was delivered with financial instrument. Controls at SME level include a set of dummies for the age at project start, the reference category is Less than 5 years and the initial turnover (log). Controls at the territory level include a set of dummies for the EDRF category, a dummy that takes value 1 when the company is located in an urban area. Country Dummy is a set of dummy that controls for the country of the enterprises. The estimator is an OLS. Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1. Source: CSIL & Prognos.

Table 27 – Multivariate analysis – Support to Tourism and Creative Company Industries

	Turnover Growth Rate 3 year Before/After			
VARIABLES	Until 2019	Until 2019 restricted sample IT, PT	All period	All period restricted sample IT, PT
Total amount of ERDF received (log)	0.20***	0.23***	0.11***	0.11***
	(0.05)	(0.06)	(0.02)	(0.02)
Grant (dummy) /Ref. Category (Financial Instrument)	-0.89***	-1.01***	-0.55***	-0.55***
	(0.20)	(0.25)	(0.11)	(0.11)
Age at project start between 5 and 10 years (dummy) / Ref. Category (Between 0 and 5)	-0.27	-0.19	-0.27***	-0.28***
	(0.17)	(0.20)	(0.06)	(0.07)
Age at project start over 10 years (dummy) / Ref. Category (Between 0 and 5)	-0.39***	-0.31*	-0.44***	-0.46***
	(0.13)	(0.16)	(0.05)	(0.05)
Turnover at t0 (log)	-0.02	-0.08	-0.02	-0.02
	(0.03)	(0.05)	(0.01)	(0.01)
In transition (dummy) /Ref. Category (Less developed)	-0.64**	-0.32	-0.19**	-0.14*
	(0.27)	(0.43)	(0.07)	(0.08)
More developed (dummy) /Ref. Category (Less developed)	-0.12	-0.23	-0.08*	-0.08*
	(0.16)	(0.16)	(0.04)	(0.05)
Urban (dummy) /Ref. Category (Rural)	0.18	0.15	0.03	0.07
	(0.14)	(0.18)	(0.06)	(0.08)
Country Dummy	YES	YES	YES	YES
Constant	YES	YES	YES	YES
Observations	286	218	1,946	1,617
R-squared	0.159	0.093	0.108	0.108

Notes: The sample includes Austria, Belgium, Czech Republic, Germany, Finland, France, Greece, Hungary, Italy, Poland, Portugal, Sweden, Slovenia, and Slovakia. Sample size varies depending on the number of missing values in the dependent and controls variables. Turnover growth rate is measured as the turnover variation in the 2 or 3 years before the project start and 2 or 3 years after the project completion. Total amount of ERDF received (log) is obstained as the sum of all the aids that the firm has received under different instrument for SME competitiveness. Grant is a dummy that takes 1 if the subsidy for support to tourism and creative companies industries has been delivered through grant, 0 if it was delivered with financial instrument. Controls at SME level include a set of dummies for the age at project start, the reference category is Less than 5 years and the initial turnover (log). Controls at the territory level include a set of dummies for the EDRF category, a dummy that takes value 1 when the company is located in an urban area. Country Dummy is a set of dummy that controls for the country of the enterprises. The estimator is an OLS. Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1. Robust standard errors in parentheses.
Source: CSIL & Prognos.

Finally, the performance has been investigated linked to the form of finance. As highlighted at the outset of this Annex, the availability of data on the final beneficiaries (namely, SMEs) of ERDF support delivered through financial instruments has been restricted. Furthermore, even when such SMEs were included in the WP2 database, they were frequently anonymised. Despite these challenges, a multivariate econometric analysis was also undertaken to explore the correlation between receiving support via grants and financial

instruments, taking into account other characteristics. Table 28 presents the results of this exercise, which has been carried out solely on beneficiaries of support to company creation and support to business expansion and modernisation. The dependent variable used is the turnover 2-year before-after project growth rate.

In the context of business expansion, the analysis reveals that debt instruments are linked to improved post-project performance in comparison to recipients of grants. On the other hand, equity instruments show a correlation with reduced post-project performance when compared to grants. When considering the interaction of debt support with the SME's regional location, it is evident that enterprises in transition regions have experienced more significant growth than their counterparts in other areas, suggesting a timid hint in terms of convergence.

Examining the support to company creation subsample, it is noted that the association with debt financing is negative, though not significant. However, the interaction between financing form and regional categories reveals that debt financing correlates with improved post-project performance over grants in transition and more developed regions. The negative and significant coefficient for equity beneficiaries suggests lower performance than grant recipients. Interestingly, this association becomes positive for companies in more developed regions. The findings imply that recipients of debt instruments perform better than those receiving grants and that start-ups eligible for equity financing located in more developed regions were more likely to benefit from the geographical advantages. This indicates the need for further research to confirm these findings with a broader, more representative sample. Moreover, conducting a counterfactual impact evaluation is essential to discern the differential performance outcomes between financial instruments and grants.

Table 28 – Multivariate analysis – Financial Instrument and Performance

VARIABLES	Turnover Growth Rate 2 year B/A			
	Business Expansion Until 2022		Company Creation Until 2022	
Debt (dummy) /Ref. Category (Grant)	0.07***	0.05***	-0.01	-0.17*
	(0.01)	(0.01)	(0.12)	(0.09)
Equity (dummy) /Ref. Category (Grant)	-0.60***	-0.60***	-0.44**	-0.51***
	(0.11)	(0.11)	(0.18)	(0.18)
Debt X In transition /Ref. Category (Grant-Less Developed)		0.20***		0.13
		(0.07)		(0.26)
Debt X More Developed /Ref. Category (Grant-Less Developed)		0.12**		0.34**
		(0.05)		(0.14)
Equity X More Developed /Ref. Category (Grant-Less Developed)		-0.07		1.62***
		(0.12)		(0.25)
In transition (dummy) /Ref. Category (Less Developed)	0.01	-0.07*	0.10	0.23
	(0.03)	(0.04)	(0.23)	(0.20)
More Developed (dummy) /Ref. Category (Less Developed)	-0.09***	-0.11***	0.40***	0.39***
	(0.01)	(0.02)	(0.10)	(0.10)
Controls at SME level	YES	YES	YES	YES
Country Dummy	YES	YES	YES	YES
Constant	YES	YES	YES	YES
Observations	16,376	16,376	2,039	2,039

R-squared	0.108	0.109	0.169	0.171

Notes: The samples are composed of beneficiaries of Belgium, France, Italy, Lithuania, Latvia, Malta, Poland, Portugal, Romania, and Slovakia. Turnover growth rate is measured as the turnover variation in the 1 or 2 years before the project start and 1 or 2 years after the project completion. Debt is a dummy that takes value 1 if the company received the aid as debt instrument. Equity is a dummy that takes value 1 if the company received the aid as equity instrument. The form of finance reference category is grant. Controls at SME level include the age of the company at the project start, a dummy that takes 1 if the company is located in an urban area, and the initial turnover (log). Country Dummy is a set of dummy variables that controls for the country of the enterprises. The estimator is an OLS. Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1.
Source: CSIL & Prognos

V.2.2 Alignment between programme targeting and the S3

A second analysis was carried out to investigate whether the alignment between the programme targeting and S3 priority areas has been associated with higher average performance at the programme level. To investigate this hypothesis, the following steps were followed:

- For each programme, the NACE codes of beneficiaries were classified as part of the S3 priority areas by matching the NACE codes of the S3 with those of the beneficiaries.
- For each programme, the relative distribution of the expenditure in the NACE codes matching the priority areas was computed. This was calculated by considering only those grant recipients whose total expenditures were available in the WP2 database.
- The Pearson correlation between the distribution of the expenditure and the NACE weight of the S3 (Prognos and CSIL 2021) was calculated for each programme (see Figure 19, Section 4.3).
- A multivariate regression analysis was performed to investigate the alignment of the expenditure on the S3 NACE codes by programme and the average performance of beneficiaries, measured as the average performance in the two to three years before project initiation.

Table 29 reports the results of the econometric exercise. The analysis considers only instruments supporting SME investments, thus excluding instruments that provide advisory services, generic access to finance, and infrastructure development. The findings indicate that the concentration of expenditure in the S3 priority areas is consistently positively correlated with a higher average turnover growth rate three years before and after the completion of the projects. When interacting the expenditure concentration dummy with the type of instrument (the baseline is support for business expansion and modernisation), this positive correlation is higher for company creation and support for tourism and creative company industries.

Table 29 – Multivariate analysis – Alignment between the programme expenditure and S3

VARIABLES	Average at the programme level of Turnover Growth Rate Before/After 3-year receiving the aid		
	all period	all period	all period
Exp concentrated in S3 (dummy)	0.02***	0.02***	0.03***
	(0.00)	(0.00)	(0.00)
Exp concentrated in S3 X company creation			0.08***
			(0.00)
Exp concentrated in S3 X export			-0.05***
			(0.00)
Exp concentrated in S3 X tourism and CCI			0.10***
			(0.01)
Support to company creation (dummy)		-0.06***	-0.07***
		(0.00)	(0.00)
Support to export and entry in new markets (dummy)		-0.07***	-0.06***
		(0.00)	(0.00)
Support to tourism and CCI (dummy)		-0.11***	-0.13***
		(0.00)	(0.00)
Constant	0.49***	0.52***	0.52***
	(0.00)	(0.00)	(0.00)
Observations	53,693	53,693	53,693
R-squared	0.002	0.047	0.055

Notes: The sample is composed of beneficiaries from Austria, Belgium, Bulgaria, Czech Republic, Germany, Spain, Finland, France, Greece, Croatia, Hungary, Ireland, Italy (baseline), Lithuania, Latvia, Malta, Poland, Portugal, Romania, Sweden, Slovenia, Slovakia, and the United Kingdom. Restricted sample size depends on the availability of the total expenditure associated with each beneficiary. The dependent variable is the average turnover growth rate by programme, which is measured as the turnover variation in the 2 years before the project start and 2 years after the project completion, with the exception of company creation, where the range considered was 1 to 2 before and after. Expenditure concentrated in S3 is a dummy that takes value 1 when the programme expenditure by NACE has a positive correlation with the S3 weights. Other controls are a set of dummy that indicate the policy instruments, whose reference category is business expansion. Results are robust also considering only financial data up to 2019. The estimator is an OLS. Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1.

Source: CSIL & Prognos.

Annex VI. Synthesis of outputs and outcomes of policy instruments analysed in the case studies

This Annex includes a table for each policy instrument, providing a synthesis of the outputs and outcomes analysed in the case studies. For each output and outcome, the level of confidence in the results is indicated based on the methodology used to derive the findings.

The case studies are available in a standalone document accompanying this report. For a more detailed assessment, please refer to the respective case study.

Table 30 – Support to export: synthesis of outputs and outcomes achieved

	Tuscany (Italy)	Poland	Portugal
Outputs	**INDIVIDUAL SMEs and CONSOLIDATED CONSORTIA: POSITIVE** **TEMPORARY NETWORKS: MODERATE** - Projects approved: 1,360, of which only 10% implemented by groups of SMEs - Number of unique beneficiaries supported: 1,750 (0.5% of all regional SMEs) - Beneficiaries conducted integrated projects (multiple activities), in line with the theory - Outputs are achieved for individual SMEs and consortia of companies; not for networks of SMEs.	**POSITIVE** - Projects implemented by end 2022: 2,506. - Number of unique beneficiaries supported: 2,018 (target: 1,445) (0.1% of all Polish SMEs) - 47% of projects are implemented by micro-enterprises. This share increased over the programming period. - The target values were exceeded in spite of a slowdown in project completion due to COVID-19: in 2022, 7% of projects initially started were terminated before being completed.	**IS: POSITIVE** **VOUCERS: MODERATE** - Projects implemented: 3,577 IS + 455 vouchers (approx. less than 0.5% of Portuguese SMEs). - IS projects: outputs are mostly achieved. - Vouchers: outputs are partially achieved, due to a declining interest by SMEs over time. They represent, however, a limited share of projects funded.
	Confidence in results: HIGH. Based on monitoring indicators and interviews with the programme managers and independent experts.	**Confidence in results: HIGH**. Based on monitoring indicators and interviews with the programme manager and the implementing body.	**Confidence in results: HIGH**. Based on monitoring indicators and interviews with the programme manager and the implementing body.
Outcomes for beneficiaries	**INDIVIDUAL SMEs: POSITIVE** - Direct outcomes on export sales: positive for individual SMEs, especially the least experienced ones - Durability of effects: longer of the least experienced SMEs: limited to 2 years for more experienced SMEs. - Low deadweight effect for smaller and less experienced enterprises. **CONSORTIA: POSITIVE** - Direct outcomes visibility, access to new markets, export sales - Some deadweight effect **TEMPORARY NETWORKS: LOW** - Limited outcomes, due to the short duration of the collaboration.	**POSITIVE** - Direct outcomes on export sales and export intensity: positive - Indirect outcomes on turnover and profitability: positive - Mixed qualitative evidence on the durability of effects - Deadweight effect of public support: low	**IS: POSITIVE** - Positive impact on export intensity, export value, probability of export, turnover and employment, especially in the Norte and Centro regions, and for micro and small enterprises. - Outcomes persist some years after the investments. - Some deadweight effect of public support for more experienced enterprises **Vouchers: LOW** - Some effects on export probability and export value for small size companies. No visible effects on export performance for the others. - Some positive effects on employment for micro size companies, even without any impact on exports.
	Confidence in results: MEDIUM - Results for individual SMEs transferred from a previous evaluation (covering a similar instrument in Tuscany in 2007-2014), and 14 interviews.	**Confidence in results: HIGH** - Based on previous independent evaluations, a new counterfactual impact evaluation and 11 interviews.	**Confidence in results: HIGH** - Based on an evaluation for both forms of support, a previous evaluation on the voucher scheme, and 5 interviews.

	Tuscany (Italy)	Poland	Portugal
	- Results for consortia transferred by a survey to SMEs implemented in Emilia Romagna (similar context) on a very similar instrument, and 14 interviews. - Results for temporary network: based on 14 interviews.		
Systemic outcomes	**NO EVIDENCE OF IMPACT ON INTERNATIONALISATION TRENDS** - Export performance has grown (+100% from 2011 to 2022) and improved in comparison with other Italian benchmark regions. - The instrument's contribution is probably limited, due to the small volume of investments activated and the low share of SMEs supported (0.5% of all regional SMEs). - Other national initiatives for internationalisation, regional measures to improve the overall competitiveness of the regional economy, and the positive economic trends after the 2009 world economic crisis, contributed to this positive trend.	**POSITIVE QUALITATIVE EFFECT** - Improved added value of export and penetration of new markets, thanks not only to the policy instrument, but also to other infrastructure and innovation-related policy instruments.[91] **MARGINAL EFFECTS ON OVERALL INTERNATIONALISATION TRENDS** - The internationalisation of the Polish economy is increasing (+200% from 2000 to 2019), but other external factors concur to determine this effect (trade liberalisation, openness to foreign investment and integration processes in the EU). - The instrument may have had a contributing but not a determinant role (it supported 0.1% of all Polish SMEs).	**NO EVIDENCE OF IMPACT ON INTERNATIONALISATION TRENDS** - Slow but stable growth of Portuguese internationalisation (+16% from 2014 to 2019). - The structural transformation of the Portuguese economy requires a longer time span. - The IS projects may have contributed to increase export intensity of Portuguese SMEs (especially medium-size), but no causal impacts at the systemic level can be ascertained, also due to the low share of SMEs supported (0.5% of all Portuguese SMEs).
	Confidence in results: LOW - No existing evaluations. Results are only based on a descriptive statistical analysis at the regional level and interviews.	**Confidence in results: MEDIUM** - Based on a previous macroeconomic evaluation, descriptive statistical analysis of country-level export data, and interviews.	**Confidence in results: MEDIUM** - Based on a previous macroeconomic evaluation, descriptive statistical analysis of country-level export data, and monitoring indicators of the OPs.

[91] Ministry of Development Funds and Regional Policy, 2022.

Table 31 – Support to company creation: Synthesis of outputs and outcomes achieved

	Bulgaria	Finland	Slovakia	Andalucía (Spain)
Outputs	**Grant Scheme: POSITIVE** **Financial Instruments: MODERATE** -Grant: 352 projects, of which 97% were women-owned companies. 310 projects have been completed, with the same number of unique beneficiaries. Target achieved at 138%. -FI: 206 projects and unique beneficiaries. The implementation rate is 69% in q1 2023. The programme ends in December 2023. The target number of projects achieved was 74%, and the target for private investment supporting the public was 67% -Share of SMEs supported: 0.16%	**POSITIVE** -744 projects were approved, 95% already ended, 5% are in progress, and 0.3% terminated prematurely. -11% were investment projects, 31% were multi-activity projects, 58% were development projects. -712 unique beneficiaries -Target achieved at 91% -Share of SMEs supported: 0.34%	**Grant: POSITIVE** **Financial instrument: MODERATE** Grants: 229 approved, 158 implemented projects, 141 completed. Target achieved at 89% FI: 91 contracted projects, 69 actually funded. Target on the number of projects achieved at 76%. 2 targets over 5 were achieved in terms of leverage. 4 over 5 targets were achieved in terms of private investments matching public ones. Share of SMEs supported: 0.06%	**Grant Scheme: LOW** **Guarantee: LOW** Grants: -336 projects, only 35% of the budget absorbed. No target on beneficiaries was set. Guarantee: Not implemented -Share of SMEs supported: 0.06%
	Confidence in results: HIGH. Based on monitoring indicators, interviews with the programme managers and analysis of the micro data of beneficiaries.	Confidence in results: HIGH. Based on monitoring indicators and interviews with the programme managers, the implementing body, and analysis of the micro data of beneficiaries.	Confidence in results: HIGH. Based on monitoring indicators and interviews with the programme managers, the implementing body, and analysis of the micro data of beneficiaries.	Confidence in results: HIGH. Based on monitoring indicators and interviews with the programme managers, the implementing body, and analysis of partial micro data of beneficiaries.
Outcomes for beneficiaries	**Grant Scheme: POSITIVE** Direct outcomes on survival, job creation, total assets, and turnover: positive, especially for newly created companies. The durability of effects is uncertain: positive outcomes can be observed up to three years after the project. Low deadweight effect Additionality, certification effects and behavioural changes **Financial Instruments: POSITIVE** Direct outcomes on survival, job creation, total assets, and turnover: positive, especially for newly created companies. Uncertainty in the durability of effects: We observe up to two years after the projects. However, the highly positive trends suggest promising growth prospects. Low deadweight effect	**MODERATE** Direct outcomes on survival, total assets, and turnover: moderate, positive for newly created companies Direct outcomes on job creation: low Uncertainty in the durability of effects: Positive trends on outcomes persist up to three years after the projects, some scale effects and follow-up projects, but no causal relationship is found. Some deadweight effect of public support since programme level CIE and new CIE show no causal effects on the positive outcomes	**Grant Scheme: POSITIVE** Positive impact on survival, job creation, external financing, and economic performance. Strong positive results are also for projects carried out by disadvantaged groups. No causal effects on the establishment of new innovative companies. Positive trends are observed up to three years after the projects. Low deadweight effect. **Financial instrument: POSITIVE** Positive effects on survival, job creation, and economic performance Scale effects and follow-up projects. Uncertainty in the durability of effects: We observe up to two years after the projects. However, the highly positive trends suggest promising growth prospects. Low deadweight effect.	**MODERATE** Positive outcomes on survival, job creation, and economic performance. Uncertainty in the durability of effects: positive outcomes can be observed up to three years after the projects.

	Bulgaria	Finland	Slovakia	Andalucía (Spain)
	Confidence in results: MEDIUM. No existing CIE. Results are based on descriptive statistical analysis and non-causal econometric analysis on beneficiary micro data and on the regional level, as well as interviews with final beneficiaries for the grant scheme.	**Confidence in results: HIGH.** Based on previous programme evaluation, a new CIE on a group of supported beneficiaries, a descriptive statistical analysis, and interviews on final beneficiaries, Managing Authority and implementing bodies.	**Confidence in results: HIGH for grants, MEDIUM for financial instruments**. Based on a CIE for the grant scheme, descriptive statistical analysis, non-causal econometric analysis on beneficiary micro data, and on the regional level and interviews on final beneficiaries, Managing Authority and implementing bodies.	**Confidence in results: LOW/MEDIUM.** No existing CIE. Results are only based on descriptive statistical analysis and non-causal econometric analysis on PARTIAL beneficiary micro data and on the Managing Authority and implementing body interviews.
Systemic outcomes	**MODERATELY POSITIVE CONTRIBUTION** The Bulgarian trends in birth rates and survival during the programming period were actually negative. The birth rate decreased from 11.6% in 2014 to 8.9% in 2020, while the survival rate decreased from 59.5% to 54.9%. Thus, the instrument helped to counteract the negative trends. **LOW REGIONAL CONVERGENCE** The vast majority of best-performing enterprises are concentrated in the capital region, which is the most developed in the country. However, the positive outcomes observed across all supported companies suggest promising behavioural changes that contribute to structural changes. **POSITIVE ASSESSMENT ON EQUITY MARKET DEVELOPMENT** According to an EIB evaluation of the Bulgarian implementing body of financial instruments, the equity instruments played an important role in developing the market.	**MODERATELY POSITIVE CONTRIBUTION** The instrument contributed to the positive trends observe during the period 2014-2020: the survival rate increased after three years from 50% to 65.1%, while the birth rate increased from 7.6% to 9%. **MODERATE QUALITATIVE EVIDENCE ON REGIONAL CONVERGENCE** According to the interviews with Managing Authority and the Implementing body, the support contributed to reducing the differences in the level of development between the regions. **MODERATE/LOW CONTRIBUTION TO ECONOMIC DIVERSIFICATION** For what concerns economic structure diversification, the programme evaluation assesses a moderate impact.	**MODERATELY POSITIVE CONTRIBUTION** The instrument contributed to the positive trends observe during the period 2014-2020: the survival rate increased by 9 percentage points, reaching about 61% after three years. In the Bratislava region, the raise was higher, 11 pp. **NO EVIDENCE ON IMPROVEMENT IN THE SME INTEGRATION IN MNCs VALUE CHAINS** **LOW REGIONAL CONVERGENCE** The vast majority of best-performing enterprises are concentrated in the capital region, which is the most developed in the country. However, the positive outcomes observed across all supported companies suggest promising behavioural changes that contribute to structural changes. **POSITIVE EFFECT ON EMPLOYMENT** CIE found a significant contribution to the reduction in the unemployment rate. The net effects on employment amounted to 1.7 new jobs created, and the average cost per 1 newly created job was 89 thousand. EUR. **POSITIVE ASSESSMENT ON EQUITY MARKET DEVELOPMENT** According to an EIB evaluation of the Slovak implementing body of financial instruments, the equity instruments	**MODERATELY POSITIVE CONTRIBUTION** The instrument contributed to the positive trends observe during the period 2014-2020: the survival rate increased from 49.7% to 52.4% after three years. The same can be said about the reduction in unemployment, from 34.8% to 22.3%.

	Bulgaria	Finland	Slovakia	Andalucía (Spain)
			played an important role in developing the market.	
	Confidence in results: LOW No existing evaluations. Results are only based on a descriptive statistical analysis at the regional level and interviews.	**Confidence in results: MEDIUM** Based on a previous macroeconomic evaluation, descriptive statistical analysis of country-level business demography data.	**Confidence in results: MEDIUM** Based on a previous macroeconomic evaluation, descriptive statistical analysis of country-level business demography data.	**Confidence in results: LOW** No existing evaluations. Results are only based on a descriptive statistical analysis at the regional level and interviews.

Table 32 – Support to production expansion, productivity and modernisation: Synthesis of outputs and outcomes achieved

	Ireland	West Netherlands	Thüringen	Poland	Lithuania	Slovenia
Outputs	**POSITIVE** - Projects implemented: 574. - Number of unique beneficiaries supported: 514 (i.e., 0.25% of all Irish SMEs) - Only 33 beneficiaries were located in the BMW region.	**POSITIVE with some uncertainty** - Projects approved: 13 (7 already completed + 5 ongoing). - Number of unique beneficiaries supported: 6.	**TI (grants): POSITIVE** **TI (grants + loans): MODERATE** **TD (loans): POSITIVE** - Projects implemented: 2,189[92] TI + 364 TD. - The possibility to combine grants with a loan was used only by 18% of beneficiaries under TI. - Number of unique beneficiaries supported: 1,755 + 364 (approx. 3 % of Thüringen SMEs).	**Loans: POSITIVE** **Guarantees: LOW** - Projects implemented: 3,412 - A lower than planned share of entities took advantage of the guarantee due to the materialisation of displacement effects with national instrument.	**POSITIVE with some uncertainty** - Projects approved: 262 (166 already completed + 96 ongoing). - Number of unique beneficiaries supported: 10 KETs + 206 Digitisation (target: 1,445)	**POSITIVE** - Projects implemented: 381. - Number of unique beneficiaries supported: 381 - A higher % of supported beneficiaries are in the East Slovenia given that larger funds were allocated in that region.
	Confidence in results: HIGH Results are based on descriptive statistics analysis of projects / beneficiaries.	**Confidence in results: MEDIUM** Results are based on descriptive statistical analysis of projects / beneficiaries. Some of the projects are not completed yet (5 out of 13), which brings some uncertainty to our findings	**Confidence in results: HIGH**. Results are based on descriptive statistical analysis of projects / beneficiaries	**Confidence in results: HIGH**. Results are based on descriptive statistical analysis of projects / beneficiaries	**Confidence in results: MEDIUM** Results are based on descriptive statistical analysis of projects / beneficiaries. Some of the projects are not completed yet (96 out of 262), which brings some uncertainty to our findings.	**Confidence in results: HIGH**. Results are based on descriptive statistical analysis of projects / beneficiaries
Outcomes for beneficiaries	**POSITIVE** - Positive direct outcomes on employment - Durability of effects: effects are likely to last over years thanks to the continuous action of the involved intermediary	**POSITIVE with uncertainty** - Positive direct outcomes on R&D activities employment, turnover: - Durability of effects: effects are likely to last thanks to the strong	**GRANTS (TI): POSITIVE** - Positive direct outcomes on gross fixed capital, employment and productivity: positive - A rather low deadweight effect was estimated by	**POSITIVE** - Positive direct outcomes on fixed assets, sales and profit. - Durability of effects: unclear - Deadweight effect of public support: very low for micro-enterprises	**POSITIVE with uncertainty** - Positive direct outcomes on productivity and revenues. - Mixed qualitative evidence on the durability of effects	**MEDIUM (with uncertainty)** - Not clear visible effects on productivity and revenues. - Durability of effects: low - Low deadweight effect for smaller enterprises, higher for small and

[92] A very small percentage of these projects (5%) is not completed yet.

	Ireland	West Netherlands	Thüringen	Poland	Lithuania	Slovenia
	organisations, which closely accompany the SMEs on their growth path. - Very low deadweight effect for micro-enterprises (target of the instrument).	synergies with other instruments, which closely accompany the SMEs on their growth path and thanks to the involvement of co-private investors on companies' board. - Very low deadweight effect for innovative SMEs in the valley of death (target of the instrument).	interviewed stakeholders and a survey's beneficiary **GRANT+LOANS (TI): POSITIVE** - Higher increase in employment as compared to SMEs with only grants **LOANS (TD): POSITIVE** - Positive outcomes on gross fixed assets, employment and productivity	(80% of total beneficiaries).	- Deadweight effect of public support: low	medium sized entities
	Confidence in results: MEDIUM. Based on desk research, interviews, descriptive statistics analysis of projects / beneficiaries, and a basic econometric analysis. No strong causal relationship can be established from the quantitative analysis.	**Confidence in results: LOW** Investments were implemented very recently or are still ongoing. Results are based on desk research, a descriptive statistical analysis of projects / beneficiaries and interviews with different stakeholders, including the fund manager, co-private investors, beneficiary SMEs.	**Confidence in results: MEDIUM**. Results are based on desk research, including an existing evaluation on the specific instrument, interviews, descriptive statistics analysis of projects / beneficiaries, and result indicators	**Confidence in results: MEDIUM**. No existing evaluations. Results are based on desk research, interviews, descriptive statistics analysis of projects / beneficiaries, and a before-after comparison of supported beneficiaries in terms of indicators regarding the size of fixed assets, revenues, and net profit. No causal relationship can be established from the quantitative analysis	**Confidence in results: LOW**. Based on a previous macroeconomic evaluation, interviews, descriptive statistics analysis of projects / beneficiaries, and result indicators. However, the result indicators are of limited use as investments were implemented very recently or are still ongoing.	**Confidence in results: MEDIUM**. Based on desk research, interviews, descriptive statistics analysis of projects / beneficiaries, and a basic econometric analysis. No strong causal relationship can be established from the quantitative analysis.
Systemic outcomes	**MODERATELY POSITIVE CONTRIBUTION** The instrument has contributed to the positive employment trend observed at the aggregate level, despite the limited role of ERDF in the country. The measure under scope has operated	**NO EVIDENCE OF IMPACT** Due to the ongoing nature of the instrument, it is not possible to assess outcomes at a more systemic level. Also, the impact at the macro level would be rather difficult to detect, given that only 6 SMEs were supported by	**MODERATELY POSITIVE CONTRIBUTION** The instrument contributed to the capital intensification and job creation in the region. Investments in tangible and intangible assets supported under ERDF account for at least 10%	**MODERATELY POSITIVE CONTRIBUTION** The instrument contributed to the increased total assets, sales, net profit in the Polish region. The instrument also produced important social effects through the system of	**MODERATELY POSITIVE CONTRIBUTION** The instrument contributed to the positive trends observed at aggregate level in terms of productivity and revenues.	**ONLY MARGINAL CONTRIBUTION** The instrument only marginally contributed to the positive outcomes at country level. Regional disparities between the East and West regions still persist and it is unlike that the instrument alone helped offset the negative

	Ireland	West Netherlands	Thüringen	Poland	Lithuania	Slovenia
	in close coordination and synergy with nationally funded instruments.	the instrument under scope.	of the total investment volume activated in the manufacturing sector in Thüringen during the 2014-2020 programming period.	preferences implemented in it, in particular focusing on the smallest companies (over 80% are micro-enterprises) and young companies (23% are start-ups).		regional trends.
	Confidence in results: MEDIUM. - Based on desk research, interviews, descriptive statistics analysis of projects / beneficiaries, and a basic econometric analysis. No strong causal relationship can be established from the quantitative analysis.	**Confidence in results: LOW** Investments were implemented very recently or are still ongoing. Results are based on desk research, a descriptive statistical analysis of projects / beneficiaries and interviews with different stakeholders, including the fund manager, co-private investors, beneficiary SMEs.	**Confidence in results: MEDIUM**. Results are based on desk research, including an existing evaluation on the specific instrument, interviews, descriptive statistics analysis of projects / beneficiaries, and result indicators.	**Confidence in results: MEDIUM**. No existing evaluations. Results are based on desk research, interviews, descriptive statistics analysis of projects / beneficiaries, and a before-after comparison of supported beneficiaries in terms of indicators regarding the size of fixed assets, revenues, and net profit. No causal relationship can be established from the quantitative analysis.	**Confidence in results: LOW**. Based on a previous macroeconomic evaluation, interviews, descriptive statistics analysis of projects / beneficiaries, and result indicators. However, the result indicators are of limited use as investments were implemented very recently or are still ongoing.	**Confidence in results: MEDIUM**. - Based on desk research, interviews, descriptive statistics analysis of projects / beneficiaries, and a basic econometric analysis. No strong causal relationship can be established from the quantitative analysis.

Table 33 – Services for business growth, modernisation and networking: Synthesis of outputs and outcomes achieved

	Hessen (Germany)	Malta	Slovakia
Outputs	**MODERATE:** Advisory on PIUS, digitalisation and applications for innovation funding programmes: - 12.508 days of advisory were delivered by 2023 exceeding the forecast of 11.137 days; - RKW Hessen GmbH conducted a total of 1.117 advisory missions between 2014 and 2020. Local Economy Programmes: - 145 enterprises in 11 cities received support; - 18.460 business startups in 2022, falling short of 2023 target value of 38.370 business startups.	**POSITIVE:** - 329 distinct beneficiaries were reached, and 334 projects were selected. This target was later raised to 250 enterprises and still exceeded by actual numbers.	**MODERATE:** - 3.200 enterprises were reached by the NPC in regions and 2.670 by the NPC II BA County. The NPC in regions reached more enterprises than expected (actually 3.801), but the NPC II BA County reached less than expected (actually 2.571).
	Confidence in results[93]: HIGH. Based on monitoring indicators and interviews with the programme managers and independent experts.	**Confidence in results: HIGH**. Based on monitoring indicators and interviews with the programme manager and the implementing body.	**Confidence in results: HIGH**. Based on monitoring indicators and interviews with the programme manager and the implementing body.
Outcomes for beneficiaries	**POSITIVE:** - Enterprises expect a growth in sales of 12 percent on average per year following the valorisation of research and development projects	**POSITIVE:** - The SME Consultancy Services Grant Scheme, when combined with the other ERDF grant schemes supporting investments. helped beneficiaries grow between 16 to 35 percent.	**MODERATE:** - Firms supported by the NPC II BA County and the NPC in regions and those that were not accounted for high increases in their equity, assets, sales, value added and profits, suggesting self-selection effects.
	Confidence in results: MEDIUM. Results from an enterprise survey from a previous evaluation study.	**Confidence in results: HIGH**. Based on monitoring indicators and interviews with the programme manager and the implementing body.	**Confidence in results: HIGH**. Based on monitoring indicators and interviews with the programme manager and the implementing body.
Systemic outcomes	**POSITIVE:** - GDP growth between 2014 to 2021 (at current market prices): 20,19 percent. - Stable employment rate between 2018 and 2022 (from 75,1 to 74,8 percent).	**POSITIVE:** - GDP growth between 2014 to 2021 (at current market prices): 71,21 percent. - Increased employment rate between 2018 and 2022 (from 71,9 to 77,6 percent).	**POSITIVE:** - GDP growth between 2014 to 2021 (at current market prices): 29,03 percent. - Increased employment rate between 2018 and 2022 (from 67,6 to 71,3 percent).

[93] Based on underlying data sources.

	Hessen (Germany)	Malta	Slovakia
	Confidence in results: LOW. Based on Eurostat data.	- **Confidence in results: LOW**. Based on Eurostat data.	- **Confidence in results: LOW**. Based on Eurostat data.

Table 34 – Support to tourism and CCI: Synthesis of outputs and outcomes achieved

	Estonia	Midi-Pyrénées and Garonne (France)	Greece
Outputs	**POSITIVE** The implementation of the instrument is being wrapped up but was largely successful. Main expected outputs: - Measures supporting infrastructural expansion & renovation and the purchase of equipment; (limited) - Measures supporting SMEs in the development of new marketing strategies and other means to enhance their overall visibility; - Measures designed to foster behavioural change at the entrepreneurial level in an effort to improve productivity and develop new business models	**POSITIVE** The implementation of the instrument was fully completed. Main expected outputs: - Measures supporting infrastructural expansion & renovation; (core focus) - Measures supporting SMEs in the development of new marketing strategies and other means to enhance their overall visibility; - Measures designed to foster behavioural change at the entrepreneurial level in an effort to improve productivity and develop new business models	**MODERATE** There were implementation delays due to lengthy process and COVID-19 pandemic-related delays. Main expected outputs: - Measures supporting infrastructural expansion & renovation and the purchase of equipment;
	Confidence in results: MEDIUM Results are based on descriptive statistical analysis on funded operations and SMEs, desk research, interviews, existing evaluation of the specific policy instrument.	**Confidence in results: MEDIUM** Results are based on descriptive statistical analysis on funded operations and SMEs, desk research, interviews, existing evaluation of the specific policy instrument.	**Confidence in results: MEDIUM** Results are based on descriptive statistical analysis on funded operations and SMEs, desk research, interviews, existing evaluation of the specific policy instrument.
Outcomes for beneficiaries and durability	**POSITIVE** - Changes to the business model and associated increases in productivity & development of new marketing strategies and enhanced visibility. - Durability of effects can be presumed given positive initial feedback from beneficiaries and managing authorities.	**POSITIVE** - Building renovation and expansion, thus increased and/or qualitatively improved capacity for hosting tourists; - Durability of effects is potentially ensured by high quality of project selection. Initial feedback illustrates.	**MODERATE** - Building renovation and expansion, thus increased and/or qualitatively improved capacity for hosting tourists; - Durability remains to be demonstrated: increases in demand of services remains to be demonstrated given little effort devoted to measures destined to enhance visibility of beneficiaries
	Confidence in results: MEDIUM Results are based on descriptive statistical analysis on funded operations and SMEs, desk research, interviews, existing evaluation of the specific policy instrument.	**Confidence in results: MEDIUM** Results are based on descriptive statistical analysis on funded operations and SMEs, desk research, interviews, existing evaluation of the specific policy instrument.	**Confidence in results: MEDIUM** Results are based on descriptive statistical analysis on funded operations and SMEs, desk research, interviews, existing evaluation of the specific policy instrument.
Systemic outcomes	**UNCERTAIN** It is too early to have conclusive evidence. Nevertheless, there are initial indications of improved SME visibility and increases in productivity due to process innovations. Initial	**UNCERTAIN** It is too early to have conclusive evidence. Nevertheless, the initial feedback is positive: beneficiaries have benefitted substantially from ERDF	**UNCERTAIN** It is too early to have conclusive evidence. There was an increase in employment but no evidence so far of enhanced competitiveness. Large scope of measure

	Estonia	Midi-Pyrénées and Garonne (France)	Greece
	indications suggests a positive contribution to faster-than-expected post-pandemic recovery.	support, & transformation of business model associated with structural renovation has yielded important results.	suggests that impact at the systemic level will be felt, provided that increased capacity is served by increase demand.
	Confidence in results: LOW	**Confidence in results: LOW**	**Confidence in results: LOW**

Table 35 – Liquidity and working capital support: Synthesis of outputs and outcomes achieved

	Ile-de-France (France)	Greece	Italy	Portugal	Romania
Outputs	**POSITIVE** - Loans approved as of August 2022 under ERDF/REACT-EU: 4,070 (3,317 under the ERDF and 753 under REACT-EU) - Number of unique beneficiaries supported as of end 2022: 3,983 (0.7% of all regional SMEs as reported in regional statistics), of which 3,323 under the ERDF and 660 under REACT-EU - Level of achievement of the target set in terms of number of enterprises: 140% under ERDF and 98.9% under REACT-EU - Beneficiaries mainly used support for covering working capital requirements and only to a lesser extent for small investments - The region disbursed 30% of the loans awarded at the national level through the instrument, aligning with the total allocated budget	**For all instruments: POSITIVE** - Interest Subsidy: under the 1° round 22,889 unique beneficiaries (98% of the expected target, 1.6% of all SMEs) receiving EUR 310.2 million (130% of the target); under the 2° round 9,045 beneficiaries (96% of the expected target, 0.6% of all SMEs) receiving EUR 63.2 million (87% of the target). Across all rounds, unique beneficiaries were 25,121 - Guarantee fund: 15,630 unique beneficiaries (69% of the target, 1.1% of all SMEs) for EUR 3.5 billion of loans (90% of the target) - Repayable Advance: 1° round 50,103 unique beneficiaries (96% of the expected target, 3.6% of all SMEs) absorbing 93% of the budget; under the 2° round 57,819 beneficiaries (98% of the expected target, 4.2% of all SMEs) absorbing 98% of the budget. Across all rounds, unique beneficiaries were 92,952 - Non-repayable Central Macedonia: 6,820 unique beneficiaries (3% of total SMEs in the region, considering all sectors) - Non-repayable Thessaly: 1,008 unique beneficiaries (0.9% of total SMEs in the region, considering all sectors) - The estimated number of unique SMEs reached by all	**POSITIVE** - Loans guaranteed as of March 2023: 314,163 (254,628 under the ERDF and 59,535 under REACT-EU) - Number of unique beneficiaries as of end 2022: 266,725 (104% of the expected target), increased to 279,907 as of March 2023 (7.7% of all Italian SMEs in the non-financial sectors B to N of the NACE Rev.2 as per Eurostat data or 6.2% of all Italian SMEs considering all sectors as per ISTAT data) - Loan amount activated as of end 2022: EUR 19.08 billion (104% of the established target)	**APOIAR and APOIAR + SIMPLES: POSITIVE** **APOIAR RENDAS: MODERATE** - APOIAR: 53,440 unique beneficiaries (3.2% of all Portuguese SMEs in the mainland) absorbing 94% of the allocated budget - APOIAR + SIMPLES: 19,946 unique beneficiaries (1.2% of all Portuguese SMEs in the mainland) absorbing 110% of the allocated budget - APOIAR RENDAS: 24,243 unique beneficiaries (1.4% of all Portuguese SMEs in the mainland) absorbing 43% of the allocated budget - The number of unique SMEs across all measures is of 74,206 (8.1% of all Portuguese SMEs in the non-financial sectors B to N of the NACE Rev.2 as per Eurostat data or 5.8% of SMEs in the mainland considering all sectors as per Banco do Portugal data)	**For all instruments: POSITIVE** - Micro grants: 44,710 unique beneficiaries as of July 2023 (90% of the expected target) - Working capital grants: 17,029 unique beneficiaries as of July 2023 (134% of the expected target) - Both measures reached 61,739 firms, i.e., 11.4% of all Romanian SMEs in the non-financial sectors B to N of the NACE Rev.2 (Eurostat data), or 6.6% if considering SMEs (including individual companies) across all sectors (data from the national statistical office)

	Ile-de-France (France)	Greece	Italy	Portugal	Romania
		measures is 145,514 (20.5% of all Greek SMEs in the non-financial sectors B to N of the NACE Rev.2 as per Eurostat data or 10.5% of all Greek SMEs considering all sectors as per ELSTAT data)			
	Confidence in results: HIGH. Based on monitoring indicators, data on funded beneficiaries and interviews with the programme managers.	**Confidence in results: HIGH**. Based on monitoring indicators, data on funded beneficiaries and interviews with the programme manager and the implementing body.	**Confidence in results: HIGH.** Based on monitoring indicators, data on funded beneficiaries and interviews with the programme manager and the implementing body.	**Confidence in results: HIGH**. Based on monitoring indicators, data on funded beneficiaries and interviews with the programme manager and the implementing body.	**Confidence in results: HIGH.** Based on monitoring indicator, data on funded beneficiaries and interviews with the programme managers.
Outcomes for beneficiaries	**POSITIVE** - Direct outcomes on survival rates: more than 91% of companies supported as of end 2020 are still active. - Durability of effects: too early to say, in light of the changing circumstances (Russia-Ukraine war, increase in energy prices and inflation rate). - Deadweight effect: difficult to assess, probably high for companies that also benefitted from the national guarantee scheme.	**For all instruments: POSITIVE** - Interest Subsidy: all enterprises still operating in 2022, only 3.4% did not maintain the same level of employment; in others, the number of employees even increased - Guarantee fund: until 31/12/2022 there was not any evidence reported on loans that could not be repaid due to bankruptcy - Repayable Advance: the condition of employment preservation was respected by 99.36% of beneficiaries in the first round and 99.55% under the second round and it can therefore be assumed that all these beneficiaries have survived - Non-repayable Central Macedonia: Out of the 6,820 beneficiaries, all except 108 have fulfilled the basic criterion of being active - Non-repayable Thessaly: Out of the 1,008 beneficiaries, only 26 individuals or entities	**POSITIVE** - Direct outcomes on survival rates: anecdotal evidence from interviews with the Managing Authority and the body overseeing the Guarantee Fund indicates that survival and loan default rates have not been a cause for concern - Durability of effects: too early to say, in light of the changing circumstances (Russia-Ukraine war, increase in energy prices and inflation rate). - Deadweight effect: not possible to assess whether firms would have survived in any case; however, it appears that the support provided through the guarantee generated additional bank credit.	**For all instruments: POSITIVE** - Direct outcomes on survival rates and employment: As of the conclusion of 2021, an impressive 98.3% of supported firms had successfully endured, and within these firms, employment had experienced a notable increase of 4.8% throughout the year. By the end of 2022, 95.6% of supported firms had managed to sustain themselves, and employment within these entities had further grown by 5.6% over the course of 2022. - Durability of effects: too early to say, in light of the changing circumstances (Russia-Ukraine war, increase in energy prices and inflation rate). - Deadweight effect: depending on specific context conditions that could not predicted ex ante.	**POSITIVE** - Direct outcomes on survival rates: under Measure 2, for 16,432 beneficiaries it has been checked whether they are in insolvency or bankruptcy. From this analysis, it has emerged that 99.2% companies are still alive.

	Ile-de-France (France)	Greece	Italy	Portugal	Romania
		encountered challenges during the final evaluation of their project, and thus far, there have been no reported cases of bankruptcy. - Durability of effects: too early to say, in light of the changing circumstances (Russia-Ukraine war, increase in energy prices and inflation rate). - Deadweight effect: not possible to assess			
	Confidence in results: MEDIUM - No existing CIE. Results are based on a descriptive statistical analysis of information on the status of enterprises retrieved from the ORBIS database on beneficiaries. - Interviews with programme managers also provided anecdotal evidence.	**Confidence in results: MEDIUM** - No existing CIE. Results are based on a descriptive statistical analysis of information provided by the Managing Authority on bankruptcy rates and/or employment levels and interviews with the programme manager and the implementing body.	**Confidence in results: LOW.** - No existing CIE. Results are based anecdotal information provided by the Managing Authority and interviews with the programme manager and the implementing body and some preliminary studies carried out by Bank of Italy in 2021 and 2022.	**Confidence in results: MEDIUM** - No existing CIE. Results are based on a descriptive statistical analysis of information provided by the Managing Authority on bankruptcy rates and interviews with the programme manager and the implementing body.	**Confidence in results: MEDIUM** - No existing CIE. Results are based on a descriptive statistical analysis of information provided by the Managing Authority on bankruptcy rates.
Systemic outcomes	**MODERATE CONTRIBUTION** - Economic recovery started in 2021 - Between March 2020 and October 2021, approximately 40,000 company failures were avoided, representing a decline of 45% compared to the previous year - The instrument's contribution is probably limited, due to the small volume of loans activated and the low share of SMEs supported (0.7% of all regional SMEs), compared to the similar instrument	**POSITIVE CONTRIBUTION** - Economic recovery started in late 2021 - Employment in the most affected sectors by the pandemic has remained overall stable or even increased both at national level and in the regions Central Macedonia and Thessaly - The contribution of national instruments is probably high as ERDF was the main source of support for liquidity and working capital, and this	**MODERATE CONTRIBUTION** - Economic recovery started in 2021 - Orlando and Rodano (2022) highlights a decrease in the number of bankruptcies during 2020 and 2021, even after the removal of bankruptcy moratoriums. This positive outcome can be attributed to the comprehensive package of government measures implemented, which includes the Guarantee Fund, including its specific section	**POSITIVE CONTRIBUTION** - Economic recovery started in 2021 - SMEs in the tourism sector, which experienced a sharp decline in value added and employment in 2020, have partially recovered, registering a 4.6% increase in value added and a 0.4% increase in employment in 2021 - The contribution of national instruments is probably high as ERDF has been widely used to support firms in the	**POSITIVE CONTRIBUTION** - Economic recovery started in 2021 - The contribution of ERDF instruments is probably high as it has been widely used to support firms that could not be targeted by other national financial instruments

	Ile-de-France (France)	Greece	Italy	Portugal	Romania
	providing guarantees through national funds	holds true also for the region Thessaly. In Central Macedonia, more than 40% of beneficiaries also benefitted from ERDF national instruments and it is therefore difficult to ascertain contribution.	funded by the ERDF. However, it is challenging to attribute specific results solely to the ERDF, as the overall impact is influenced by multiple factors and interventions.	tourism and accommodation sectors.	
	Confidence in results: LOW - No existing evaluations. Results are only based on a descriptive statistical analysis at the regional level and interviews.	**Confidence in results: LOW** - No existing evaluations. Results are only based on a descriptive statistical analysis at the regional level and interviews.	**Confidence in results: LOW** - No existing evaluations. Results are only based on a descriptive statistical analysis at the regional level and interviews.	**Confidence in results: LOW** No existing evaluations. Results are only based on a descriptive statistical analysis at the regional level and interviews.	**Confidence in results: LOW** No existing evaluations. Results are only based on a descriptive statistical analysis at the regional level and interviews.

Annex VII. Factors influencing the efficiency of policy instruments

Different characteristics related to the design and implementation of ERDF interventions play a pivotal role in shaping the administrative costs incurred by SMEs and administrations, **as well as influencing the results achieved by interventions** in terms of SME performance, reduced territorial and social disparities and systemic impacts at the regional and national level.

The following table provides a synthesis of the characteristics of the different forms of finance that, according to the available evidence, are more likely to be associated with either higher administrative costs reduction or enhanced benefits in comparison to others. More specifically, a flag has been included in the table to indicate instances where evaluation findings suggest a potential correlation between specific characteristics and a more noticeable decrease in administrative costs or a greater likelihood of generating distinct benefits compared to other attributes.

This table provide indications for understanding which characteristics ERDF interventions should possess to make a more substantial contribution to either reducing administrative costs or enhancing benefits, depending on the outcomes administrations prioritise when using ERDF support. However, it should be interpreted with caution as not all characteristics are universally applicable, and certain forms of support or delivery mechanisms may not always align with specific policy goals[94] or contexts.[95]

[94] This is evidenced by the fact that, for instance, ERDF support to SME internationalisation is typically provided through non-repayable grants only. Only in the case of particular policy instruments such as “Support to company creation” or “Support to production expansion, productivity and modernisation” or “Liquidity and working capital support”, financial instruments are generally used along with non-repayable grants.

[95] There are some contextual conditions that should be taken into consideration while deciding which forms of finance should be applied, such as the availability of capable intermediary organisations to assist SMEs or the presence of private financial institutions willing to participate in the design and implementation of ERDF-backed financial instruments. In cases where proficient intermediary organisations are absent or when such financial institutions are unavailable, alternative approaches to non-repayable grant schemes intermediated or financial instruments, respectively, may be more suitable.

Table 36 – Identification of the implementation modalities more likely associated with higher administrative costs' reduction or enhanced benefits and related key factors

Characteristics of instruments	Higher cost reduction		Higher benefits			Key factors
	Reduced costs for SMEs across the different phases	Reduced costs for the administrations across the different phases	Direct benefits: improved SME performance	Indirect benefits: improved territorial and/or social convergence	Indirect benefits: wider systemic economic impacts	
Repayable forms of support, including financial instruments						
In the form of debt-line financing (guarantees, loans, repayable grants)	✓	✓	✓		✓	Straightforward eligibility and selection criteria, swift selection process and quick time-to-funding and disbursement Once designed, very quick and easy to launch Greater commitment to repayment Reaching out to many SMEs
In the form of equity financing	✓	✓	✓			Straightforward eligibility and selection criteria, swift selection process and quick time-to-funding and disbursement Targeting to the most promising SMEs with greater commitment to repayment
Provided by public financial institutions	✓	✓		✓		Straightforward eligibility and selection criteria, swift selection process and quick time-to-funding and disbursement Suitable to reach the SMEs most in need and vulnerable
Provided by private financial institutions	✓	✓	✓			Straightforward eligibility and selection criteria, swift selection process and quick time-to-funding and disbursement Targeting to the most promising SMEs with greater commitment to repayment

Non-repayable forms of support						
Provided directly by the MA				✓		Suitable to reach the SMEs most in need and vulnerable
Provided indirectly with the support of intermediaries	✓			✓	✓	Intermediaries equipped to assist SMEs Suitable to reach the SMEs most in need and vulnerable Intermediaries able to reach a high number of SMEs
Based on competitive selection procedures			✓	✓		Suitable to select higher quality project amongst those of the SMEs most in need and vulnerable
Based on first-come-first-served selection approaches	✓	✓				Less detailed set of information and data to submit at the application stage Quicker selection process

Source: CSIL & Prognos.

Annex VIII. Synthesis of the assessment by policy instrument

In addition to the below synthetic table, policy instrument fiches are available in a standalone document accompanying this report.

Table 37 – Synthetic assessment by policy instrument

Policy instrument covered by in-depth evaluation	Relevance	Effectiveness	Coherence	EU added value	Efficiency
Support to company creation	**MODERATE / HIGH** • High relevance to the needs declared by SMEs. • Relevance to the regions' objectives depends on the form of finance and selection process. The evaluation show both positive (e.g. Bulgaria) and negative examples (e.g. Slovakia). • COVID-19 caused minor issues such few delays in project implementations and affected the quality of applications (Spain, Andalucía).	**MIXED** • The instrument achieved positive (e.g. Bulgaria) to moderate/low (e.g. Finland, Spain) outcomes in terms of the survival and economic performance of beneficiaries. • Effectiveness was higher when innovation was involved or the instrument targeted disadvantaged groups. • Uncertainty in the durability of effects, also due to the influence of COVID-19-related measures that could have helped beneficiaries in their survival.	**MODERATE** • Coherence with other ERDF or ESIF measures is considered high, causing no or limited risk of displacement. • Limited risk of displacement with other national or regional measures (e.g. Spain). • Limited knowledge of other EU support instruments prevents both the regional authorities and SMEs to fully exploiting synergies with other available forms of support.	**MODERATE / HIGH** • The ERDF instrument was the main (or only) type of support for company creation available in some region/country (e.g. Bulgaria, Slovakia). • EU value added was particularly high when targeting disadvantaged groups that otherwise would not have been supported. • Continuity of funding triggered experimentation in improving past instruments (e.g. Bulgaria, Slovakia).	**MODERATE** • Digital application procedures and responsive Managing Authorities, ready to address problems experienced by SMEs (e.g. Finland), significantly reduce the administrative burden on SMEs. • Grant schemes were associated with higher administrative burdens for public administrations compared to financial instruments. • Delays in the implementation of financial instruments might have discouraged some applicants (e.g., Bulgaria and Slovakia). However, it could also be seen as time invested in capacity building for the future programming period.
Support to production expansion, productivity	**HIGH** • High relevance to the needs declared by SMEs.	**HIGH WITH SOME DEGREE OF UNCERTAINTY** • The instruments achieved positive (e.g. Ireland, Poland,	**MODERATE** • Coherence with other ERDF, or national and regional measures is considered	**MODERATE / HIGH** • The ERDF instrument was the main (or only) type of support for production	**MODERATE** • The tailored approach of the intermediary local organisations is effective to

Policy instrument covered by in-depth evaluation	Relevance	Effectiveness	Coherence	EU added value	Efficiency
and modernisation	• High relevance was facilitated by having the instrument already in place since the previous programming period (Poland). The intermediary role played by local organisations also helped increase relevance (Ireland). • COVID-19 caused few delays in project implementations, but the Managing Authorities and Implementing Bodies reacted quickly to ensure that support remained relevant to respond to the new needs posed by the pandemic (Germany, Poland).	Thüringen) to moderate (e.g. Slovenia) outcomes in terms of turnover, productivity and employment. • There are initial indications of positive outcomes even in West Netherlands and Lithuania, but only based on a preliminary assessment, considering that these instruments were introduced very recently and most of the projects are still ongoing. • The sustainability of these results remains uncertain. Synergy between different funding sources, with the aim of "following" SMEs over time, is important to ensure broader and more durable effects.	moderate or high, with limited risk of duplication or displacement (except for the guarantee instrument in Poland). • There is more limited evidence of external coherence with other EU intervention (non-ERDF funded). Only more ambitious interventions with a clear focus on innovation or digitisation showed synergies with other EU programmes (West Netherlands, Lithuania).	expansion and productivity available in some regions/countries (Poland, Lithuania) • ERDF support catalysed private investors region/country (West Netherland). • The EU added value was often associated with the continuity of funding over time (Poland, Germany).	ensure micro-enterprises growth, but it comes at high costs for the implementing body (Ireland). • Administrative complexity (e.g., due to not digitised procedures, mandatory stringent requirements) has raised both costs and time of project preparations, often requiring SMEs to resort to external consultants (Slovenia, Lithuania). • Previous experience in the policy instrument helped reduce the administrative burden (Poland).
Services for business growth, modernisation and networking	**MODERATE / HIGH** • Mix relevance to the need of SMEs, as demonstrated by data of support uptake (high in Malta, low in Hessen). • In Slovakia, where there was no similar offer to the established business centres prior to 2014-2020. • Services could generally well adapt to the pandemic, switching to online formats.	**MODERATE** • Positive non-monetary benefits for SMEs: acquisition of new skills, behavioural changes, the establishment of new contacts, and the identification of highly motivated entrepreneurs who were incentivised to open restaurants and shops. • Little to no positive effects on economic indicators of SMEs such as annual growth rate of turnover, profit, and returns of assets. Benefits may materialise later.	**MODERATE** • Some examples of good coordination between different instruments, either intentional (Hessen) or unintentional, achieved in practice by SMEs deciding to use different instruments in combination (Malta). • In Slovakia, clear focus of national funding targeting foreign investment of large companies, but only low support for SMEs through national funding, which are	**LOW / MODERATE** • Very little evidence of EU added value. of the ERDF-supported instruments. The same services could be provided also in the absence of ERDF support through established offers by national and regional actors such as chambers of commerce, businesses associations or consultancies (Hessen and Malta). • Some possible effects reducing disparities include ERDF support targeted at	**MODERATE** • Mix of evidence. Positive when implemented with an open rolling-call system and simplifying requirements for the reimbursement of costs (Malta). Negative when the timing of the calls was unfavourable for SMEs and the instruments required a high level of documentation (Hessen). • Slovak' business centres were efficient and flexible in delivering short-term advice of up to 10 hours as

Policy instrument covered by in-depth evaluation	Relevance	Effectiveness	Coherence	EU added value	Efficiency
		• Stronger evidence of effectiveness when advisory services were combined and followed-by support to investment projects (Malta).	largely supported by the ERDF. • In Malta, possible displacement mechanisms of the ERDF support caused by the co-existence of similar policy instruments at the national level.	businesses in structurally weak areas in Hessen, and support intensity calibrated according to the location of business centres in Slovakia, with those in non-Bratislava regions benefiting disproportionately more from support than others.	compared to longer individual consultations.
Support to export and entry into new markets	**MODERATE / HIGH** • High relevance to the needs declared by SMEs at the beginning of the programming period. • Relevance to the regions' objectives depended on the selection and award procedures: the evaluation shows both positive (Poland) and negative examples (Tuscany). • COVID caused some negative effects. The instrument was properly adjusted to minimise project cancelations. • High relevance was facilitated by having the instrument already in place since the previous programming period; some fine-tuning in the targeting strategy helped increase relevance. On the contrary, completely new piloted instruments incurred the risk	**MIXED** • Positive impacts for beneficiary SMEs that implemented more ambitious projects (larger, multiple activities). • Collaborative projects were effective only if coordinated by established and capable consortia; lower effectiveness is associated with temporary networks of SMEs. • Limited evidence of positive and durable effects for vouchers.	**MODERATE** • Coherence with other national measures is considered moderate or high, with limited risk of duplication or displacement. • Limited knowledge of other EU support instruments prevents both the regional authorities and SMEs to fully exploiting synergies with other available forms of support.	**MODERATE** • The ERDF instrument was often the main (or only) type of support for SME internationalisation available in the region/country. • EU added value can be maximised if the instrument explicitly focuses on ambitious projects, so that it can trigger scale effects. This was not always the case.	**MODERATE / HIGH** • Actions were taken to reduce the administrative burden and simplify/accelerate selection procedures. • These measures generally benefited the implementation bodies; however, in some cases (Tuscany) they did not reduce the burden for SMEs

Policy instrument covered by in-depth evaluation	Relevance	Effectiveness	Coherence	EU added value	Efficiency
	of being less relevant (e.g. vouchers in Portugal).				
Support to tourism	**MODERATE / HIGH** • The support was deemed relevant to the extent that it allowed for improvement of the productivity of enterprises and fostered their structural transformation. • The adequacy of the financial envelope varied; the COVID-19 pandemic complicated comprehensive assessments. • Delivery mechanisms were adequate. • The Managing Authorities promptly reacted to the COVID-19 pandemic, by increasing funding to address the liquidity problems of the sector. This ensured a significant uptake of ERDF instruments.	**HIGH BUT WITH SOME UNCERTAINTY** • Evidence that expected outputs and outcomes were largely achieved: renovation and expansion works improved hosting capacity and the tourism offer, changes in business models through development of new marketing strategies and digitalisation. • COVID-19 caused some implementation delays (Greece). At the same time, some companies took advantage of the temporary business closures during lockdowns to make renovation works and other investments. • The assessment is based mostly on qualitative evidence, combined with analysis of monitoring indicators. No counterfactual impact evaluations could be performed, which leaves a marginal level of uncertainty in the assessment.	**HIGH** • The measures' overall fit within the national policy mixes was good; different mechanisms were used but complementary was ensured. • Coherence with other EU support (COSME, INTERREG) was assessed positively.	**MODERATE** • ERDF support was associated with some leveraging and catalyst effects. • In Greece, ERDF provided the bulk of support for the tourism sector, especially targeting smaller enterprises. Without this ERDF support, such assistance would not have been possible.	**MODERATE** • Mix evidence: no major inefficiencies in Estonia; lengthy bureaucratic procedures and other administrative difficulties in France and Greece. • The prompt initiation of expenditure at the beginning of the programming period, coupled with strict implementation guidelines and coaching services allowed for seamless project execution (France).
Development of industrial areas	**HIGH** • The relevance of this policy instrument was seen as high	**LOW, BUT HIGH DEGREE OF UNCERTAINTY**	**HIGH**	**MODERATE / HIGH** • The instrument provided a long-term perspective, often	**MODERATE** • Smaller up to larger inefficiencies were recorded,

Policy instrument covered by in-depth evaluation	Relevance	Effectiveness	Coherence	EU added value	Efficiency
	as it addresses a basic need of SMEs in the regions targeted by the intervention. • The demand for the areas developed with ERDF funding was in line with / exceeding expectations.	• The achievement of outputs varies between the projects observed. Significant delays were noted Wallonia. • Outcomes on SMEs or regional competitiveness were not reported yet and are of a rather long-term nature, i.e. difficult to assess.	• Coherence with other national/regional measures was high. • The design of the interventions ensured that overlaps to other, similar measures were avoided. • ERDF funding for industrial areas fit well into national policy mixes.	with a continuity over several funding periods. • In most cases, the instrument was the only instrument available for this type of support, making it crucial for industrial area support. • Without the support, the projects would not have been feasible or to a smaller extent.	mostly concerning projects' delays. • Some influencing factors could not be addressed by the Managing Authorities (i.e. regulatory procedures) that impacted the interventions. • In other cases, the Managing Authority had the chance to subsequently finetune the calls to avoid predictable inefficiencies.
Liquidity and working capital support	**MODERATE / HIGH** • The relevance of this policy instrument is unanimously considered very high by both Managing Authorities and SMEs. • The instrument was rapidly integrated by Member States when the COVID pandemic hit the EU. This involved either crafting new instruments or modifying existing ones to suit the specific needs of their economies. • The unforeseen developments of the pandemic sometimes complicated budgetary estimations for these measures.	**HIGH WITH SOME DEGREE OF UNCERTAINTY** • The instruments generally achieved positive outcomes in terms of company survival rates and employment levels, thanks to the holistic approach of EU and national measures deployed to mitigate the pandemic's impact on SMEs. • However, the sustainability of these results remains uncertain. The ERDF instrument provided short-term support to keep businesses operational until the crisis abated, but the evolving macroeconomic and geopolitical landscape in 2022 introduced new challenges for SMEs, potentially leading to further repercussions.	**MODERATE / HIGH** • The instruments generally aligned well with the mix of other ERDF, national, and regional instruments deployed to support the liquidity and working capital needs of SMEs. There are no evident overlaps or duplications, except in certain cases where coordination mechanisms or demarcation lines were not clearly established. • The instruments demonstrated a good level of coherence with other EU interventions that were not funded by the ERDF. Coherence was generally ensured by establishing clear demarcation lines.	**MODERATE** • In most Member States, ERDF for liquidity purposes was limited compared to the amount of national funding available. • EU added value of ERDF support was particularly high in Member States where it served as the primary funding source or targeted SMEs facing barriers to accessing other national or regional measures. • In some instances, the added value of ERDF funds rested on their distinct utilisation compared to national or regional funding. Specifically, they were primarily directed towards bolstering less developed regions, thus reinforcing the core objective of territorial cohesion.	**MODERATE / HIGH** • The instrument was swiftly deployed, smoothly implemented, and timely disbursed. • In some countries, the crisis provided an opportunity to enhance digitalisation within public administration and foster interoperability among existing data sources, significantly reducing the administrative burden on SMEs and accelerating fund absorption.

Source: CSIL and Prognos.

Annex IX. Country fiches

The country fiches are available in a standalone document accompanying this report.

Annex X. List of references

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