

Evaluation of the contribution of the Economy 2020 priority axis 1 to achievement of the objectives set in the ERDF 2014-2020 operational programme Wallonia-2020.EU

Executive Summary

In the framework of the 2014-2020 programme of the European Structural Funds, Wallonia receives assistance for two categories of regions, namely 'Transition Regions' for the provinces of Hainaut, Liège, Namur and Luxembourg, and 'More Developed Regions' for Walloon Brabant. The financial resources allocated to Wallonia in the framework of the ERDF for the 2014-2020 programme amount to 682 million euro.

With the Economy 2020 axis 1, Wallonia aims to enhance the competitiveness of Walloon SMEs by densification and diversification of SMEs and improved labour productivity. Axis 1 concerns, more specifically:

- Support for entrepreneurship, growth in the number and the survival rate of SMEs through measures to support investment (Measure 1.1.1), for business capital and loans, for spinoffs and spinouts (Measure 1.1.2), for creation or reclassification of EAZs in keeping with the transition to a low-carbon economy (Measure 1.1.3) or for economic development support (Measure 1.1.4)
- The growth of high-potential SMEs through proactive economic development support (Measure 1.2.1)
- Stimulation of the economic performance of businesses through implementation of the circular economy (Measure 1.3.1) and development of EAZs of high environmental quality (Measure 1.3.2).

In this context, the Walloon Region (represented by the Department for the Coordination of Structural Funds), in compliance with Regulation (EC) 1303/2013 (Art. 56), has commissioned an *in itinere* evaluation of the impact of the measures implemented through the Economy 2020 priority axis 1 of the ERDF 2014-2020 OP. This evaluation concerns the period from 1 January 2014 to 31 December 2018. The consultant's mission took place from April 2019 to April 2020.

The framework chosen and validated for carrying out this evaluation is based on the intervention rationale of axis 1 and on a specific number of evaluation questions to be examined. Several methods were used to conduct the evaluation: analyses of quantitative data, interviews and focus groups with beneficiaries, telephone interviews and online surveys. All this information was consolidated to formulate the evaluation findings.

The aim of this *in itinere* evaluation was thus to evaluate the contribution of axis 1 to achievement of the objectives of the ERDF 2014-2020 OP, including analysis of the current results of implementation of the projects.

A variable level of achievement of results

At the end of this *in itinere* evaluation, the **results generated** and the contribution of the measures of axis 1 to achievement of the OP are relatively variable from one measure to another, and so present a diversified picture. We note, on the one hand, relatively structured measures, the success of which is observed in the course of the various programmes, and that have undergone continuous improvements and, on the other hand, more recent measures intended for a more limited number of beneficiaries that have experienced very significant delays in their implementation, or have not yet even started. Thus, the measures on

financing of business investments, financing by capital or microcredit and economic development support have achieved and even exceeded the objectives that had been set for 2018; the results specified for these same measures for 2023 should be easily achieved given their current rate of implementation. On the other hand, the measures on reclassification of economic activity zones (EAZs) and the measure on development of the circular economy have experienced especially significant delays, and the results obtained at this stage are well below the anticipated results. Their rate of implementation will need to accelerate during the second part of the programme to achieve the objectives set for 2023.

Measures for support by financial instruments of proven efficacy

In terms of the **efficacy** of each of these measures, this consists of measuring the contribution of the results to the achievement of the objectives set, and it is addressed to the beneficiaries in particular. This involves analysing the achievements, results and impacts of the programme and their compliance with the objectives set, with the aim of understanding why they are subject or likely to be subject to variations.

On the basis of the information collected and the quantitative data obtained, it appears that **Measure 1.1.1 and Measure 1.1.2 are effective**. The objectives of Measure 1.1.1 have in fact been achieved for the period considered; businesses have made new investments, these businesses have created jobs, and that has generally contributed to their growth or the expansion of their activities. Furthermore, the data show that the businesses supported in the framework of this measure have a survival rate of 100%, which is above the Walloon average. Measure 1.1.2 can also be considered effective in terms of the aforementioned definition, with regard to both the risk capital aspect and the microcredit aspect. The planned objectives for this measure have in fact been met, and in terms of its contribution to the expected results and the rationale for intervention, the businesses supported in this framework have access to private financing due to the positive leveraging effect of the measure, and so can make new investments. This allows acquisition of businesses or expansion of existing businesses. The survival rate of the businesses supported in the framework of this measure is also above the Walloon average (94.5%). Growth in terms of jobs seems less obvious, although job creation is more dynamic among the businesses supported; the causal relation cannot be demonstrated completely unambiguously. Furthermore, a temporal effect in terms of job creation should not be neglected, and this indicator should be evaluated further and analysed at the end of the programme period in the framework of the *ex post* evaluation.

An efficacy for the economic development coordination measures that is more complex to evaluate

The question of the efficacy of **Measures 1.1.4 and 1.2.1** is more complex to deal with due to certain methodological biases in following up the performance indicators related to these measures. Thus, these indicators suggest an especially high efficacy of the two measures regarding the **number of cases** completed compared to the objectives set at the beginning of the programme. However, these indicators should be interpreted with caution, given that they are related more to a production rationale than a rationale of efficiency of the measure. Furthermore, the evaluation has detected a difference in interpretation of the indicators; the DCSF has carried out work to harmonise these. We also note that **the scope and degree of support** can vary from one operator to another, from one final beneficiary to another. Overall, the support provided in the framework of Measure 1.1.4 is more intermittent than in the framework of Measure 1.2.1.

Measure 1.2.1 had the objective of responding to certain changes recommended by the European Commission and certain recommendations formulated in the framework of evaluation of the preceding programme, especially by focusing on **businesses with higher growth potential** and promoting professionalisation of the support. It emerges from the analyses conducted that this criterion of high potential or capacity for growth has never been clearly defined from an operational viewpoint and that the

selection that is made is left to the discretion of the operators. Consequently, the **quality of the selection is variable** depending on the operators, and selection is made at various levels. In terms of the efficacy of this measure, it does fulfil the recommendations of the Commission in its design. In practice, it appears that the effectiveness of the focus on businesses with high potential is highly variable and questionable. The diversity of the beneficiaries, their sectors of activities and their size tend to show this. The establishment of the role of account manager has not fully achieved the anticipated objectives, due in particular to the lack of clarity concerning this role and a differentiated and variable implementation among operators. The suitability of organising such positions at the local scale can also be questioned. The expected gross results have been achieved and significantly exceeded, but there is the question of interpretation of the indicators used, as mentioned above. The available data suggest that the survival rate of the businesses supported in the framework of this measure is slightly below the average Walloon rate, namely 91.4%. This could be explained by the more innovative nature of the businesses targeted.

The main results that were expected from implementation of Measure 1.1.4 were the creation of businesses, the improvement of their survival rate, and an increase in employment. In terms of these objectives and ambitions, **the measure can be considered partially effective**. The survival rate of the businesses supported is in fact above the Walloon average (95.9%). However, in terms of actual creation of businesses, the indicators as established do not allow the degree to which the support has actually led to creation of a business to be evaluated, as businesses and project initiators are accounted for in the same way and without distinction by the operators. The issue of job creation is not obvious either. The follow-up conducted does not allow an impact on employment to be isolated or a growth in employment to be shown that is more dynamic than for other Walloon businesses.

An efficacy not demonstrated at this stage for the “environmental” measures

Measures 1.3.1 and 1.3.2 have not demonstrated their efficacy in the course of this first part of the programme, these measures having been implemented with a significant delay. For Measure 1.3.2, this delay is due mainly to the length of the preliminary procedures related to implementation of infrastructure projects. Measure 1.3.1 had not yet started at the end of 2018. While the initial information available as well as qualitative discussions with the operators and beneficiaries suggest that these measures should be able to contribute to the objectives of more rational use of resources and better environmental performance of business facilities, no tangible factor allows this ambition to be confirmed at this stage.

Overall efficient measures

Evaluation of the **efficiency** of each of these measures involves evaluating the extent to which the results have been achieved at a reasonable cost.

The interventions and activities conducted in the framework of axis 1 are interventions that hardly exist in a similar way on the market, except partially for interventions with regard to financing of investments, risk capital or microcredit. The other interventions are more broadly the province of the public authorities alone. The efficiency of these measures is thus difficult to measure on the basis of comparison with the cost of similar interventions on the market. Consequently, it is **evaluated more from the perspective of the budget estimate that had been conducted prior to** their implementation and in terms of any leverage effects or difficulties encountered in implementing the measures that have an impact on their efficiency.

The efficiency of Measures 1.1.1 and 1.1.2 is in line with the objectives defined in the programme documents. The leverage effect of these measures is also significant, which makes them relatively efficient. We note that with regard to the risk capital aspect of Measure 1.1.2, the revolving nature of several types

of intervention allows funds to be reinjected in the course of the programme, which generates an especially positive leverage effect.

Measurement of the efficiency of **Measures 1.1.4 and 1.2.1** is more complex to evaluate. As the funding does not go directly to businesses, it tends to contribute to financing organisations and their personnel; the connection with the number of cases is not direct. From the point of view of budgetary consumption, the measures are **efficient if we consider only the ratio between the budget spent and the number of cases** compared to the estimates that were made at the beginning of the programme.

With regard to the other measures, the efficiency cannot be fully evaluated given the current level of implementation.

Consistent ambitions ... but a lack of perspective for evaluating their effects and impacts

The **effects** and the **impact** of the measures of axis 1 concern the effect they have on their environment and their contribution to the operational programme. This involves isolating the effects of the intervention insofar as possible, and understanding more broadly the functioning of the programme and the causal relations with the expected results. The effects of the measures have been outlined throughout the evaluation. However, the effects and impacts of axis 1 can only be fully comprehended at the end of the programme period and in the context of the *ex post* evaluation. At this stage, the **medium- and long-term effects cannot yet be detected or displayed**.

The various objectives and intended impacts of the various measures are consistent (cf. below). Each **measure has an effect and impact in line with the expected results, without this being however the only causal relation that could explain the results**. In other words, a cluster of factors internal and external to axis 1 contributes to the growth of the businesses, their survival rate, the increase in investments or the increase in the employment rate.

Thus, **Measure 1.1.1** promotes business investments as well as job creation, and generates more activities due to the leverage effect toward private funding, but also promotes the expansion of business capacities or the development of new production lines. The **survival rate** of these businesses is also higher. With regard to **Measure 1.1.2**, the same effects are identified with the exception of job creation, which has a more indirect nature. As far as the **economic development coordination measures** are concerned, the **impacts and effects are significantly more diffuse** and difficult to isolate. The beneficiaries and end beneficiaries themselves identify few direct impacts, whether job creation, networking of businesses, their sustainability, possible growth or increase in investments is involved. With regard to greater competitiveness of the businesses through more sustainable operation, through lower consumption of resources and energy, the **related measures are at too early a stage** to be able to identify any impact in the framework of the present evaluation. This analysis should receive special attention in the *ex post* evaluation.

A consistent priority axis, both internally and externally

The *in itinere* evaluation also included an evaluation of the internal and external consistency of the measures of the Economy 2020 axis 1. The **internal consistency** aims to evaluate the consistency of the various measures and projects included in axis 1. This thus involves evaluating the complementarity among the various measures and the way they are used. The **external consistency** concerns the complementarity of axis 1 with other structural plans or Walloon policies and other Walloon or European interventions, especially with regard to economic development coordination.

In this regard, the *in itinere* evaluation shows that the **various measures of axis 1 are consistent** with each other, but also with the other axes of the operational programme; there is therefore internal consistency. In fact, overall, all the measures implemented aim at similar and complementary objectives that can mutually reinforce each other and so enhance the impact of the measures on the Walloon economy. The measures implemented also aim to meet the recommendations from the previous programme, although the methods of implementation of the new measures have lacked precision and realisation in practice. In other words, all the measures are consistent in their design and orientations, but implementation of some of these measures (economic development coordination, circular economy and reclassification of EAZs) has not been so focused or specific in practice, and the synergies planned in the design have not all been achieved.

External consistency is also achieved. Axis 1 is in fact in line with the other strategic plans of Wallonia, the most obvious of which are the competitive cluster policy and the Marshall Plan in general, the smart specialisation strategy and the Walloon investment plan. The objectives are also consistent with the policies decided upon with regard to regional development or support for the circular economy. Finally, axis 1 is also consistent with the ambitions of the ESF OP.

Approaches to improvement for the future

The *in itinere* evaluation also had the objective of formulating **recommendations** allowing for possible reorientation of the projects for the remainder of the programme and guidance of consideration in light of the next programme as needed. The possibilities for reorientation of the measures by the end of the programme period seem limited to us in practice. Nevertheless, the following recommendations¹ have been formulated for the **short term**:

- Evaluate the degree to which some resources could not be reallocated to Measures 1.1.1 and 1.1.2, especially inasmuch as the leverage effects of these measures are positive.
- Provide guidelines for the operators in terms of targeting of businesses said to have high potential in order to have greater specificity in the proactive support.
- Evaluate the possibility of putting the focus of Measure 1.1.1 on certain types of cases due to limitation in the budgets still available until the end of the programme (i.e. job creation or more rapid feedback effects).
- Ensure effective rapid implementation of Measure 1.3.1 in order to be able to generate initial activities and results, evaluate them in the coming months, and evaluate whether this approach should be supported and encouraged in the framework of an upcoming programme.

Medium- and long-term recommendations have been formulated **with a view to the following programme**:

- Focus the *ex post* evaluation (or any other end-of-programme evaluation) on the medium- and long-term impacts as identified in the intervention rationale chart, the evaluator then having more perspective and a more consistent evaluation period.
- Continue Measures 1.1.1 and 1.1.2 with, where appropriate, new refinement of the means of intervention (i.e. selectivity of the projects, possible expansion to other financial instruments).

¹ Only the concepts and themes are presented in this summary.

- Specify the economic development coordination measures further, narrow the classification of services, refine the related indicators (if appropriate, keep only a single measure) and make sure competences and resources are available once the project is approved.
- Define, at a minimum, a method or common criteria for conducting screening or targeting of the businesses (i.e. sources of information, criteria used, priorities, etc.) in the framework of Measure 1.2.1, and reconsider the suitability of defining priorities on the scale of the Walloon Region. The role of the account managers should also be reviewed.
- Evaluate whether it is appropriate to maintain a distinction between Measures 1.1.3 and 1.3.2 or to further specify them and refine the indicators used.

All of these recommendations and considerations are to be reevaluated in light of the results obtained at the end of the programme period.
