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European Union

PRIME MINISTER'S OFFICE

A Comparative Counterfactual Impact Evaluation of Repayable and Non-Repayable Financial Assistances to SMEs in Hungary

GYULA SZOKE ATTILA BERES

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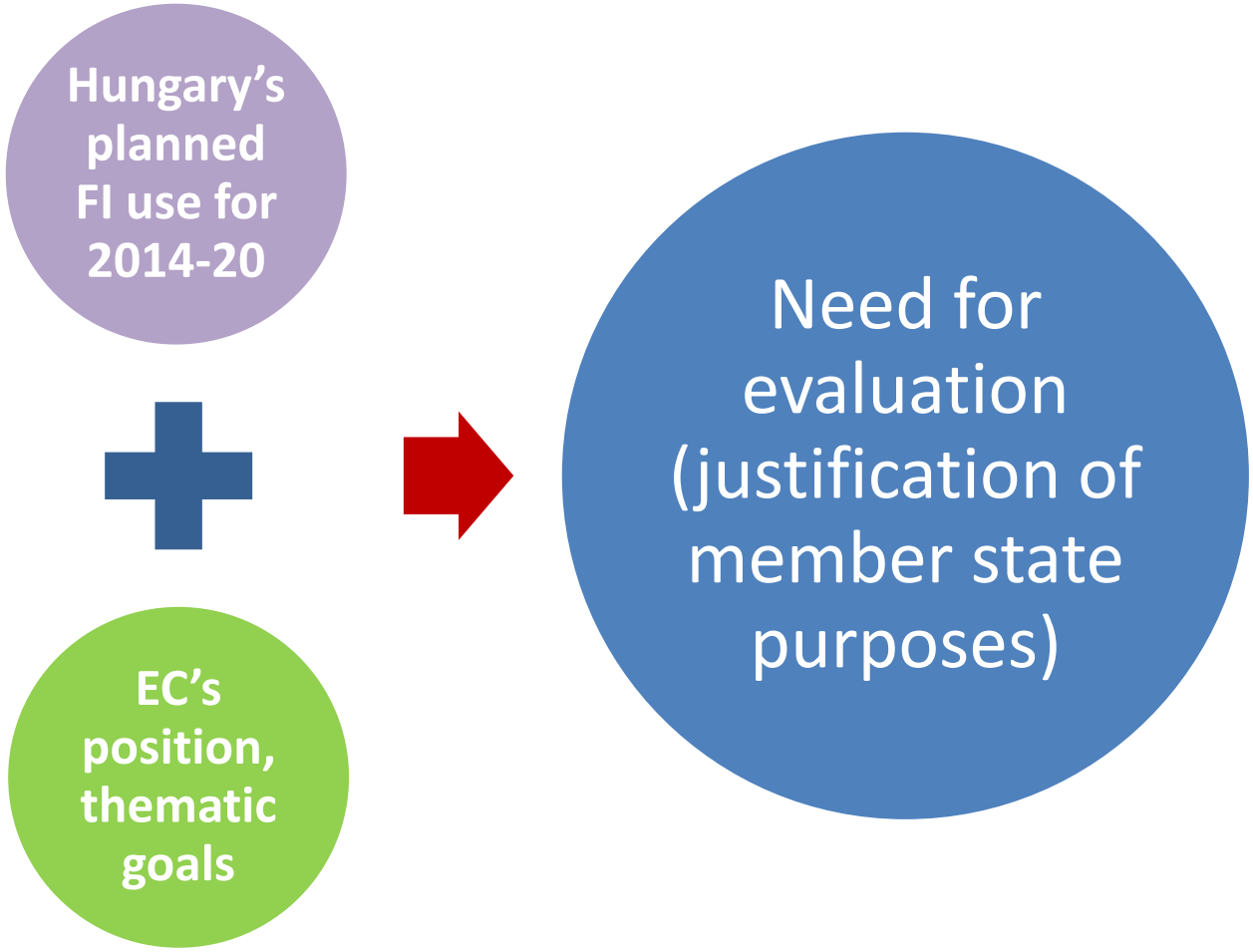
Background of the evaluation



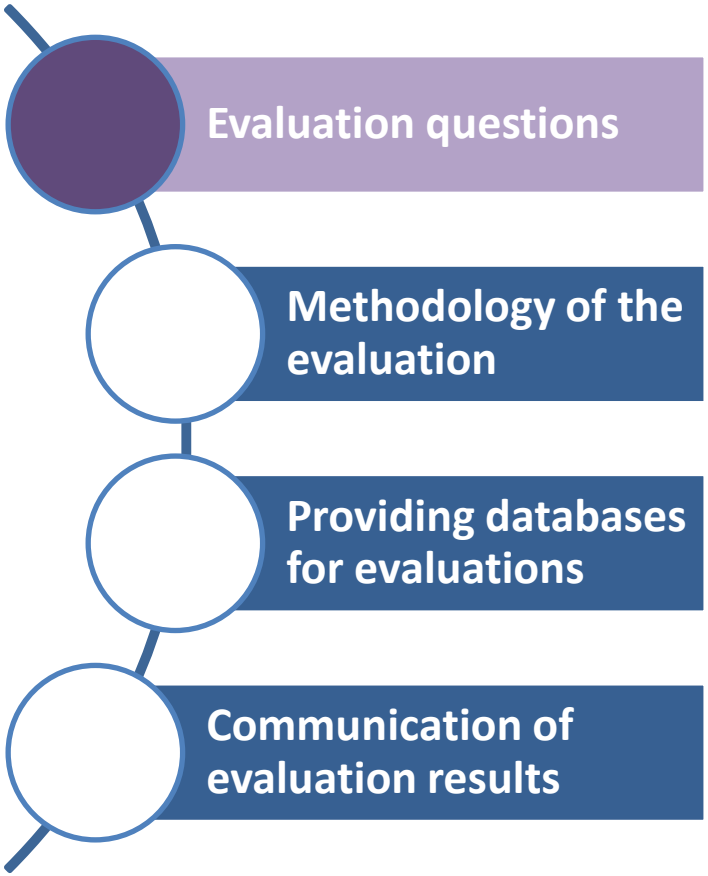
Evaluation: Special expectations and goals

- Justification for OP planners – as part of the *Ex ante evaluation process*
  - help in planning for the scale of sources and the content of FIs
- Identify the results of support to SMEs using grants and FIs, and compare them
- Use of high-level evaluation methodogy

Role of the Unit of Evaluation and Planning

Main evaluation questions were:

- What are the differences between the grants and FIs procedure in results and goals?
- What kind of support has better results?
- What are the reasons for preference (features and purposes) when we compare grants with FIs?

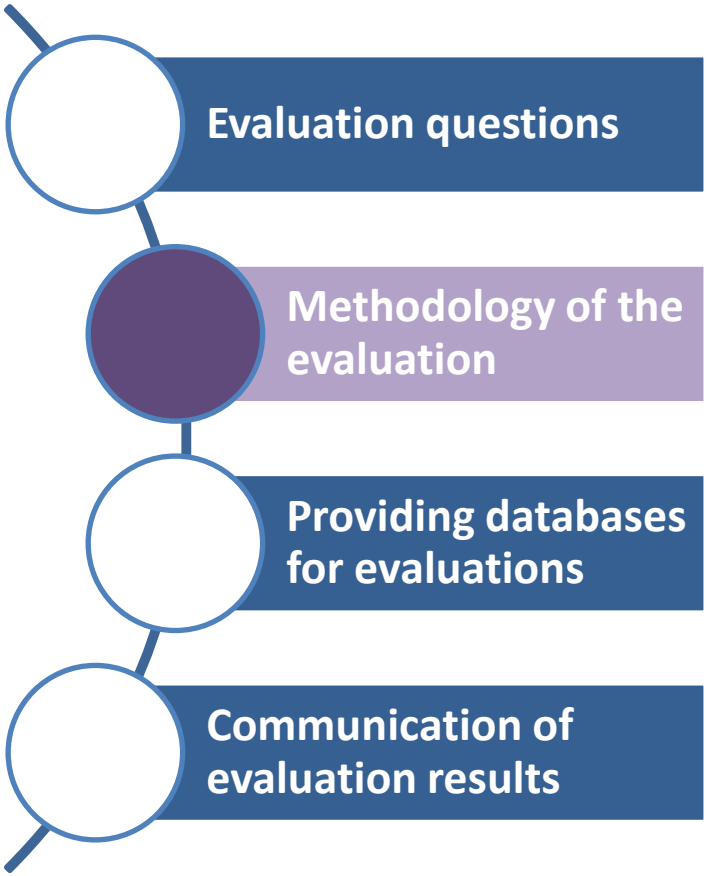


Type of the evaluation

The evaluation questions determined the type of the evaluation:

Counterfactual impact evaluation

Need for Databases

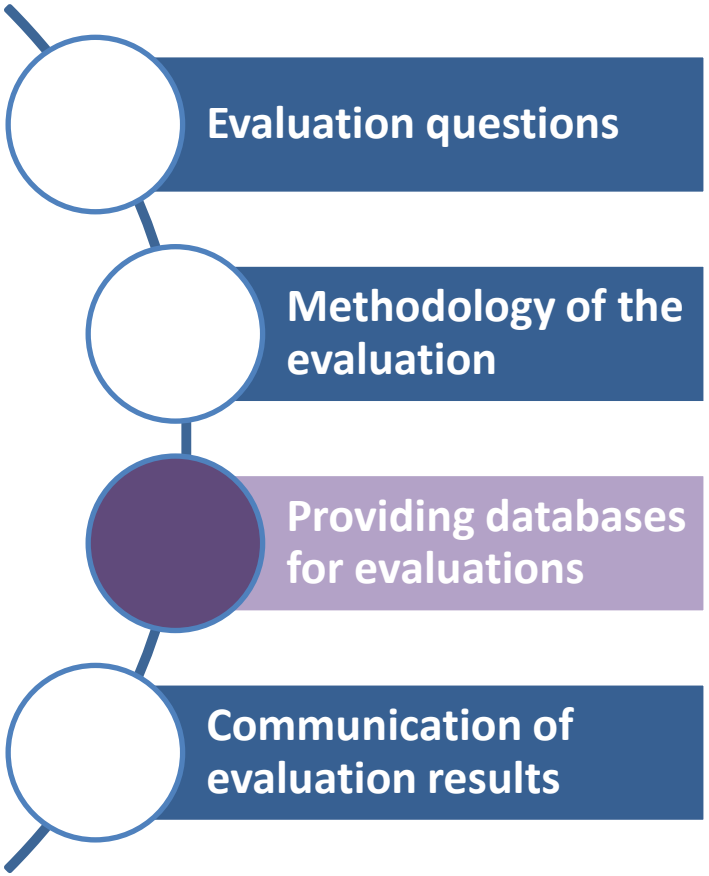


Databases

The Unit of Evaluation and Planning (Prime Minister's Office) provides databases for evaluations by using contracts for updating databases

In this impact evaluation we used:

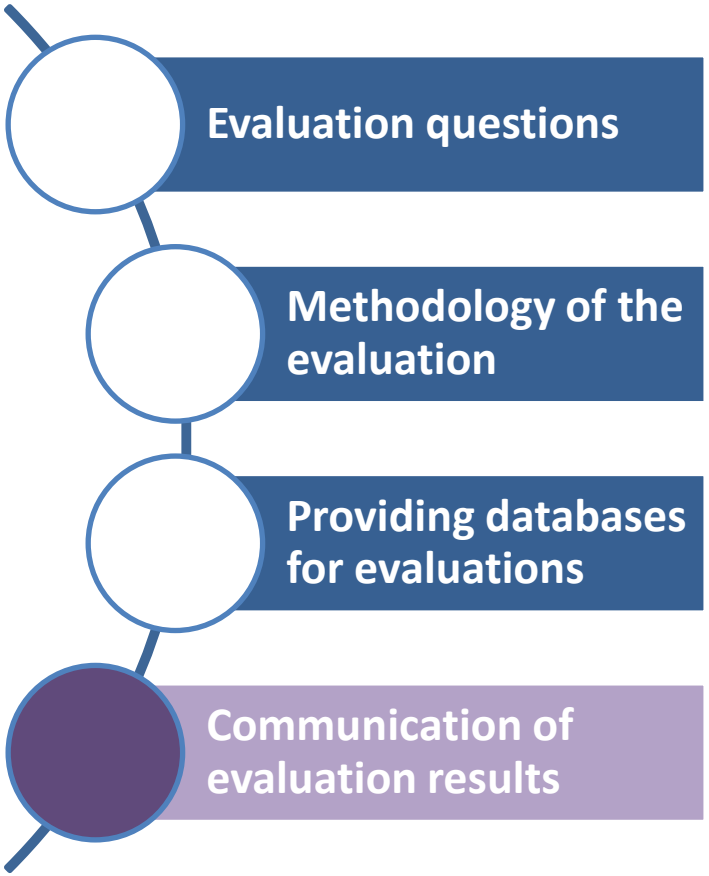
- Data from the Hungarian monitoring system for Cohesion policy requirements (data on the financial assistance)
- Hungarian Tax Office information on the number of employees
- Financial data of the Hungarian enterprises from the Ministry of Justice



Communication of evaluation results

- Towards OP planners
- Towards a wider public audience
  - E.g. on conferences like this

More about evaluation and the results from Mr. Attila Beres



01 Results of previous evaluations

Pros and Cons

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Do subsidies help firms to be more successful?

The results are mixed so far

- Subsidies tend to have added value at the level of the outputs (e.g. investments and labour), but less evidence on additional values at higher levels (e.g. growth and productivity)
- Subsidies tend to have higher effects in regions lagging behind
- Subsidies tend to have higher effects on smaller companies
- Repayable assistance can be as effective as non-repayable assistance

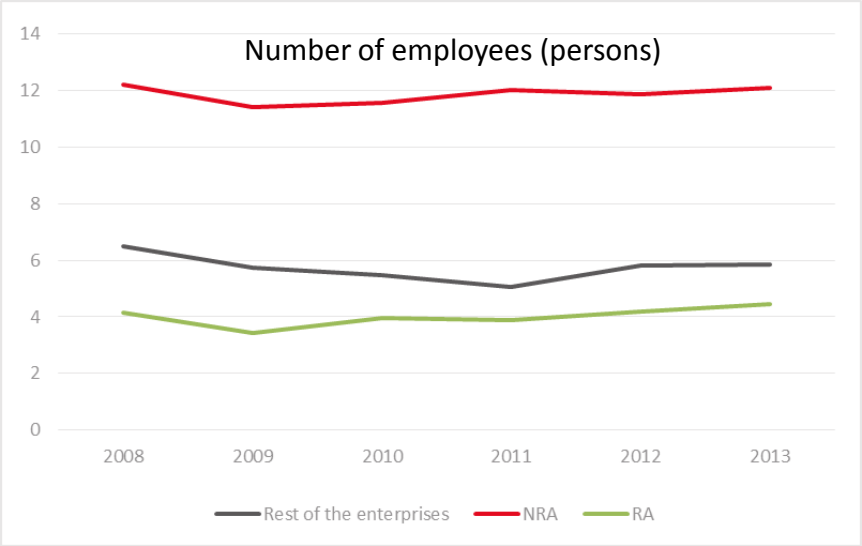
02 The assistances

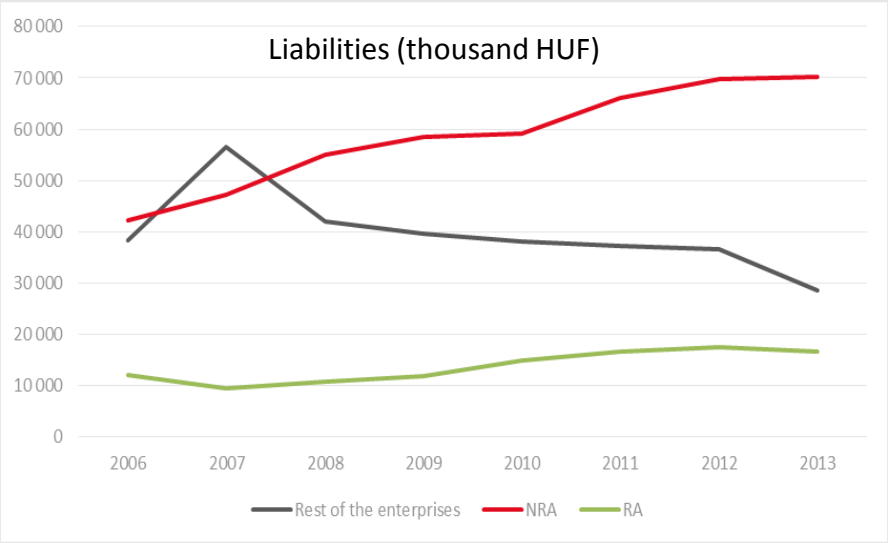
The main characteristics of the assistances

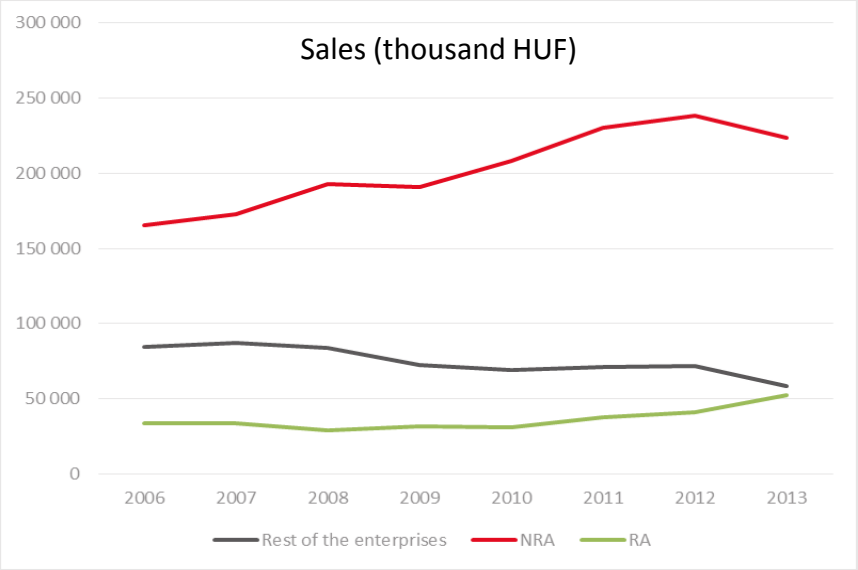
	Non-repayable assistance (NRA) in less developed (convergence) regions	Repayable assistance (RA) in less developed (convergence) regions	Non-repayable assistance (NRA) in the more developed Central Hungary Region	Repayable assistance (RA) in the more developed Central Hungary Region
Time period (number of calls)	2007-11 (6 calls)	2007-12 (continuous)	2007-11 (6 calls)	2007-12 (continuous)
Form of the assistance	Investment grant	Micro credit	Investment grant	Micro credit
Average amount of the assistance	~40,000 EUR	~17,000 EUR	~28,000 EUR	~18,000 EUR
Average aid intensity	40%	n. a.	30%	n. a.
Number of closed projects	~7,300	~1,000	~1,800	~300
Selection procedure	automatic	financial intermediaries	automatic	financial intermediaries

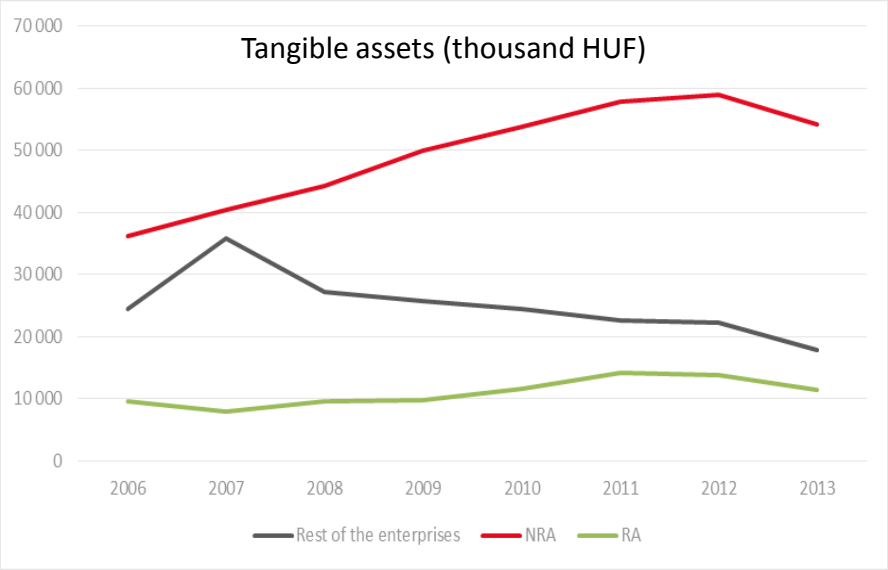
03 The before matching data

Main indicators (raw data)









04 Methodology

Data

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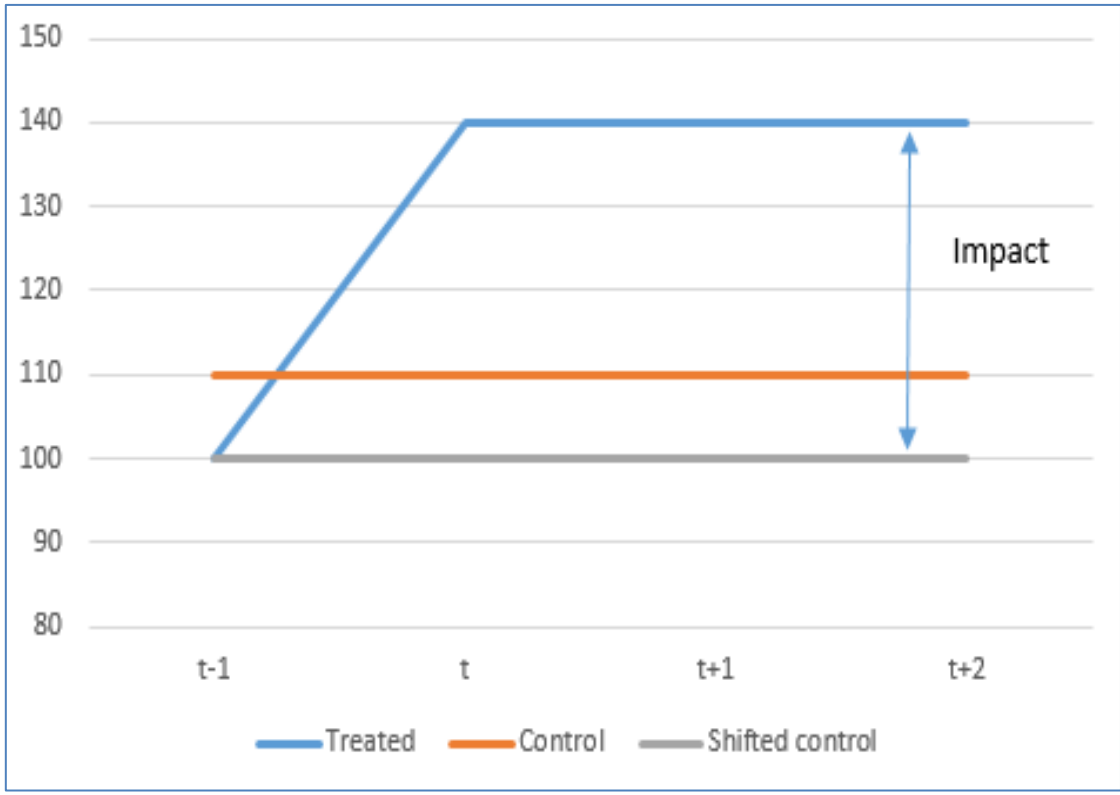
- Merging of 3 data sources:
  - Ministry of Justice (financial data of the Hungarian enterprises)
  - Tax authority (number of employees)
  - SF monitoring system (data on the financial assistance)
- Pooling to time t (the year of receiving the assistance)
- Only closed, successfully implemented projects between 2007-11, not received any other EU assistance
- Control group – not received any EU assistance

Methods of the analysis

Propensity score matching (PSM) & difference in differences (DID)

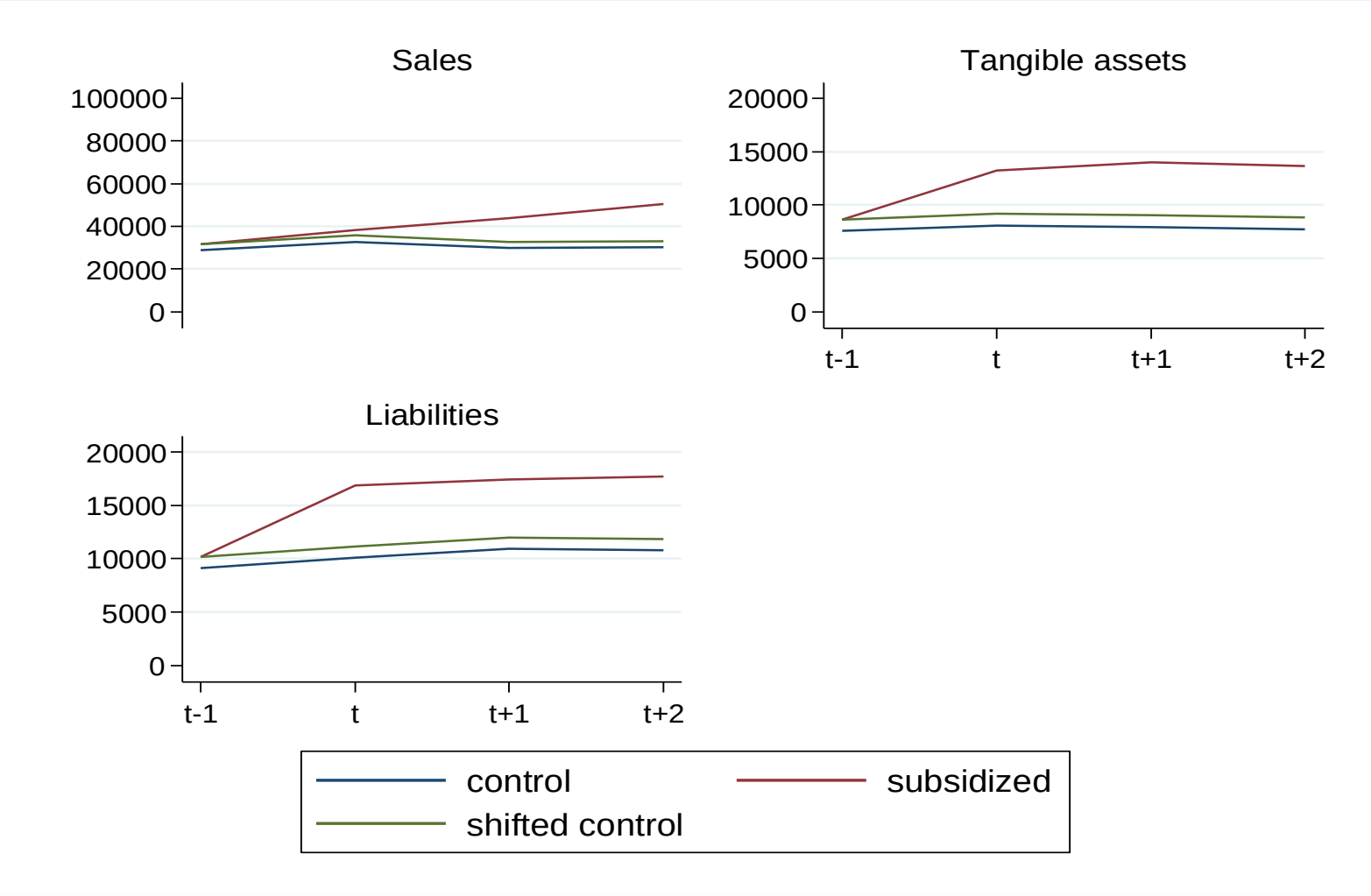
- PSM was based on:
  - financial data in t-1
  - industry
  - geographical location

  (NUTS II)
  - operational time
- DID

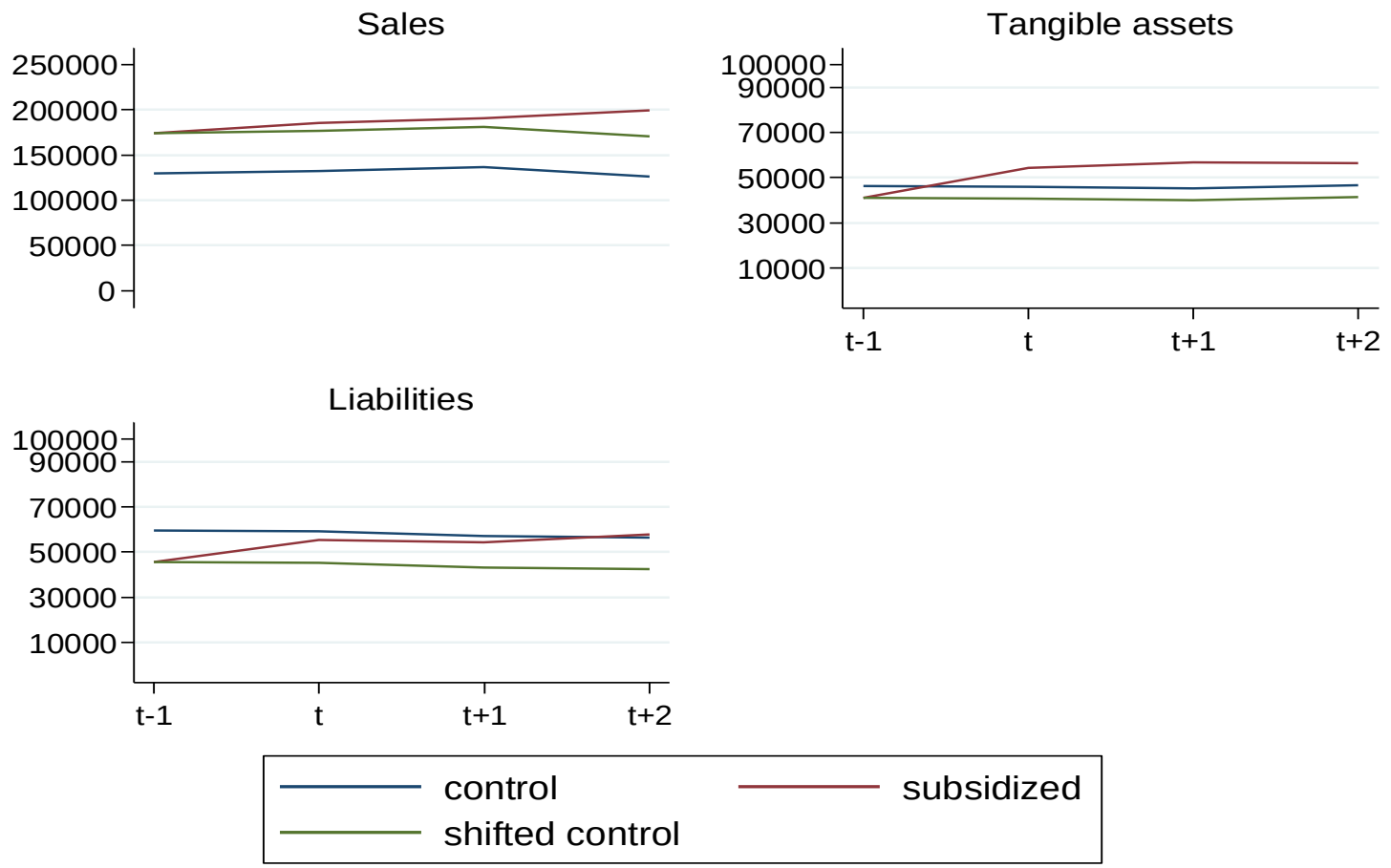


05 Results

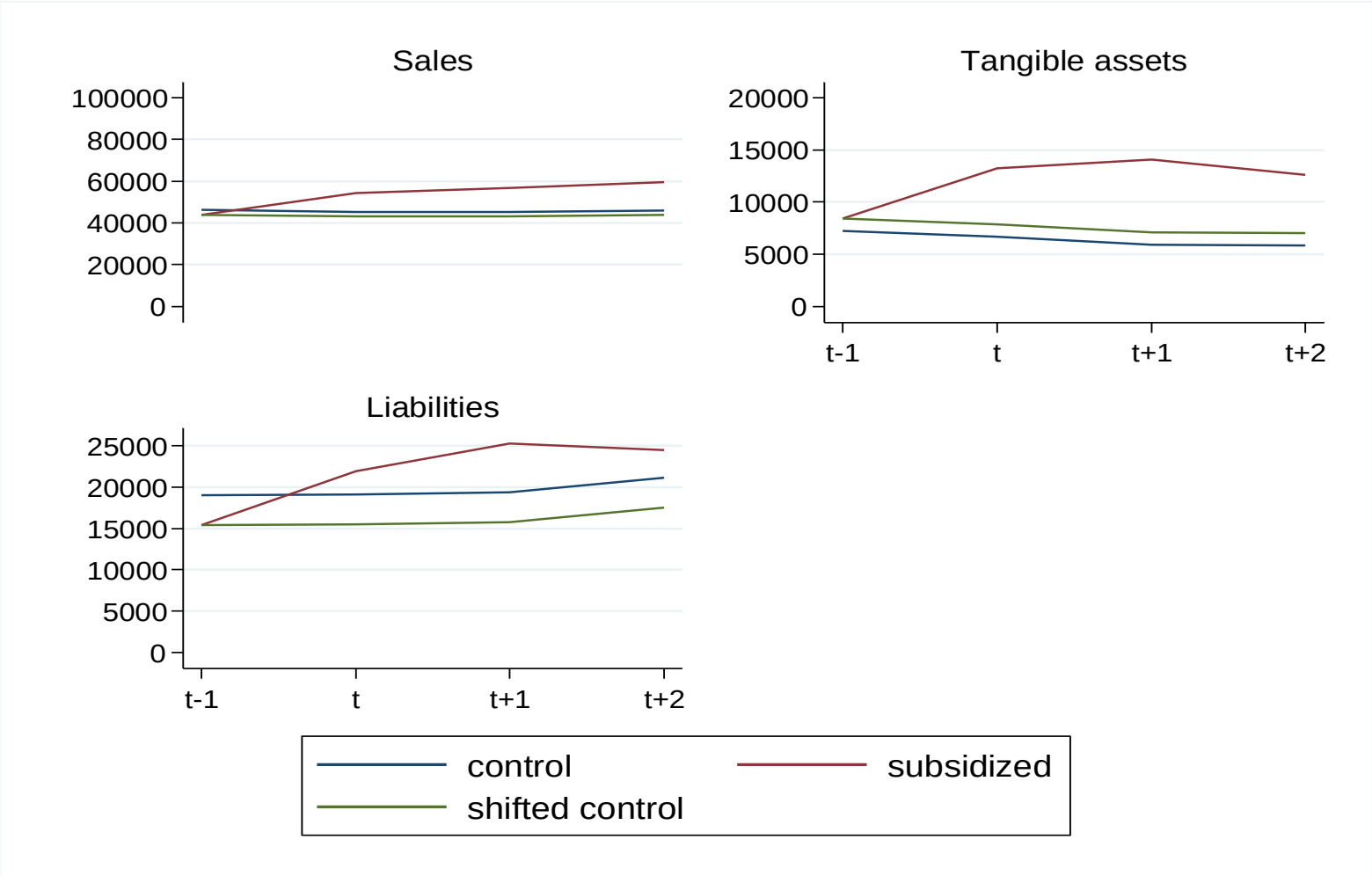
Repayable, less developed regions



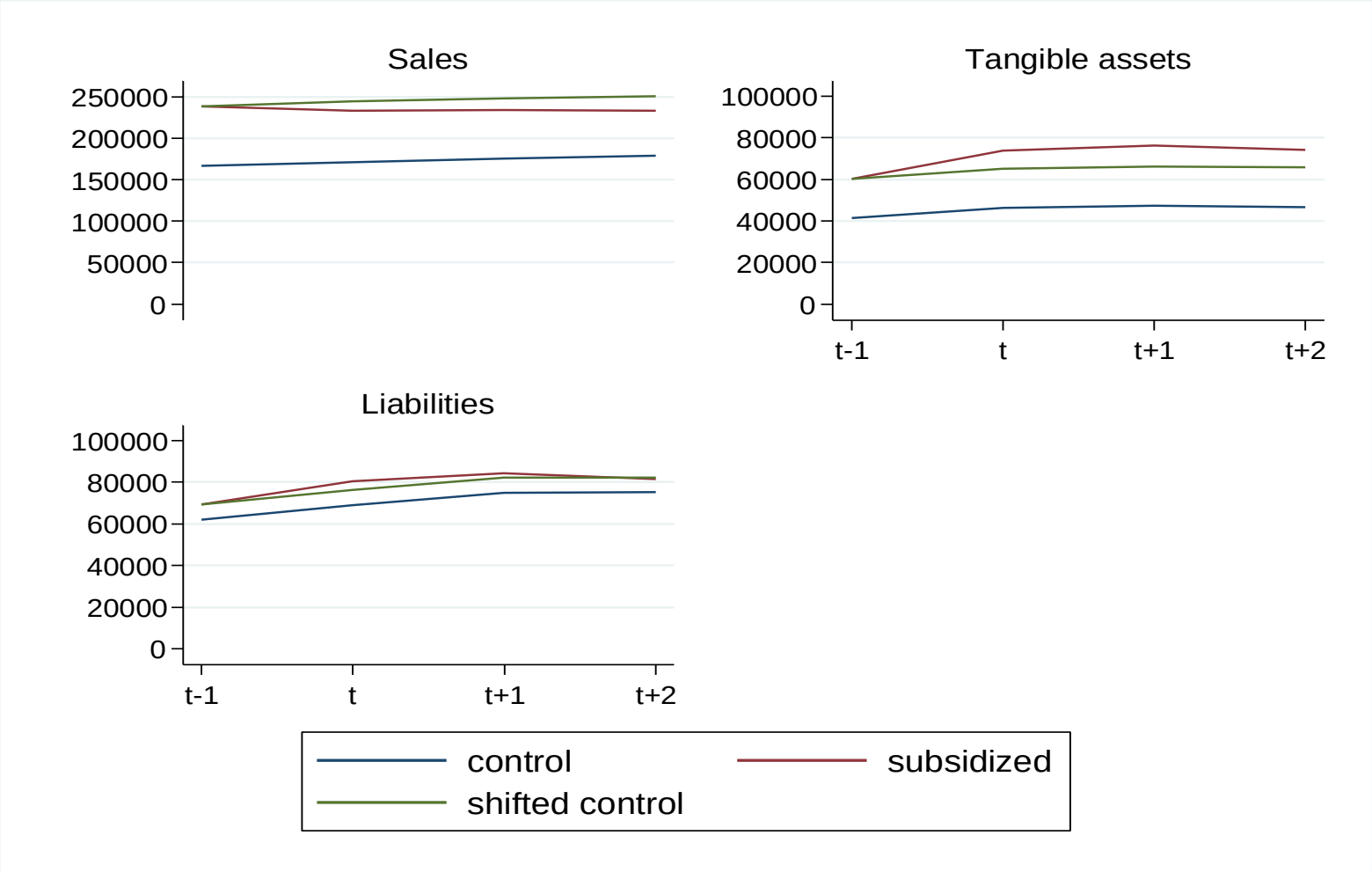
Non-repayable, less developed regions



Repayable, more developed region



Non-repayable, more developed region



06 Conclusions

Less developed regions

Operational Programme	Economic indicator	Non-subsidized (difference: before after)	Subsidized (difference: before after)	Double difference	p-value
EDOP 2.1.1/A (less developed region, non-repayable assistance)	Sales	-3,909.79	25,215.17	29,124.96	0.210
	Tangible assets	452.11	15,515.43	15,063.31	<0.001***
	Liabilities	-3,172.24	12,102.44	1,5274.68	<0.01***
EDOP 4.1 (less developed region, repayable assistance)	Sales	1,444.28	18,642.43	17,198.15	<0.1*
	Tangible assets	193.87	4991.75	4,797.88	<0.05**
	Liabilities	1,654.91	7,555.77	5,900.86	<0.01***

* significant at 10%, ** significant at 5%, *** significant at 1%

More developed region

Operational Programme	Economic indicator	Non-subsidized (difference: before after)	Subsidized (difference: before after)	Double difference	p-value
CHOP 1.2.1/A (more developed region, non-repayable assistance)	Sales	12,118.27	-5,547.45	-17,665.72	0.729
	Tangible assets	5,299.49	13,728.30	8,428.81	0.616
	Liabilities	13,144.15	12,450.67	-693.48	0.971
CHOP 1.3.1 (more developed region, repayable assistance)	Sales	-120.17	15,491.70	15,611.86	0.528
	Tangible assets	-1,396.76	4,163.55	5,560.30	<0.1*
	Liabilities	2,111.77	9,089.27	6,977.50	0.328

* significant at 10%, ** significant at 5%, *** significant at 1%

HUNGARIAN GOVERNMENT

European Union
European Structural and Investment Funds

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Thank you for your kind attention!

Attila BÉRES
Senior Consultant
beres.attila@equinoxconsulting.hu

Gyula SZŐKE
Project manager
gyula.szoke@me.gov.hu