



ISMERI EUROPA

Servizio di valutazione unitaria dei programmi co-finanziati con Fondi dell'Unione Europea nel periodo di programmazione 2014-2020

VI Rapporto tematico di valutazione – Linea 2.3

Executive Summary - inglese

GIUGNO 2023

The objectives

Action 2.3 "Aid for investments in machinery, plant and intangible assets, and support for company reorganization and restructuring processes" is, with over 80 million Euros of ERDF resources (as of December 2022), the most relevant initiative dedicated to supporting the competitiveness of SMEs of Axis II of the ROP. It is also the main ERDF intervention which contributes to the realization of the integrated development strategies of the three regional Inner Areas. The Action pursues two objectives: facilitating technological investments in companies, encouraging the adoption of automation and industrial control technologies (Intervention Line 2.3.a), and supporting the introduction of ICT tools for company management and business intelligence (Line of intervention 2.3.b). It therefore aims to accompany the development of companies towards the Industry 4.0 paradigm. Considering the monitoring data at December 2022, Action 2.3 financed 1,217 business development programs for a total investment of just under €250 million (of which 32% from ERDF contributions).

Action 2.3 had already been studied in depth in the extended Evaluation Report of 2019. Compared to the previous analyses, the VI Thematic Report aims to understand the results achieved through the development projects co-financed by the Region, verifying, in particular, the effects on the competitiveness capacity and degree of innovation of the beneficiaries.

Evaluation questions

Given this objective, considering the different information needs expressed by the Region, two evaluation questions have been identified:

- 1. What are the effects of Action 2.3 projects on company performance (investments, employment, degree of innovation, turnover, profits, etc.)?*
- 2. Have the projects of Action 2.3 favored the digitalization processes of companies? What recommendations can be drawn for the RP ERDF 2021-27?*

Evaluation approach

At methodological level, a desk analysis of the main programmatic documents, literature, monitoring data and other secondary sources was carried out. These analysis was supplemented by a direct survey of the beneficiary enterprises of the two Lines of intervention through which the Action is implemented: 2.3.a "Aid for technological investments of SMEs" and 2.3.b "Aid for the introduction of services and innovative technologies related to ICT". The survey was carried out using the CAWI (Computer Assisted Web Interviewing) method in the period December 2022 - February 2023. Out of a population of 999 beneficiaries, 247 companies took part in the survey for a response rate of 25%.

The assessment of the impact of Action 2.3 on various business performance indicators such as employment growth, capitalisation, revenues, fixed assets and profitability was carried out through the implementation of advanced econometric techniques to provide a robust counterfactual analysis which made it possible to compare systematically the performance of the beneficiary companies, before and after obtaining the loan, with that of similar companies that did not have access to regional subsidies. The empirical analysis concerned about 600 beneficiary companies and as many control companies.

Main findings

The main findings that emerged in relation to the two evaluation questions considered are shown below.

What are the effects of Action 2.3 projects on company performance (investments, employment, degree of innovation, turnover, profits, etc.)?

From the descriptive and counterfactual analyses carried out, it can be clearly seen that the implementation of Action 2.3 of the ROP ERDF 2014-20 had positive repercussions on multiple economic-financial and innovative outcomes of the beneficiary companies, such as for example the number of employees, the , revenues, EBITDA and fixed assets, both tangible and intangible.

Heterogeneity analysis then showed that these results were mainly driven by small firms.

Furthermore, it should be noted that the two types of financed activities had heterogeneous effects. In particular, Line 2.3.a, aimed primarily at promoting innovative investments with purely tangible content and linked to increasing physical capital, has proved to be particularly effective in stimulating investments which, in addition to increasing employment levels, the capitalization and revenues of businesses beneficiaries, have also expanded the levels of tangible assets. These effects have proved to be particularly significant for small firms, rather than for medium-sized firms.

On the other hand, it has been noted that Line 2.3.b, aimed primarily at favoring the introduction of process innovations, has further favored the increase in the levels of intangible fixed assets, and therefore the creation of knowledge incorporated into the production processes of companies beneficiaries, as well as showing positive effects also on the employment size, capitalization and revenues of the beneficiary companies. Lastly, also in this case, the most significant effects were found for small businesses which, moreover, benefited significantly also with regard to numerous business profitability indicators such as ROE, ROA and ROS.

Overall, these results reveal the instrument's ability to support businesses to be financially more solid, to generate more employment, and to be more capable of generating economic resources and new knowledge. This is all the more towards the more the companies being financed are less mature and smaller companies. It can therefore be concluded that the instrument is able to generate a virtuous circle that puts the beneficiary companies in the conditions to grow more, to be more competitive and, consequently, also more attractive to investors.

Have the projects of Action 2.3 favored the digitalization processes of companies? What recommendations can be drawn for the RP ERDF 2021-27?

The companies that have benefited from regional funding continue to support a technological and digital transformation process in line with the purpose of the development projects financed by Action 2.3. "Hardware and software", "research and development", "plant and machinery", "personnel training" are the areas in which most companies have continued to invest in recent years. In fact, the companies themselves declare that the project financed by the ROP should be seen as part of a broader corporate growth strategy oriented towards technological upgrading and digitalisation, mostly guided by top management.

The contribution of the ROP have also strengthened the orientation towards innovation, both of process and product as well as organisational/managerial, and generally supported an improvement in the technological level of companies. More than half of the companies (56%) today use AMS (Advanced Manufacturing Systems) production technologies and advanced digital technologies, in particular integrated

management systems, simulation and virtual modeling software, cloud computing and industrial robotics.

According to the companies participating in the survey, the projects largely produced tangible effects on one or more variables of economic performance (increase in production capacity, productivity and turnover) and had an impact on one or more factors of competitiveness: in particular, on production flexibility, internal know-how, innovation capacity and entrepreneurial and managerial quality. The effects of the projects in terms of improvement of internal skills, i.e. technical/professional, digital and organizational, should also be highlighted.

A further aspect that needs to be highlighted concerns the added value of the financing of Action 2.3. Only a small number, less than 20% of companies, declared in the survey that they would have given up entirely on the development project in the absence of the subsidy from the POR, in the face of too high costs and lack of the financial resources necessary to support the investment. In these terms, the added value of the incentives of Action 2.3 would appear not to be high. However, it should be emphasized that the ROP has in any case had an important added value in determining larger investments (for over two thirds of the companies interviewed) or in allowing the investment to be brought forward over time (for ¼ of the companies). It should also be noted that the ROP, at least for the latest calls for tenders, intervened in a period of strong economic uncertainty, with companies subject to the negative effects of the Covid-19 pandemic, first, and of the Russia-Ukraine geopolitical crisis afterwards.

Finally, the high degree of appreciation of companies regarding the contents, methods and timing of implementation of the financing instruments of Action 2.3 should be underlined.

Recommendations

The analysis carried out shows how the investments made with Action 2.3 have triggered "virtuous" behavior on the part of companies: essentially, a greater propensity towards innovation, the improvement of some competitiveness factors, an orientation towards AMS technologies and digital advanced, the improvement of some business skills. Action 2.3 was therefore an important instrument to allow regional companies to approach enabling technologies and digitization processes, as well as more generally to make investments even in a period of strong economic uncertainty. With this in mind, it is recommended for the next programming period to continue to support the technological and digital investments of businesses through similar initiatives within the ERDF.

In order to make these initiatives more effective, however, it is suggested to define in greater detail within the tender notices the types of investment eligible for funding, in order to channel the available resources to business development projects strongly focused on AMS technologies and at the same time avoiding supporting more "traditional" corporate investments without a real drive towards innovation of processes or products. More solid projects should therefore be promoted, through a greater focus of calls for tenders on innovation, the introduction of specific evaluation criteria focused on the technological level of the investments, the revision of the minimum eligible costs, in order to avoid financing projects of very small cut.