

Assessing the Impact of the ERDF on SME Competitiveness: Evidence from a Cross-Country Analysis.¹

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Cohesion Policy seeks to reduce regional disparities across the European Union by fostering economic development and territorial cohesion. Previous studies have stressed the importance of providing empirical evidence on Cohesion Policy impacts to support the rationale of such public expenditure (Cerqua and Pellegrini, 2017), although, across the diverse methodologies and approaches, there is no clear consensus on its effects across EU regions (Caro and Fratesi, 2021; Crescenzi and Giua, 2020). More than ever, the future of Cohesion Policy is under scrutiny, requiring prompt evolution to effectively address the new structural challenges the EU is currently facing (EC 2024; Draghi, 2024a, 2024b; Letta, 2024).

Many studies have focused on estimating Cohesion Policy impacts at the EU level, particularly on economic growth and employment (Becker, Egger, & von Ehrlich, 2010, 2013; Pellegrini et al., 2013), innovation, and infrastructure development (Ferrara et al., 2017). However, these analyses often mask significant country-specific variations, as policy outcomes are influenced by factors such as governance quality (Accetturo, de Blasio, & Ricci, 2014), expenditure intensity (Cerqua & Pellegrini, 2017), regional conditions (Bachtrögl, Fratesi, & Perucca, 2019), and sectoral composition (Percoco, 2017).

Several other studies have shifted focus to country-level evaluations, exploiting a micro perspective for analysing Cohesion Policy impact within individual member states. These include assessments in Germany (Mitze, Paloyo, & Björn, 2012), Piedmont (Bondonio & Greenbaum, 2014), Abruzzo (Barone, David, & de Blasio, 2016), the UK (Di Cataldo, 2017), and a number of regions of Centre-Southern Italy (Giua, 2017). Findings from these studies underscore substantial differences in policy effectiveness across countries, driven by varying economic and institutional conditions. This reinforces concerns that EU-wide impact estimates may obscure meaningful heterogeneity, limiting their usefulness for context-specific policymaking (Medeiros, 2017). More recently, Crescenzi and Giua (2020) have also shown the importance of unveiling the heterogeneity of impacts across different regions and countries since the aforementioned positive effects are not evenly distributed across all member states.

Within the extensive body of research assessing the heterogeneity of Cohesion Policy impacts from a micro perspective, a key gap remains: the evaluation of a specific policy instrument implemented across different regions and countries. While the same instrument may be implemented across multiple member states with a common overarching goal, variations in design and execution arise from different policy choices and regional characteristics, resulting in targeting different types of beneficiaries or adopting different delivery modes. These variations may significantly influence the instrument's overall effectiveness. To fill the gap, this study aims to evaluate the impact of the Cohesion Policy on SME competitiveness from a unique perspective by assessing the effectiveness of a single policy instrument designed to support production expansion and business modernisation, funded by the European Regional Development Fund (ERDF) provided under Thematic Objective 3

¹ This paper builds upon the ex-post evaluation of Cohesion Policy programmes 2014–2020 financed by the European Regional Development Fund (ERDF), specifically *Work Package 6 – SME Support*, commissioned by the European Commission's DG REGIO in 2022.

in the 2014-2020 programming period. The analysis examines the implementation of this instrument through intermediated or direct grant provisions to SMEs within the national and regional ERDF programmes of Italy, Poland, and Portugal.

This work integrates multiple sources of data. Firstly, we exploit the availability of a unique database (EC, 2020), which covers data on operations, beneficiaries and related projects funded through the ERDF and Cohesion Fund during the 2014–2020 programming period under any Thematic Objective.² Secondly, we collected additional information related to the implementation phase of the specific policy instrument selected. Eventually, to assess the effectiveness of the policy instrument, this data is merged with firm-level microdata from the commercial database Orbis (Moody's) to integrate beneficiaries' financial performance indicators and collect non-beneficiaries' financial data. Methodologically, we aim to employ a staggered difference-in-differences approach combined with propensity score matching to compare the financial performance of beneficiary firms with a matched control group of non-beneficiary enterprises. An extensive heterogeneity analysis will examine variations across beneficiaries, regional contexts, and place-based policy instrument implementation characteristics to identify the underlying mechanisms driving effectiveness.

The findings of this study aim, first, to provide a rigorous assessment of the impact of ERDF support on SME competitiveness, enriching the existing body of knowledge by offering empirical evidence on the effectiveness of the Cohesion Policy. Second, they seek new insights for policymakers and stakeholders by evaluating the conditions under which ERDF support is most effective and how SME-targeted policy instruments can be better designed and implemented. By conducting a detailed analysis of a specific ERDF instrument mobilised to enhance SME competitiveness, this research aims to uncover the critical factors that shape its impact—determining what works, where, and how—thereby contributing to evidence-based policymaking in the field of SME support.

² For further details on the database please see: <https://cohesiondata.ec.europa.eu/stories/s/2014-2020-Data-on-operations-WP2-public-/h9bm-ur7f>.

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