

Niedersächsischer Landesrechnungshof – Lower Saxony Court of Audit



Deadweight effects of subsidies – a corner stone of performance assessments

EURORAI Seminar 4-6 May 2023 – Dr. Eckart Lantz, Member of the Board of the Court of Audit

LOWER SAXONY AS A REGION IN EUROPE



Bildrechte: Invest in Niedersachsen

LOWER SAXONY AS A REGION IN EUROPE

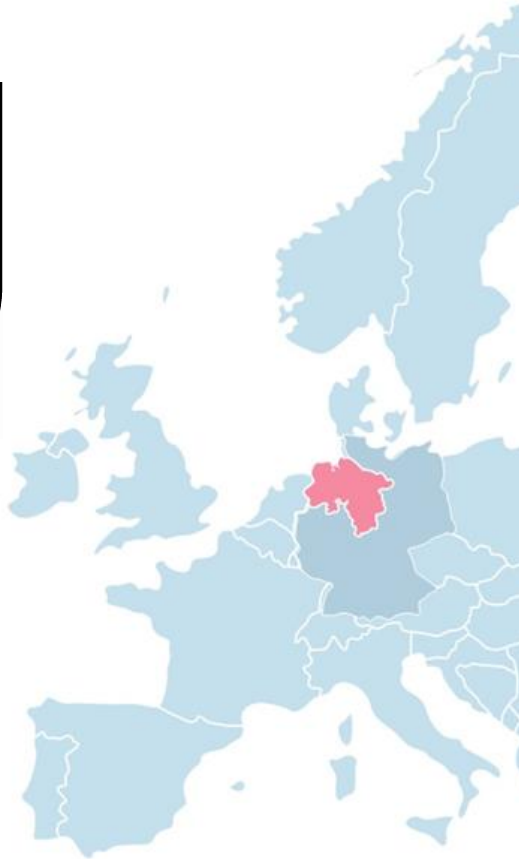
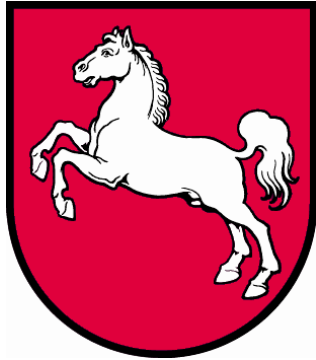


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Niedersächsischer
Landesrechnungshof

FEDERAL STATE OF LOWER SAXONY AT A GLANCE



- ~ 48.000 km² total territory
(Germany's second largest state)
- 8 million inhabitants
(~ 10 % of Germany's total population)
- state capital: Hannover
- gross domestic product (GDP):
316 billion €¹
- exports: 85 billion €
- VW (Volkswagen) headquarter
in Wolfsburg

¹ Year 2021

STATE ADMINISTRATION AND COURT OF AUDIT

state administration

- ~ 200.000 employees

**core areas: education, police,
universities, justice, tax
administration**


- **budget: 42 billion €**
- **11 ministries**

Court of Audit

- ~ 200 employees
- 7 departments
- domicile: Hildesheim



AGENDA

- Lower Saxony at a glance 
- What are deadweight/windfall effects?
- 3 audits conducted by the Court of Audit
 - introduction
 - findings
- conclusion
 - relevance of deadweight effects concerning impacts of subsidies
 - suggestions on audits by courts of audit

SHARING INSIGHTS FROM EACH OTHER

EIDGENÖSSISCHE FINANZKONTROLLE
CONTRÔLE FÉDÉRAL DES FINANCES
CONTROLO FEDERALE DELLE FINANZE
SWISS FEDERAL AUDIT OFFICE
WWW.EFK.ADMIN.CH



Methodenatelier 10

Mitnahmeeffekte verstehen und erfassen

Alkuin Kölliker
Eidgenössische Finanzkontrolle (EFK)

SEVAL-Kongress 2020 – Methodenateliers

Haute école de travail social (HETS), Fribourg, 3. September 2020

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**Niedersächsischer
Landesrechnungshof**

THE DEFINITION OF DEADWEIGHT EFFECTS

- definition:

subsidies with (partially oder totally) no effect since the intended effect would have reached (partially or in total) regardless of the subsidy payment

- Even though deadweight effects cannot be eliminated, they should, at least, be limited

¹ Kölliker (2020) with reference to Minter (article „Mitnahmeeffekt“), in: Gabler Wirtschaftslexikon

ASSESSMENT METHODOLOGY¹

- surveys or interviews regarding the behavior of recipients, rejected applications, non-applicants
- statistical analyses
 - comparing the behaviour changes in a dedicated region **with** or **without** receiving specific subsidies
 - longitudinal analysis: behavior change **prior to, during** and **after** the subsidy receipt
 - ...
- analysing the profitability of the subsidized action/output **with** and **without** subsidy
- micro-economic analyses, e.g. subsidies' effect on supply and demand – elastic or non-elastic reaction

¹ Cf. Kölliker (2020)

3 AUDITS CONDUCTED BY THE COURT OF AUDIT

Electric vehicles charging station program



„Digital bonus“ program



conceptional design for guidelines on subsidies

Niedersächsisches Ministerialblatt

5324

72. (77.) Jahrgang Hannover, den 26. 10. 2022 Nummer 43

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ELECTRIC VEHICLES CHARGING STATION PROGRAM (1/2)



program

- subsidy to companies
- investment in non-public charging devices for electric vehicles
- outright grant of 80 %
- 25 million € of subsidies, ~ 1000 cases
- program duration: 2020 to 2021

audit by court of audit

- conceptual guideline design
- survey on subsidy recipients
- administration of processing

ELECTRIC VEHICLES CHARGING STATION PROGRAM (2/2)



findings regarding deadweight effects

- 65 % of recipients would have invested even without or fewer subsidies
- theoretically, 7 million € could have been economized
- ministry was not able to provide rationale for give arguments to the level of support rate (80 %)
- ministry had no information on already existing charging devices before starting the program
→ longitudinal analysis impossible
- subsidies allocated as well to utility companies and car dealers

recommendations

- decision making on the share of support rate based on valid data
- Intensify effort with regard to conceptual framework – including compliance with budget law (definition of objectives, economic analysis, evaluation)
- in case of lack of knowledge, start with a reduced support rate, readjustment if necessary



„DIGITAL BONUS“ program (1/2)



program

- investment in software and hardware to boost digital transformation in small and medium-sized companies
- outright grant of 50 %, up to 10.000 € per company
- several budget increases, in total 80 million €, more than 10.000 cases
- Since 2019

audit by court of audit

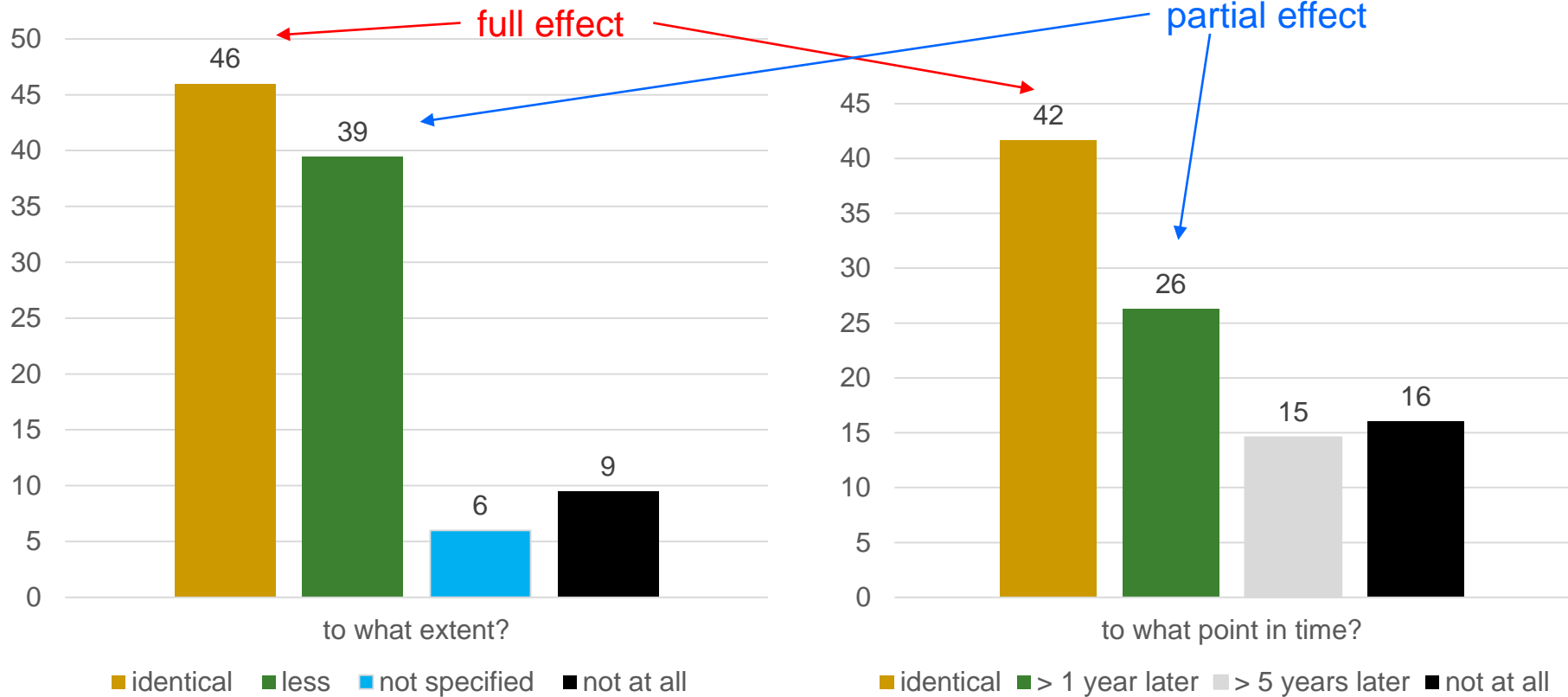
- conceptual design and administration of the guideline
- exam of cases (random-based)
- digital survey among recipients (random sample)



INSIGHTS FROM A SURVEY CONDUCTED BY COURT OF AUDIT



Would you have invested without getting the subsidy? (in %)



HIGH DEMAND AS A CRITERIA FOR SUCCESS OF SUBSIDIES ?

In the light of the **huge demand**, we had to increase the total amount of subsidies *

Amongst Lower Saxony companies who received subsidies, the **popularity of the program was outstanding**, according to a survey. **

* Quelle: Nds. Wirtschaftsminister Dr. Althusmann, 135. Sitzung des Ausschusses für Haushalt und Finanzen des Landtages am 29.09.2021

** Quelle: Rundblick vom 4.5.2022, Darstellung der Aussagen des nds. Wirtschaftsministers zur Ankündigung der Neuauflage des Programms

„DIGITAL BONUS“ program (2/2)



findings regarding deadweight effects

- survey: 46 % of recipients would have invested the same amounts even without subsidies
- survey: 42 % of recipients would have invested at the same point in time without subsidy
- windfall effect especially high amongst medium-sized companies

recommendations

- compliance with existing budgetary rule (objectives following the SMART criteria, economy analysis evaluation)
- money spent and high demand to get subsidies cannot be only relevant indicators for success
➔ outcome measurement

CONCEPTIONAL DESIGN FOR GUIDELINES ON SUBSIDIES (1/2)



program

- more than 1 billion. € of subsidies in Lower Saxony per year
- ~ 200 guidelines/directives
- money from state budget as well as federal and EU funds

audit by court of audit

- conceptual design and administration of 20 guidelines (3 ministries)
- Definition of objectives (SMART-criteria)
- execution of economic analysis
- accompanying and concluding evaluations

CONCEPTIONAL DESIGN FOR GUIDELINES ON SUBSIDIES (2/2)



findings regarding deadweight effects

- highly insufficient definition of objectives
- no economic analysis – despite obligation to do so
- hardly any evaluation executed

recommendations

- Valid definition of objectives is the basis for successful programs
- evaluations have to be designed at the stage of the conceptual design already
- basis to minimize deadweight effects

CONCLUSION 1: RELEVANCE OF DEADWEIGHT EFFECTS (1/2) CONCERNING IMPACTS OF SUBSIDIES

- one of the relevant aspects in analyzing the impact of subsidies
- Deadweight effects can have significant financial relevance
→ reduction of the actual impact of policy measures
- to reduce deadweight effects, they have to be considered already at the stage of the conceptual design of a subsidy program
- frequently, politicians praise the money spent rather than the real impact

CONCLUSION 1: RELEVANCE OF DEADWEIGHT EFFECTS (2/2) CONCERNING IMPACTS OF SUBSIDIES

- What triggers deadweight effects?¹
 - unspecified objectives
 - unrealistic assumptions and missing know-how of the administration regarding the behavior of recipients of subsidies
 - change of conditions over time
 - decision on executing the action/output prior to the decision of giving subsidies

¹ Cf. Kölliker (2020)

CONCLUSION 2: SUGGESTIONS ON AUDITS BY COURTS OF AUDIT

- fruitful topic for audits
- waste of resources by handing out subsidies with high amount of deadweight effects
- little expertise in public administration on mechanisms of deadweight effects and ways to reduce them
→ court of audit's role as a consultant
- surveys and other methods of assessment are helpful tools to get relevant information
- e.g. recommendation to start with rather small level of support rate

Niedersächsischer Landesrechnungshof



Mitnahmeeffekte bei Förderungen als Baustein von
Prüfungen der Wirkungen von Fördermaßnahmen

EURORA Seminar am 04.05.2023 – Vortrag Dr. Eckart Lantz



Thanks for your
attention!

Any questions ?