Audit of the ecology premium in the Flemish Region

Framework, attribution and evaluation

Christian LEFLERE
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2. Research design and methods
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Definition (1)

- The ecology premium = a financial grant for certain ecological investments made by enterprises in Flanders (2004-2012; different regulations; under administration of the agency Enterprise Flanders)
- Objective = encourage enterprises to green or to make their production process more sustainable
Definition (2)

• The premium = a form of aid for environmental protection (application of the European General block exemption Regulation)

• Measure within the framework of the European climate and energy policy and within the EU Energy 2020 strategy (20-20-20 targets)
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Research design and methods (1)

- Purpose: audit of the framework (policy objectives, budgetary and legal framework), the policy implementation and evaluation
- Methods: document analysis, interviews, study of files, survey of enterprises
Research design and methods (2): survey of enterprises

- Survey of 229 enterprises participating in the third call of 2010
- Response rate: 42%

<table>
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<tr>
<th></th>
<th>Summoned</th>
<th>Answered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favourably ranked</td>
<td>64</td>
<td>29 (45 %)</td>
</tr>
<tr>
<td>Unfavourably ranked</td>
<td>165</td>
<td>67 (41 %)</td>
</tr>
</tbody>
</table>
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Framework - Objectives

• The measure is mentioned in different policy documents
• No operational objectives: neither in the economic field, nor in the ecologic field
• Consequence: no evaluation possible of the contribution to the realisation of the policy objectives.
Framework – Budgetary and legal

• Appropriations and expenditures fluctuate greatly over time (related to changes of the legislation and to the economic situation)
• Simulations in order to estimate the required resources are insufficiently adequate
• Legislation is frequently changed: results in a loss of predictability of the premium
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Policy implementation - Supervision

• Most of the files are handled correctly
• Supervision by the Economic Support Policy Department = summary and not always uniform
• Supervision by the Inspection Department = more thorough (based on a risk analysis); results in many recoveries
Policy implementation – Stimulating effect of the premium

- Definition: the support must lead to additional investments = the enterprises would not have performed their investments in the same way without the premium
- Control of the stimulating effect through the web request application is insufficient
- Result of the survey of enterprises: the premium has but a limited stimulating effect
Enterprises that obtained a favourable decision where asked if they **would have done the same investment without subsidy.**

- **32%** would have done so

Enterprises that obtained a negative decision where asked if they **had actually** done the investment without subsidy.

- **57%** actually did

<table>
<thead>
<tr>
<th>Answers</th>
<th>Small enterprise</th>
<th>Medium enterprise</th>
<th>Large enterprise</th>
<th>Total</th>
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<tbody>
<tr>
<td>The same investment</td>
<td>1 (2%)</td>
<td>9 (50%)</td>
<td>2 (50%)</td>
<td>12 (17%)</td>
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<td>The same investment, but later</td>
<td>2 (4%)</td>
<td>9 (50%)</td>
<td>0</td>
<td>11 (15%)</td>
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<td>An investment with an (environmental) less performant technology</td>
<td>1 (2%)</td>
<td>0</td>
<td>1 (25%)</td>
<td>2 (3%)</td>
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<tr>
<td>An investment on a smaller scale</td>
<td>9 (18%)</td>
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<td>0</td>
<td>9 (12,5%)</td>
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<td>0</td>
<td>0</td>
<td>31 (43%)</td>
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<tr>
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<td>6 (12%)</td>
<td>0</td>
<td>1 (25%)</td>
<td>7 (10%)</td>
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</table>

<table>
<thead>
<tr>
<th>Answers</th>
<th>Small enterprise</th>
<th>Medium enterprise</th>
<th>Large enterprise</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>The same investment</td>
<td>45 (58%)</td>
<td>15 (94%)</td>
<td>5 (19%)</td>
<td>65 (55%)</td>
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<td>2 (2%)</td>
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<td>4 (3%)</td>
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<td>4 (3%)</td>
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<tr>
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<td>13 (50%)</td>
<td>44 (37%)</td>
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Belgian Court of Audit (Draft report - June 2012)
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Policy evaluation

• No outcome-evaluation of the premium
• Not feasible in the absence of proposed objectives
• Consequence: a number of changes to the premium regulation were insufficiently substantiated

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Preliminary conclusions (1)

*Final report not yet approved by the Court*

- Translate the strategic objectives into operational objectives (economic and ecological)
- Evaluate the objectives periodically
- Underpin policy adjustments thoroughly
- Temper the frequency of adjustments to the legislation
Preliminary conclusions (2)

• Pay more attention to the stimulating effect of the premium
• Report exhaustively and uniformly about the budgetary appropriations and their consumption
• Treat the grant applications more uniformly and use minimal accountability requirements for the payment of the premium instalments