



The Case of KfW 55: Could Smarter Use of Evaluation Have Avoided a Public Communications Disaster?

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September 29, 2022

The Abrupt End of *KfW 55* Funding

- January 24, 2022: Sudden stop of all loan programs for energy efficient buildings in Germany (*EBS program*)
 - Loss of trust in government
- What happened?
 - November 2021: Announcement of funding stop for the least ambitious program (*KfW/EH 55*) by January 31, 2022
 - Efficiency standard *EH 55*: Requirements only slightly above de facto standard
 - Largest share of funding among all climate programs in the German budget
 - Rabbit race for funding → Budgetary limits exceeded

Background: BHO Evaluations in Germany

- The abrupt end happened despite years of program evaluations on energy efficiency programs for buildings in line with German budgetary rules
- German Federal Budget Code (BHO) stipulates three evaluation dimensions for performance reviews (BHO §7)
 1. Target achievement control (*Zielerreichungskontrolle*)
 - *Goals at the program level*
 2. Effectiveness control (*Wirkungskontrolle*)
 - *Appropriateness and causality*
 3. Financial efficiency control (*Wirtschaftlichkeitskontrolle*)
 - *Cost-efficiency (regarding overall objective)*

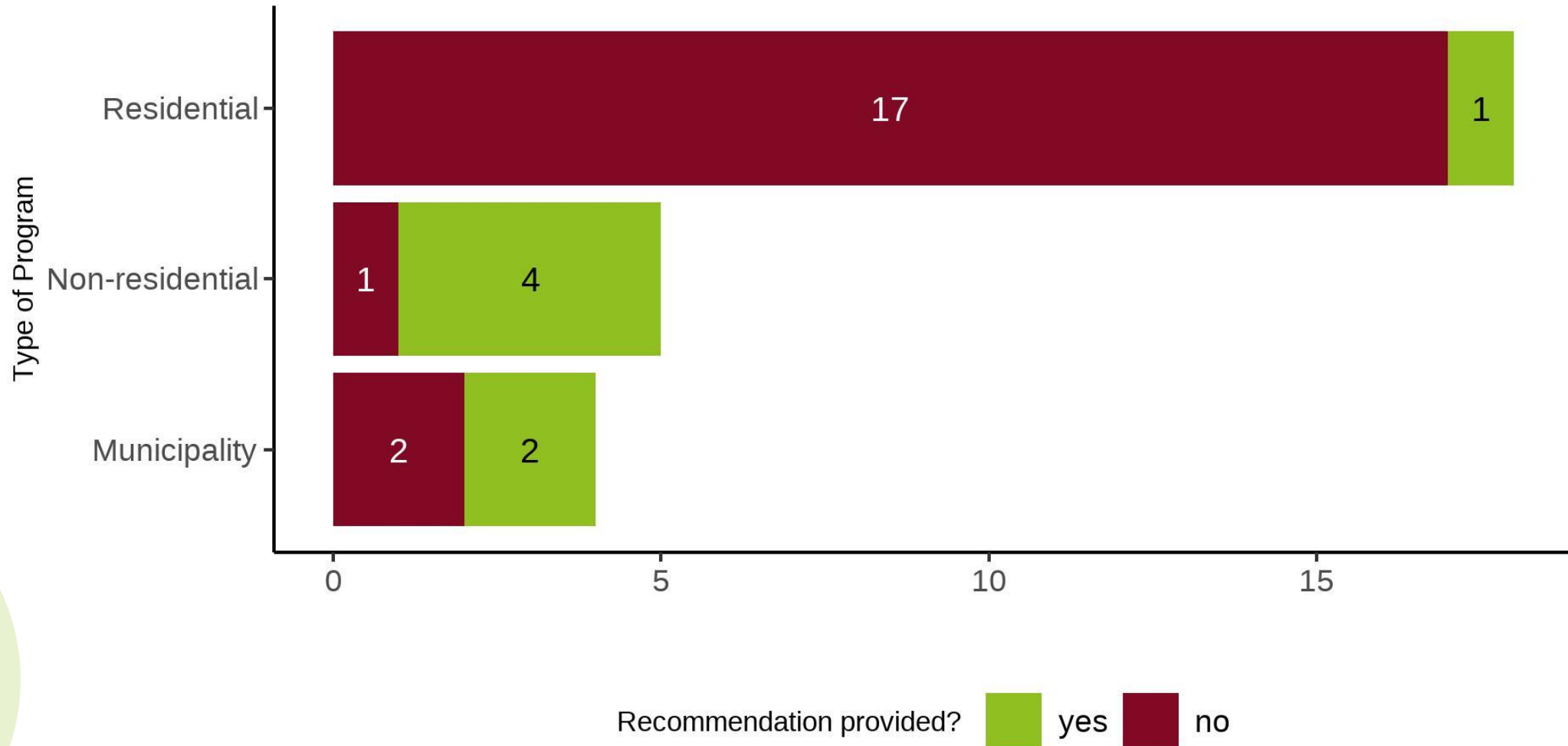
Research Questions

1. Could have better use of evaluations avoided the abrupt funding stop?
2. How do the guidelines set by the German budgetary code affect the quality and conclusions of evaluations?
 - Have past evaluations missed or warned of this program failure?
3. Which evaluation criteria are needed for evaluations to provide useful guidance for policy-making?

Research Method

- Qualitative, desk-based analysis of 27 evaluations of German loan programs for energy-efficient buildings
- Programs and periods covered
 - Residential buildings
 - 18 evaluations (2005-2017)
 - Municipal buildings
 - 4 evaluations (2007-2016)
 - Non-residential buildings
 - 5 evaluations (2015-2018)

Little Emphasis on Recommendations



Overemphasis on Monitoring

- Focus was on monitoring
 - Summary of financial flows and estimated energy savings
 - Assessment of quantitative performance measures (set by the ministries)
- If provided, recommendations are concerned with (internal) program implementation
 - Focus on interests, incentives, and concerns of program recipients (level of bureaucracy, general conditions, etc.)
- No systematic comparison with (external) program alternatives
 - No counterfactual analyses
- Only four evaluations considered cost-effectiveness
- None suggested a general need for program adjustments

Conclusion

General

- Problem: BHO guidelines
 - Too much focus on target achievement control at the expense of causality and additionality
 - Assessments against the program's own quantitative targets
 - Setup leads to confirmation bias
- What is needed: Evaluate programs against the size of the problem
 - Cost-effectiveness (→ *What are costs per ton of GHG saved?*)

Case of KfW 55

- Evaluations could have identified low cost-effectiveness by
 - comparing contributions of the program against a counterfactual scenario of no program provision
 - estimating the “value for money”, i.e. the costs per ton of GHG saved
 - discussing the (achieved) program targets against the overarching need for action
 - (identifying data gaps)

Recommendations

- More focus on
 - Relevance → adequacy of the level of ambition/funding?
 - Impact → lasting changes?
 - DAC criteria
 - Assess premises of funding programs against
 - Internal benchmarks (e.g., relative cost-effectiveness of subprograms)
 - External benchmarks
 - Need for a systematic meta-analysis of standardized methodology against international best practices
- Better criteria support better evaluation

Discussion

1. What are key evaluation criteria for evaluations to provide useful guidance for policy-making?
2. How can interest in evidence (i.e. the use of evaluations) be generated to influence policy decisions?
 - interest in generating meaningful evidence (efficiency, effectiveness, additionality, ...)
 - interest in including evidence into policy-making process



Thank you

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