

Subsidies: Summary report of past audits

Federal Finance Administration

Key facts

The Confederation uses subsidies to promote activities outside the Federal Administration that are designed to help achieve social or political objectives, which would most probably be impossible without these subsidies. The Confederation has continuously increased its subsidy payments since the mid-20th century. Today, financial assistance and subsidies, totalling CHF 48.5 billion, account for the majority of federal expenditure.

This summary report consolidates the findings from past subsidy audits by the Swiss Federal Audit Office (SFAO). It analysed the recommendations from 36 audit reports from 2018 to 2021 systematically and identified eight aspects relating to the granting of subsidies that the SFAO believes have the greatest potential for optimisation.

The SFAO identified a need for action in the design, implementation and impact of subsidies. Improvements in these areas can make the granting of subsidies more efficient, increase their effectiveness and thereby reduce the burden on the federal budget. In the last comprehensive subsidy report from 2008, the potential financial savings were estimated at over CHF 100 million. However, due to a lack of political will in Parliament, the expected savings could be achieved for only just under a fifth of the subsidies. At the moment, this is curbing the subsidy offices' motivation to optimise the design, implementation and impact of subsidies.

Subsidy design: focus is on economic efficiency and impact

The law stipulates that subsidies can be provided if a task of social importance would not be adequately achieved without this support. It also requires that subsidies fulfil their purpose in an economical and effective manner. In practice, these two conditions are not always sufficiently fulfilled. In its subsidy audits, the SFAO repeatedly found that the subsidy offices pay too little attention to recipients' reasonable own contributions. Deadweight effects, which jeopardise the efficiency and effectiveness of subsidies, are also often given too little consideration. Both of these factors can lead to activities being subsidised with public funds even though they would also be realised without this support. For this reason, the SFAO recommends that the Federal Finance Administration adapt the guidelines on subsidy reporting in dispatches so that greater emphasis is placed on avoiding deadweight effects and ensuring recipients make their own contributions in accordance with their economic capabilities. The aim is that the FFA will in future ensure that the administrative units are made more aware of how to take appropriate account of own contributions and deadweight effects.

The SFAO identified a further problem in the design of subsidies: the objectives pursued with a subsidy are often not defined, or not defined clearly enough, to actually be able to review the subsidy's impact. For this reason, the subsidy offices should focus more on results.

Harmonise and better manage how subsidies are granted

Financial assistance and compensation must be granted in a standardised and fair manner, and used efficiently and for the intended purpose. However, there is a need for action in implementing these principles. For example, the SFAO observed on several occasions that subsidised tasks were not clearly differentiated from other, non-subsidised services. This can lead to too many services being charged to the Confederation and/or the principle of subsidiarity being violated. Both of these reduce the economic efficiency of subsidies.

The SFAO also identified potential for improvement in the supervision of the subsidy offices. On the one hand, some of the cost accounting under subsidy law was incorrect, incomplete or insufficiently transparent, which made supervision much more difficult. On the other hand, supervision should be more systematically risk-orientated. It should ensure that the controls are better focussed on the specific risks of the type of subsidy and that the effort required to complete them is reduced.

A third major implementation problem lies in the inadequate management of subsidised projects and programmes, particularly in the case of complex projects involving multiple stakeholders. This results in a lack of coordination, cooperation and efficiency. Implementation can be improved by streamlining project organisation and cooperation between all those involved, through systematic progress reports and rapid escalation channels.

Increase the impact of subsidies by using existing indicators

Ultimately, the extent to which a given subsidy achieves its intended effects is decisive. Subsidies must therefore be subject to appropriate performance reviews. However, this requires a subsidy office to gain a clear understanding of how the subsidy will work as early as during its design phase, and to provide indicators for reviewing the achievement of objectives. Nevertheless, the SFAO sees the greatest potential for improvement in the use of these indicators. In order to manage subsidies, it is essential that the information obtained using indicators is also communicated appropriately to the decision-makers and incorporated into their processes. Monitoring that meets the needs of the recipients in terms of time and content can facilitate this and create added value for all parties involved.

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