

## ADDITIONAL TABLES

**Table AA1.** Average regional deadweight spending and total deadweight spending (€ 1 000) by computational assumption and deadweight measure

Assumption <sup>a</sup>	Deadweight measure <sup>b</sup>	Average deadweight spending in Assisted Area (AA)				Total deadweight spending
		AA1	AA2	AA3	Outside	
A.1	M.1	16.894	14.675	10.545	7.449	64 062
A.1	M.2 <sup>c</sup>	23.703	18.205	15.639	10.470	89 693
A.1	M.3 <sup>c</sup>	36.297	21.200	16.826	8.512	103 600
A.2	M.1 <sup>c</sup>	20.326	17.005	12.496	9.342	77 022
A.2	M.2 <sup>c</sup>	29.520	21.357	15.669	10.492	98 405
A.3	M.1	24.895	21.891	15.891	11.398	96 121
A.3	M.2 <sup>c</sup>	34.301	25.619	19.938	13.642	121 150

*Notes:* <sup>a</sup> A.1–A.3 indicate alternative assumptions about the computation of deadweight spending: In A.1 it is assumed that reduced scale implies 25%, reduced qualitative level implies 50% and later date implies 75% of deadweight; In A.2 they all imply 50% of deadweight; In A.3 reduced scale implies 50%, reduced qualitative level implies 70% and later date implies 90%. <sup>b</sup> M.1 is based on the public sector's assessment of deadweight as discussed in the text. M.2 is based on the self-assessment of deadweight (survey of 221 projects). M.3 is based on the subsidy replacement possibilities as self-reported by the 221 projects. It is assumed that replying 'yes, completely' imply 100%, 'partial replacement possibilities' indicate 50%, and deadweight and 'no possibility' zero deadweight (%). <sup>c</sup> In rows M.2 and M.3 weighted figures are reported. The weights have been computed in such a way that the population (5 744 projects) and survey (221 projects) data give same estimates when A.1 and M.1 are used.

### Comments on the Table AA1

- Qualitatively results remain unchanged regardless of the computational assumption (A.1–A.3) and deadweight measure used (M.1–M.3). Deadweight spending (€) is on average highest in the Assisted Area 1 and lowest outside Assisted Areas.
- In quantitative magnitudes, computational assumption A.1 leads to lower estimates of deadweight spending than A.2 (or A.3). As expected, the assumption A.3 (a 'conservative view') leads to the highest estimates of deadweight spending.
- In quantitative magnitudes, measure M.1 leads to lower estimates of deadweight spending than measure M.2 or M.3. That is, figures based on the public assessment of deadweight (M.1) show lower levels of deadweight spending than the figures based on the self-reports of subsidised firms (M.2 or M.3). This result is particularly evident, when the level of deadweight is asked indirectly (i.e. the level of subsidy replacement possibilities, M.3). These results are consistent with Tokila and Haapanen (2009, p. 135).
- The estimates of total deadweight spending range from € 64.1 million to € 96.1 million when the public assessment of deadweight is used (M.1). The corresponding figures from the self-assessments (M.2) are € 89.7 million and € 121.2 million. An indirect measure of deadweight (M.3) leads to deadweight spending estimate of € 103.6 million.

**Table AA2.** Average marginal effects on the deadweight spending (€ 1 000) according to different computational assumptions: A.1, (A.2) & [A.3]

Variable	Assisted Area 1	Assisted Area 2	Assisted Area 3	Outside Assisted Areas	All Areas
New firm	-1.158 (-0.974) [-1.422]	-0.291 (-0.196) [-0.346]	-0.499 (-0.304) [-0.571]	-0.001 (-0.001) [-0.001]	-0.221 (-0.154) [-0.258]
Self-employed	-1.175 (-0.994) [-1.448]	2.240 (1.384) [2.578]	-0.906 (-0.569) [-1.049]	-2.544 (-2.020) [-3.114]	-1.481 (-1.095) [-1.778]
Employees (10 persons)	0.004 (0.004) [0.005]	-0.016 (-0.011) [-0.019]	-0.018 (-0.011) [-0.02]	0.010 (0.006) [0.011]	0.001 (0.001) [0.001]
Turnover of firm (€ million)	0.189 (0.156) [0.229]	0.187 (0.125) [0.222]	0.147 (0.088) [0.167]	-0.019 (-0.012) [-0.021]	0.082 (0.056) [0.095]
Public subsidy (€ 10 000)	-0.699 (-0.579) [-0.850]	-0.537 (-0.36) [-0.638]	-0.112 (-0.067) [-0.127]	0.061 (0.038) [0.066]	-0.046 (-0.032) [-0.053]
Project costs (€ 10 000)	0.171 (0.142) [0.208]	0.097 (0.065) [0.115]	-0.002 (-0.001) [-0.003]	-0.013 (-0.008) [-0.014]	-0.009 (-0.006) [-0.010]
Intensity of assistance	0.170 (0.141) [0.206]	-0.091 (-0.061) [-0.108]	-0.078 (-0.046) [-0.088]	-0.082 (-0.052) [-0.09]	-0.121 (-0.084) [-0.141]
Investment project <sup>a</sup>	3.079 (2.662) [3.841]	-0.613 (-0.405) [-0.724]	0.006 (0.003) [0.006]	-1.109 (-0.739) [-1.237]	-1.331 (-0.903) [-1.529]
Start-up project <sup>a</sup>	2.336 (2.048) [2.940]	1.003 (0.624) [1.157]	-1.662 (-1.090) [-1.956]	0.449 (0.267) [0.469]	-0.071 (-0.045) [-0.079]
Metal <sup>b</sup>	-2.562 (-2.005) [-3.004]	0.331 (0.212) [0.387]	-0.699 (-0.397) [-0.779]	-0.251 (-0.160) [-0.276]	-0.746 (-0.500) [-0.854]
Wood <sup>b</sup>	-5.347 (-4.413) [-6.484]	-1.723 (-1.194) [-2.072]	-0.922 (-0.531) [-1.033]	-0.276 (-0.177) [-0.303]	-1.349 (-0.931) [-1.566]
Other manufacturing <sup>b</sup>	-2.826 (-2.221) [-3.324]	0.099 (0.064) [0.116]	-1.013 (-0.587) [-1.138]	0.048 (0.030) [0.052]	-0.734 (-0.492) [-0.840]
Trade <sup>b</sup>	-1.925 (-1.489) [-2.24]	0.760 (0.479) [0.882]	-0.672 (-0.381) [-0.749]	-0.453 (-0.294) [-0.501]	-0.354 (-0.233) [-0.402]
Transport <sup>b</sup>	-2.786 (-2.188) [-3.275]	0.299 (0.192) [0.349]	-2.409 (-1.527) [-2.796]	-0.780 (-0.520) [-0.876]	-0.911 (-0.616) [-1.047]
Other industries <sup>b</sup>	-3.740 (-2.991) [-4.448]	-1.025 (-0.691) [-1.22]	0.232 (0.125) [0.254]	0.318 (0.194) [0.340]	-0.163 (-0.106) [-0.184]

**Table AA2. (Continued)**

Variable	Assisted Area 1	Assisted Area 2	Assisted Area 3	Outside Assisted Areas	All Areas
Unemployment rate (%)	-0.138 (-0.114) [-0.168]	0.250 (0.167) [0.297]	-0.246 (-0.146) [-0.279]	0.167 (0.106) [0.183]	0.101 (0.070) [0.117]
Disposable income (€ 1 000, per capita)	-2.101 (-1.739) [-2.554]	-0.549 (-0.368) [-0.652]	-0.057 (-0.034) [-0.065]	0.544 (0.345) [0.595]	0.298 (0.206) [0.346]
R&D expenditure (€ 1 000, per capita)	-0.224 (-0.185) [-0.272]	-0.735 (-0.493) [-0.873]	1.408 (0.838) [1.597]	-0.210 (-0.133) [-0.229]	0.011 (0.008) [0.013]
2000 <sup>c</sup>	1.010 (0.790) [1.189]	0.840 (0.541) [0.983]	1.491 (0.881) [1.687]	0.328 (0.221) [0.370]	1.298 (0.898) [1.510]
2001 <sup>c</sup>	-2.532 (-2.118) [-3.109]	-0.517 (-0.351) [-0.617]	0.195 (0.125) [0.227]	0.804 (0.522) [0.890]	0.395 (0.285) [0.469]
2002 <sup>c</sup>	-2.152 (-1.787) [-2.631]	-1.288 (-0.901) [-1.554]	0.358 (0.227) [0.416]	0.562 (0.372) [0.629]	0.190 (0.138) [0.226]

*Notes:* First, average marginal effects (AMEs) are reported that have been computed as averages over observations using equation (A1) in the Appendix and computation assumption A.1. AMEs based on A.2 (A.3) are then reported in parentheses (square brackets) below. Definitions of variables are given in Table 4. <sup>a)</sup> Reference project is development project; <sup>b)</sup> Reference industry is business services; <sup>c)</sup> Reference year is 2003.

### Comments on the Table AA2

- Qualitative results remain again unchanged regardless of the computational assumption (A1–A.3). That is, signs of the average marginal effects remain unchanged.
- In comparison to assumption A.1, the average marginal effects are estimated smaller (slightly larger) in absolute value when A.2 (A.3) is used.

**Table AA3.** Average marginal effects on and average elasticities of the deadweight spending (€ 1 000), including a direct and an indirect effect.

Variable	Assisted Area 1	Assisted Area 2	Assisted Area 3	Outside Assisted Areas	All Areas
Public subsidy € 1 000	0.365*** [15.8%] (1.034)	0.245*** [10.2%] (0.595)	0.299*** [12.7%] (0.758)	0.227*** [9.7%] (0.621)	0.236*** [9.8%] (0.635)
Project costs € 10 000	-0.237 [-12.5%] (-0.052)	0.325 [7.6%] (0.344)	0.242* [8.1%] (0.194)	0.537*** [14.8%] (0.374)	0.433*** [13.3%] (0.325)
$E(y x_r)$	16.804	14.724	10.645	7.457	11.170

*Notes:* First, marginal effects have been computed as averages over (regional) observations using equation (A2) in the Appendix. Second, average percentage changes in the expected deadweight spending are given in square brackets below (semielasticities). Third, elasticities are given in parentheses. Definitions of variables are given in Table 4. \* (\*\*, \*\*\*) = statistically significant marginal effect at the 0.10 (0.05, 0.01) level. Significance levels of the marginal effects are based on 750 bootstrap samples.

### Comments on the Table AA3

- A change in the public subsidy also affects deadweight spending indirectly, because this change alters the intensity of assistance.
- Most of these results are discussed in the main text of the article.

**Table AA4.** Parameter estimates of the ordered probit models (incl. population)

Variable	Assisted Area 1	Assisted Area 2	Assisted Area 3	Outside Assisted Areas	All Areas
New firm	-0.102	-0.030	-0.077	0.000	-0.031
Self-employed	-0.091	0.228	-0.142	-0.603***	-0.193***
Employees	0.000	-0.002	-0.003*	0.002	0.000
Turnover of firm	0.015	0.019	0.023**	-0.005	0.012*
Public subsidy	-0.053**	-0.055*	-0.017**	0.013	-0.007
Project costs	0.013*	0.010	0.000	-0.003	-0.001
Intensity of assistance	0.013	-0.009	-0.012*	-0.018***	-0.018***
Investment project <sup>a</sup>	0.248	-0.063	0.007	-0.249	-0.218***
Start-up project <sup>a</sup>	0.176	0.102	-0.271**	0.095	-0.010
Metal <sup>b</sup>	-0.192*	0.034	-0.106	-0.058	-0.090*
Wood <sup>b</sup>	-0.405***	-0.179	-0.140	-0.063	-0.182***
Other manufacturing <sup>b</sup>	-0.213**	0.010	-0.156*	0.008	-0.091**
Trade <sup>b</sup>	-0.137	0.076	-0.099	-0.104	-0.045
Transport <sup>b</sup>	-0.202	0.030	-0.370	-0.179	-0.123
Other industries <sup>b</sup>	-0.283*	-0.107	0.040	0.067	-0.018
Unemployment rate	-0.006	0.026**	-0.044**	0.037***	0.011**
Disposable income	-0.148	-0.055	-0.024	0.142***	-0.028
R&D expenditure	-0.249	-0.064	0.204**	-0.046	-0.006
Population <sup>d</sup>	0.144	-0.009	0.029	-0.005	0.020***
2000 <sup>c</sup>	0.089	0.088	0.227*	0.103	0.081
2001 <sup>c</sup>	-0.184	-0.051	0.021	0.202**	-0.015
2002 <sup>c</sup>	-0.157	-0.132	0.054	0.138	-0.010
<i>Threshold parameters</i>					
$\kappa_1$	-2.114	-1.533	-2.380***	0.608	-1.894***
$\kappa_2$	-1.078	-0.541	-1.242	1.917**	-0.756*
$\kappa_3$	-0.298	0.397	-0.307	2.831***	0.132
$\kappa_4$	0.631	2.133**	1.352*	3.778***	1.316***
Log-likelihood	-1 468.39	-995.767	-2 414.15	-2 700.17	-7 707.26
Number of observations	1 075	748	1 846	2 075	5 744

*Notes:* Dependent variable is the level of deadweight (1, 2, 3, 4, 5) in project  $i$ . Estimated parameters are reported. Significance levels are based on robust standard errors. Definitions of variables are given in Table 4. \* (\*\*, \*\*\*) = statistically significant at the 0.10 (0.05, 0.01) level. <sup>a)</sup> Reference project is development project; <sup>b)</sup> Reference industry is business services; <sup>c)</sup> Reference year is 2003. <sup>d)</sup> An additional explanatory variable constructed by dividing the number of inhabitants a NUTS4 region by the average NUTS4 population.

#### Comments on the Table AA4

- Note an additional explanatory variable, *population*, which has been constructed by dividing the number of inhabitants a NUTS4 region by the average NUTS4 population.
- Because the population variable is not significant in any of the regional model specifications, and it did not alter other results, we decided to drop it from the final specification reported in Table 5.