



## SUMMARY

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The French Parliament appointed the Committee to evaluate the "France Relance" Recovery Plan, which was intended to operate from 2020 to 2022, and which had a dual ambition. The first objective, cyclical, was to get the French economy to recover to its pre-crisis level by summer 2022. The second objective was to boost the competitiveness of French companies and ensure that all economic stakeholders remain fully prepared for long-term challenges, in particular the ecological transition and the digital transition.

The committee's initial report<sup>1</sup>, published in October 2021, provided a macroeconomic analysis of the recovery plan from a European perspective, along with a first in-depth evaluation of five measures: MaPrimeRénov' (MPR), the energy retrofit of government facilities, financial support for industry modernization, support for the industry of the future, and the "1 jeune 1 solution" program. The committee had stated that "the short-term objective is set to be achieved, but the specific contribution of France Relance cannot be estimated at this point", and it had emphasized a risk: "the short-term recovery objective must be achieved while not overlooking the medium-term objectives".

This year, the evaluation was extended to include a dozen of measures, including energy renovation of the buildings of local authorities, support for low emission vehicles, the plant protein plan, support carbon-free hydrogen, decarbonization of industry, reduction in production taxes, support companies' equity, long-term partial activity and the FNE-Formation.

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<sup>1</sup> France Stratégie / General Inspectorate of Finance (2021), [Premier rapport du comité d'évaluation du plan France Relance](#), committee chaired by Benoît Cœuré, October 2021, 458 pages.

***The short-term macroeconomic objective has been reached, but the specific contribution of France Relance cannot be estimated at this point, in a macroeconomic context very different from two years ago.***

The objective of the recovery plan was to reach the pre-crisis GDP level by summer 2022. This objective has been achieved, with a GDP level of 1.1 percent in the third trimester of 2022 which is above the fourth trimester of 2019. Two observations can be made.

First, the return of GDP to its pre-crisis level is not evidence that the impact of the crisis has been mitigated, because the lost growth of the economy - which would have been registered without a crisis - has yet to be recovered. Measuring this loss is tricky, and is not a widely agreed upon among economists, but it is clear that a cumulative growth of 1% over the last three years (2019 to 2022) is way below a normal pace of growth in activity.

Secondly, since the third trimester of 2021, the activity slowed down, with only a 1% growth in GDP over the last four trimesters. The international context and the consequences of the war in Ukraine raise fears of a stagnation of activity in the upcoming trimesters.

The macroeconomic context has completely changed in two years: when the recovery plan was decided, a significant increase in the unemployment rate looked certain, deflation was being feared, and zero interest rates seemed to be set for the long term. In 2022, inflation and unemployment are at their highest and lowest levels in more than 25 years, and the contraction of monetary policy is set to continue for an indefinite period. Furthermore, since 2020, our partners have deployed policies in targeted sectors of the recovery plan, which should be taken into account in the evaluation of some industry's support measures. The evaluation of the recovery plan and the redeployment or continuation of measures taken in 2022 must also take into account this changing macroeconomic context, which potentially necessitates adjustments of public policies.

***The evaluation of the recovery plan measures is particularly complex***

Assessing a 100 billion euro plan, which includes more than a hundred measures, is a particularly complex exercise, even if we choose to focus on only some of them, and even more so when the measures are still being deployed.<sup>1</sup>

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<sup>1</sup> The reaching of targets (quantitative objectives associated with the deployment of the recovery plan) and milestones (qualitative objectives such as the entry into force of part of the unemployment insurance

There is not enough depth today to conduct a complete assessment: the schemes are not yet fully deployed (decarbonized hydrogen) or they are being deployed but the investments have not been completed (decarbonization of industry, renovation of the building of local authorities) ; or the data are not available (reduction in production taxes) or they are still partial (MaPrimeRénov', LTPA (long-term partial activity) and FNE-Formation), or it concerns expected energy savings that have not been measured (MaPrimeRénov', renovation of the building of local authorities, decarbonization of industry), or even they have not been submitted in time to the committee's secretariat (plant proteins, equity).

Even when data is available, assessment is a complex process:

- given the size of the recovery plan and the large number and variety of measures, some interact with others ;
- for some measures, the distinction between current appropriations and the recovery plan is not easy to make, *a fortiori* for their extension ;
- the overlapping of the various government plans adds to the complexity (in particular, a certain number of measures, worth 11 billion euros, are included in both the 100 billion euros of France Relance and the 54 billion euros of France 2030), particularly for the measures in favor of industry;
- post-Covid economic disruptions (supply problems, soaring energy prices) make it even more difficult to identify the effects of measures (e.g., supporting demand for low emission vehicles) ;
- finally, some measures have a medium-term impact (such as the reduction in production taxes or the "1 jeune, 1 solution" plan), and cannot be evaluated on the basis of their first year of implementation.

That said, for most of the measures analyzed, the Secretariat was able to collect enough data to draw useful initial lessons, which at the very least identify some positive outcomes and areas of attention, the main ones of which are outlined in this report. In addition, research projects have been initiated that will allow for a more in-depth evaluation of some of the measures by the fall of 2023.

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reform) that determine the partial reimbursement of the recovery plan by the EU was not examined by the committee.

## ***The operational objectives are broadly close to being achieved***

At the end of August 2022, the commitment rate of the recovery plan reached 89% (with a target of 100% at the end of 2022), and the disbursement rate 62%. The differences in the implementation of the three main pillars - Ecology, Competitiveness and Social Cohesion - are moderate.

The operational objectives assigned to the measures evaluated were primarily related to the amounts to be committed and the number of supports provided. For the most part, they have been achieved or are in the process of being achieved, as the following examples show:

- 6,212 energy renovation projects of local authority buildings were subsidized to the tune of 1.3 billion euros, for a total of 3 billion euros of work
- The France Recovery plan targeted 400,000 validated applications for premiums in 2021, 640,000 applications were actually validated in 2021 and initial data for the first half of 2022 suggest that the 2021 pace is being maintained (315,000)
- While 56,000 car bonuses were granted in 2019, 116,000 bonuses were granted in 2020 and 270,000 in 2021. On the other hand, the momentum of the conversion bonus is declining (377,000 bonuses in 2019, 167,000 in 2020 and 113,000 in 2021), and the target of 100,000 recharging stations for vehicles by the end of 2021 has not been reached (77,000 as of December 1, 2022).
- The three calls for projects under the "Decarbonization of Industry" program have supported 229 recipients, for €2.4 billion in subsidized investments, which can be squared with Insee's estimate of all annual investments by companies for environmental protection (€1.6 billion) before the recovery plan.
- More than 2.6 million beneficiaries entered the main measures of the "1 jeune 1 solution" plan in 2021 (compared with 1.5 million in 2019), including 727,000 in apprenticeships and 306,000 beneficiaries of the aid for hiring young people.

## ***Preliminary conclusions can be made for the reviewed measures***

In its 2021 report, the committee expressed concern about the risk that the need for rapid deployment of the recovery plan would undermine the efficiency of projects, particularly regarding climate objectives. The analysis conducted this year, which has yet to be confirmed, tends to put this apprehension into perspective with regard to retrofitting municipalities' facilities, MaPrimeRénov' and the decarbonization of industry. On a more general note, the following initial conclusions can be drawn about the efficiency of the measures.

- As regards of the energy renovation of the buildings of local authorities, the savings predicted by the project operators are substantial: on average, it reaches 43% of the pre-work consumption, which is in accordance with the 40% requirement

set by the Elan law for 2030. But this percentage hides great disparities between departments, particularly in terms of energy savings per euro invested, which can vary from one to ten.

- Concerning MaPrimeRenov', the estimated *ex-ante* CO2 benefits are significant, heating equipment changes, particularly efficient in terms of decarbonation, constitute a large part of the assisted projects. The targeting of the support on low-income households, who will benefit from 83% of the total amount of subsidies in 2021, should also contribute to limit the windfall effect. Nonetheless, the measure is still struggling to trigger major renovations (only 27% of applications included at least two actions in the first semester of 2022, including 5% of "complete" renovations). Besides, MaPrimeRenov' has not yet found its audience in multi-family dwellings (only 4% of subsidized renovations, even though these dwellings represent nearly half of the primary residences).
- Concerning the decarbonization of industry, it seems that the amount of the subsidy expressed in terms of the ton of carbon avoided was a dominant criterion in awarding decisions. Specifically, with regard to support for low-carbon heat in industry, projects selected seem not to have been overfunded if we take into account the price conditions existing at the time of the call for projects, but with 2022 prices, all projects would have been worthwhile even without subsidy.
- The considerable increase in the market share of low emission vehicles<sup>1</sup> over the past two years cannot be attributed entirely to the recovery plan. Firstly because it started in the first trimester of 2020, and secondly because it occurred in most of the European countries studied, including the United Kingdom, where the bonus has been reduced. Furthermore, there are still obstacles, particularly concerning the availability of charging points, as the target of 100,000 in the public domain has not been reached.
- Concerning production taxes, their decrease was well received by companies' treasury, in a difficult economic context; First because of the Covid-19 restrictions, and then because of the surge in energy prices. Much of the decrease observed between 2019 and 2021<sup>2</sup> (more than 70% of the €10.4 billion decrease recorded)

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<sup>1</sup> The aids extended in the recovery plan target clean cars regardless of where they are produced, unlike the support introduced in the US Inflation Reduction Act in August 2022.

<sup>2</sup> The developments observed in tax revenues between 2019 and 2021 reflect, for the most part, the effects of lower production taxes but also those of the current economic situation although it is not possible to distinguish the two.

concerned the CVAE, which would benefit the business sector relatively less (25%) than the reduction in the companies's land tax (cotisation foncière des entreprises) - CFE (90%) and the land tax on built-up properties - TFPB (*taxe foncière sur les propriétés bâties*) (75%). The social solidarity contribution of companies (C3S), a tax considered the most distorting by economists, has not been cut. Finally, these cuts contribute to reduce the rate-setting capacity of local authorities, and to reduce the link, at the local level, between economic activity and tax revenues.

- The effects of the "1 jeune, 1 solution" plan are still difficult to assess, despite a more favorable situation on the youth labor market, characterized by a historically high employment rate. The integration, support and training programs continued to grow, reaching a wider public. The least qualified young people, the plan's main target of the plan because they are considered more vulnerable to the effects of the crisis in 2020, have been more involved in the programs since 2019, but the growth has been less significant than for all young people. Students in post-secondary education, for example, represent 50% of the increase in apprenticeship entries observed since 2019.
- As for long-term partial activity (LTPA), its development has been slow, given the extension until spring 2021 of the very favorable conditions for partial activity under ordinary law. The periods of LTPA seem to have been used only to a very limited extent for training financed by the FNE-Formation: there are 679,000 employees assigned at least once to LTPA, and 115,000 employees of companies using the LTPA have benefited from training financed by the FNE-Formation.