

## ABSTRACT

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The Recovery Plan Evaluation Committee was created by the Initial Budget Act for 2021 and set up in spring 2021. It takes over from the Committee on the Monitoring and Evaluation of Financial Support Measures for Companies Confronted with the Covid-19 Epidemic. Its composition has been adapted to reflect the social and ecological dimensions of the recovery plan. Chaired by Benoît Cœuré, a former member of the European Central Bank's Executive Board, it includes representatives of the finance commissions of the National Assembly and the Senate, associations of regions, departments and mayors of France, employers' and trade union representative organisations, the Court of Auditors and several government departments (the Directorate general of the Treasury, Dares, and the General Commission for Sustainable Development - CGDD), as well as three experts, Philippe Bouyoux, Yannick L'Horty, and Benoît Leguet. France Stratégie and the Inspectorate General for Finances act as the Committee's secretariat. The decision of an independent and rapid evaluation distinguishes France Relance from previous French investment plans, and France from its European partners.

In his mission letter from April 3<sup>rd</sup> 2021, the Prime Minister asked the committee to focus its evaluation work on ten to fifteen measures of the recovery plan. He suggested that this list could include the following measures: housing insulation, energy retrofit of public buildings, measures to support demand for clean vehicles, lowering of production taxes, participatory loans, long-term furlough, strengthening the FNE-training measure and the youth hiring bonus.

The committee decided to broaden the analysis of the hiring bonus to the entire "1 youth, 1 solution" plan and to add the following measures: support for investment and modernisation of industry and support for the industry of the future.

For this first report<sup>1</sup>, the committee has chosen to focus on the macroeconomic analysis of the recovery plan from a European perspective (Chapters 1 to 3), as well as on an initial *in itinere* assessment of five measures: housing insulation, energy retrofit of public buildings, support for industrial investment, support for the industry of the future and the "1 youth, 1 solution" plan (Chapters 4 to 7). A final chapter presents the other measures that will be

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<sup>1</sup> The macroeconomic and microeconomic data presented here were extracted on October 10<sup>th</sup> 2021 at the latest.

evaluated at a next stage by the committee, as it is too soon currently for their initial assessment. Other measures may be added, within the limits of the committee's examination capacity.

## **Macroeconomic presentation and European comparison**

Announced by the President of the Republic during his speech on July 14<sup>th</sup> 2020, France Relance intends to take over the financial support measures for businesses implemented since March 2020. The objectives of this plan are, on the one hand, to support economic growth in order to return to the pre-crisis activity level by the summer of 2022 and, on the other hand, to prepare France for the challenges of tomorrow, the ecological transition and digital transformation in particular.

### ***100 billion euros to be committed by the end of 2022***

With a total budget of 100 billion euros, to be committed by the end of 2022, the recovery plan is structured around three pillars, each with its own objectives: "Green Transition" (€30 billion), "Competitiveness" (€34 billion) and "Social and Territorial Cohesion" (€36 billion).

At the end of August 2021, 47% of France Relance had already been committed, with a similar commitment rate for each of the components. 29% of the budget had already been disbursed by that date. Some early redeployments were made throughout 2021 for each of the three components: they resulted in the proposal to open up 1.2 billion in commitment authorisations for the 'recovery plan' budgetary mission, included in the 2022 Budget Act. To maintain the budget of the plan at 100 billion euros, a redeployment measure will be presented in the end-of-year Supplementary Budget Act to be examined by Parliament in November 2021. In view of the commitments and redeployments made possible by the responsiveness of France Relance's management, the target of 70 billion euros committed by the end of 2021 seems achievable.

### ***A scale comparable to that of the recovery plans of France's main European partners (except Italy)***

At 4.1 GDP points in 2019, the size of France Relance is close to that of the German, Spanish and British recovery plans. The Italian plan stands out with a budget of 12 GDP points.

For the European Union (EU) Member States, three sources of funding can be distinguished:

- Each Member State can receive grants from the European Recovery and Resilience Facility. Their total amount depends on four criteria, taking into account the pre-crisis

situation and the decline in activity in 2020 and 2021. As a result, of the four Member States studied in this report, Spain and Italy would receive the largest amounts of EU grants (5.6 and 3.8 GDP points respectively), followed by France and Germany (1.6 and 0.8 GDP points respectively);

- Unlike Spain, France, Germany, and Italy have all contributed to the financing of their recovery plan. Italy is self-financing its plan up to 14%, compared to 60% and 78% respectively for France and Germany;
- Of the Member States considered, only Italy has announced that it will use European Commission loans to finance more than 50% of its recovery plan.

Each of the EU Member States has submitted a National Recovery and Resilience Plan (NRRP) to the European Commission, listing the investments and spending with a request for EU funding. The NRRP also specifies a set of objectives associated with these investments. In the French case, the investments mentioned in the NRRP are derived from France Relance; the objectives indicated in the NRRP are therefore consistent with those of France Relance.

### ***Converging general orientations, different priorities in different countries***

The comparison carried out by the committee's secretariat, based on information provided by the regional economic services of the Directorate General of the Treasury, indicates that the contents of the recovery plans of European countries share common themes: energy efficiency retrofit of buildings, inclusion and social cohesion, fiscal measures, measures in favour of innovation and the development of green mobility. The development of low-carbon hydrogen is also included in all the recovery plans with the exception of the United Kingdom, whose national strategy in this area does not include short-term investments. Convergences also appear between the French and German plans in terms of innovation policy, both in terms of spending - 0.7% of GDP in both countries - and in terms of objectives, notably with the greening of the economy and the support to strategic sectors (artificial intelligence, quantum technologies, health, etc.).

However, the Member States have chosen various priorities which reflect, in part, the different economic situations prior to the crisis. For example, Spain strongly supports the energy renovation of public and private buildings (11% of its plan compared with 6.7% in France and 1.6% in Germany) as well as transport, green mobility and railways (19% of its plan compared with 8.7% in France and 10% in Germany). In terms of taxation, France, which distinguished itself by a high level of production taxes before the crisis<sup>1</sup>, is the only country to include a reduction of these levies in its plan (10 billion euros per year). The

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<sup>1</sup> In 2018, production taxes in France expressed in GDP points were twice the European average.

United Kingdom, Germany and Italy have resorted to temporary VAT cuts and, only in the case of the United Kingdom, to the implementation of investment extra depreciation measures.

Despite its limitations<sup>1</sup>, the classification of expenditures in terms of support for supply and demand has often been used to characterise the recovery plans. Indeed, these plans aim to support activity after the health crisis, to repair the damage inflicted by the crisis on the production base and to prepare for the ecological transition. Spain, Italy, and Germany are investing mainly in demand-side<sup>2</sup> measures. This spending supports household purchasing power<sup>3</sup> as well as public investment, particularly for energy efficiency retrofit and railways. The United Kingdom and France, on the other hand, tend to focus on supply-side measures, such as support for skills, employment, and innovation, as well as tax relief for businesses.

### ***France and Germany stand out for their disbursement speed***

The French Treasury expects that the full disbursement of the French Recovery Plan measures that have an impact on the public balance will happen before the end of 2022. Over this period, almost 80% of the amounts allocated should be disbursed, i.e. 69 billion euros. Similarly, 89% of the German plan should be disbursed by the end of 2022, i.e. almost 112 billion euros. Most of the Spanish funds are expected to be disbursed over the 2021-2023 period, while 72% of the Italian plan is expected to be disbursed over the 2023-2026 period.

## **The debate around France Relance**

The announcement in July 2020 of this 100 billion euro plan was subject to a more intense debate than that of the emergency measures. This debate, the terms of which have evolved with the health, social, and economic situation<sup>4</sup>, focused on the size of the recovery plan and the weighting of the objectives pursued between support for supply, support for purchasing power, social cohesion, and compliance with our climate commitments.

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<sup>1</sup> Long-term partial activity (LTPA), for example, supports both supply and demand, as it preserves the purchasing power of employees while retaining their skills.

<sup>2</sup> According to the Directorate General of the Treasury, 70%, 59%, and 58% respectively of the financial budget of their stimulus plan.

<sup>3</sup> Mainly due to a reduction in energy costs, the payment of family allowances, and a temporary reduction in VAT.

<sup>4</sup> In particular, the two additional lockdown periods in autumn 2020 and spring 2021, the extension of the emergency measures and the rebound of the economy in June 2020 and summer 2021.

## ***The recovery plan has a double ambition***

In the short term, the stated objective is to support French economic growth in order to return to pre-crisis level of activity by the summer of 2022. To this end, the recovery plan aims at rapidly increasing public spending and investment. In the medium to long term, the objectives are to support competitiveness and prepare France's adaptation to future challenges, particularly through lowering production taxes and through measures to promote innovation, the ecological transition, and digital transformation.

The duality of these objectives is reflected in the choice of the different measures. Some of them are unambiguously aimed at achieving exclusively one or the other objective<sup>1</sup>. Others contribute to both types of objectives, e.g. energy efficiency retrofit and support to industrial investment. For these two measures, the *in itinere* evaluation presented in this report helps to clarify the relative priority given to short-term versus longer-term objectives.

Measuring the macroeconomic impact of the recovery plan is a complicated exercise, given its scale, the profusion of measures of different nature, and an economic, social, and health environment marked by very high uncertainty. Furthermore, the impact of France Relance is difficult to distinguish from that of the measures that preceded it, notably the support measures that were the subject of the report of the Evaluation and Monitoring Committee of July 2021, and those that were decided after its launch, notably the France 2030 plan announced on October 12 2021.

According to the Directorate general of the Treasury, Rexecode and the OFCE, which carried out this exercise, the *ex ante* macroeconomic impact of the recovery plan would be between 1 and 1.1 GDP point in 2021 (as a difference in level from a scenario without the recovery plan), between 0.3 and 0.5 GDP point in 2025 and between 0.5 and 0.8 point in 2030<sup>2</sup>. In the short term, it would be public investment and demand-side measures that would support growth. While, lower taxes on production and measures to support innovation would take over thereafter.

## ***The size of the recovery plan: too much or not enough?***

The recovery plan provoked a lively debate among economists, particularly on the question of its size and objectives. An insufficient response to the scale of the crisis would have generated a lasting economic slump, while too much support could have created a risk of debt overhang or overheating. The duality at the heart of the recovery plan's objectives - short-term support for demand and medium-to-long-term support for supply - considerably

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<sup>1</sup> For example, support for decarbonised hydrogen essentially contributes to the second objective.

<sup>2</sup> Taking into account the perennial decrease in production taxes.

complicates the analysis. Indeed, if they were to materialise quickly enough, supply-side effects would mitigate the risks of both debt overhang and overheating.

To understand the debate on the size of the plan and its evolution, it is necessary to distinguish the different phases. The debate first focused on the right short-term fiscal strategy to support economic activity and return to 2019 GDP levels by 2022. In the autumn of 2020, some economists doubted that the French economy could return to its pre-crisis level by the summer of 2022. Others felt that France Relance was correctly sized to support growth in the short term.

As the economic recovery has been faster than expected, the debate has focused on the right strategy to promote a return not only to the pre-crisis level of activity but above all to the pre-crisis trend. To this end, some economists have proposed additional measures to avoid a lasting loss of activity.

The debate on the consequences of the recovery plan on debt sustainability was not very lively in France. A consensus seemed to have formed on the low cost of indebtedness and on the possibility to increase debt on a one-off basis to respond to the crisis. However, some pointed out that the risks associated with high public debt remain, including increased exposure to future crises due to reduced budgetary room for manoeuvre, as well as a possible increase in interest rates.

### ***An unanticipated risk of overheating in France***

In 2021, with the stronger than expected global recovery and the accompanying supply-side pressures, the debate has shifted from the contribution of the recovery plan to the relaxation of supply-side constraints to the long-term effects of the health crisis on the level of activity and potential growth. The risk of overheating was not part of the French public debate in 2020, as economists were all anticipating a substantial rise in the unemployment rate. This debate emerged in the United States in early 2021 following the announcement of US President Biden's 1.9 trillion-dollar plan. It was amplified by the supply-side constraints that arose globally during the year, as well as by the increase of certain raw materials prices. In Europe, given the persistently high level of unemployment and wage pressures that remain low, the risk of overheating is considered limited and price pressures are considered - notably by the European Central Bank - to be temporary.

### ***What balance between supply and demand measures?***

As the health crisis has simultaneously affected the productive capacity of the French economy<sup>1</sup> and the demand for goods and services<sup>2</sup>, the right balance between measures to support supply and demand has been the subject of an intense debate. This may seem partly artificial, with many measures acting on both supply and demand<sup>3</sup>.

With the strong economic recovery, voices in favour of more demand-side support have diminished, while proponents of additional supply-side measures differ on their priorities. Some economists emphasise public investment (innovation and training), while others propose additional cuts in production taxes. The redistributive dimension of the recovery plan was also debated, with some economists arguing that the plan did not sufficiently support the most vulnerable households.

### ***How will the recovery plan contribute to meeting our climate commitments?***

The recovery plan devotes one of its three pillars to the ecological transition. In the French NRRP, environmental measures account for 50% of the expenditures for which France is applying for European funding. This share exceeds the minimum rate of 37% required by the European Commission to disburse European funding supporting the recovery.

According to the IMF<sup>4</sup>, France is making a greater effort than its European partners to fight climate change. Nevertheless, there is a debate on the real amount of the budget allocated to the ecological transition, as well as on the necessary coherence between the three pillars of France Relance. Some are considering that, in particular, measures in the Competitiveness strand could slow down the achievement of objectives relating to the ecological transition. The High Council for the Climate<sup>5</sup> also indicates that two thirds of France Relance would support economic activity without changing practices. Moreover, some grants from the recovery plan would not be conditional on the achievement of environmental objectives. The share of activities that emit large amounts of greenhouse gases in the French economy would thus risk being maintained in the long term. As for the success of the climate pillar of France Relance, it would also depend to a greater extent

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<sup>1</sup> In particular by the administrative closures of schools, administrations, certain shops, and part of the catering, accommodation, and leisure facilities, by the disruptions in supply chains, by the impact of social distancing measures on productivity.

<sup>2</sup> This is due, for example, to over-saving by households and consumption constrained by administrative closures and travel restrictions.

<sup>3</sup> See the example cited above of the APLD.

<sup>4</sup> IMF (2020), "Fiscal Monitor", October.

<sup>5</sup> High Council for the Climate (2020), "[France Relance – Quelle contribution à la transition bas-carbone ?](#)", December.

on other public policy levers in the environmental field, which most economists stress should include a carbon price signal.

## The compared macroeconomic situation of France

The analysis of the economic situation one year after the announcement of the recovery plan is obviously far from sufficient to assess its effectiveness, but it does allow us to situate France in relation to its main European partners, and to verify whether the short-term objective is being achieved.

### *The short-term macroeconomic objective is on track*

The short-term objective of the recovery plan - to return to the 2019 level of GDP by the summer of 2022 - is on track to be achieved ahead of schedule. According to INSEE, GDP in the third quarter of 2021 was 0.6 percentage point below its pre-crisis level, which it would reach by the end of the year, as would GDP in Germany<sup>1</sup>. On the other hand, GDP in Italy and the United Kingdom would remain one point below its pre-crisis level, and that of Spain around three points below.

The return of GDP to its pre-crisis level does not mean that the impact of the crisis has been neutralised, as the lost growth of the economy, which would have been achieved without the crisis, still needs to be caught up. Quantifying this loss implies estimating the evolution of the productive potential of the economy outside of the crisis, known as “potential GDP<sup>2</sup>”, the measurement of which may be subject to numerous debates. Nevertheless, for France, according to a consensus among economists, the loss of growth in relation to the pre-crisis potential GDP trajectory should be between 2 and 3 points of GDP<sup>3</sup> in 2021. Moreover, the *2022 Economic, Social, and Financial Report*<sup>4</sup> estimates that the loss in potential GDP level is -1.75 points in 2021 compared to the pre-crisis scenario<sup>5</sup>.

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<sup>1</sup> According to the INSEE business report of October 6<sup>th</sup> 2021. Since this publication, Germany's growth forecasts have been revised downwards from 3.7% to 2.4% by the main German institutes (IFO and DW). As a result, a return of its GDP to pre-crisis levels is now expected in the second half of 2022.

<sup>2</sup> The potential GDP of an economy corresponds to its maximum sustainable level of production, compatible in particular with long-term price stability.

<sup>3</sup> The gap is calculated in relation to the estimated pre-crisis level of potential GDP for the year 2021.

<sup>4</sup> Attached to the initial Finance Act for 2022 and published in October 2021.

<sup>5</sup> The loss of potential GDP is calculated in relation to the scenario of the Public Finance Programming Act 2018-2022.



### ***The employment situation is recovering particularly quickly in France***

According to the latest INSEE statistics, salaried employment in France exceeded its pre-crisis level in the second quarter of 2021, while the unemployment rate fell sharply to 7.6% in the third quarter, below its level at the end of 2019 (8.1%). As a result, and despite the rise in inflation, household purchasing power, after stabilising in 2020 (+0.4%), should increase significantly in 2021 (+1.9%)<sup>1</sup>.

The employment situation in France seems to be normalising a little faster than in its main European partners.

### ***Despite the sustained recovery and normalisation of the economy, some risks remain***

As mentioned above, shortages of certain materials and capital goods are intensifying, causing consumption and production prices to rise, while tensions in the labour market are increasing, which could slow down the economic recovery. Uncertainty also remains about health risks, although the situation has improved in recent months with a sharp rise in vaccination coverage.

More specifically for France, an additional risk concerns its external balance, which has deteriorated more than its main European partners, with the exception of Spain. The crisis has particularly affected tourism and transport equipment manufacturing sectors, which usually make a positive contribution. According to the most recent data from the Banque de France, the current account balance is improving in 2021<sup>2</sup>.

The financial situation of companies at the end of the emergency measures, and in particular their ability to repay their financial<sup>3</sup> as well as their tax and social contribution debts<sup>4</sup>, will have a determining impact on investment and job creation. On average, during the crisis, the balance sheets of companies was better protected in France than in the other main European countries. In the first half of 2021, the margin rate of non-financial companies in France exceeded its 2019 level (even though it was sustained in 2019 due to the CICE reform), under the effect of the emergency support measures and the reduction in production taxes. The net financial debt of French companies has stabilised compared to 2019, even if it remains at a high level compared to Germany or the United Kingdom.

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<sup>1</sup>The change in purchasing power of gross disposable household income per consumption unit is 0.0% in 2020 and +1.5% in 2021.

<sup>2</sup> Banque de France (2021), "Balance des paiements de la France : données récentes", *Stat Info*, October.

<sup>3</sup> In particular, State-guaranteed loans (SGP).

<sup>4</sup> Caused by the deferral of social charges and taxes granted to companies.

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Because of the issues at stake and their level of progress, five measures of the recovery plan have been selected for evaluation at this stage: two measures to support energy efficiency retrofit, respectively of private housing and public buildings (Green Transition pillar of the recovery plan); two measures to support industrial investment (Competitiveness and Green Transition pillars); and the “1 youth, 1 solution” plan (Territorial and Social Cohesion pillar).

As the implementation of these measures is not yet complete, this first *in itinere* evaluation cannot be considered as an *ex post* evaluation. It aims, first, at specifying whether the methods chosen for their implementation were satisfactory and, second, at characterising the beneficiaries of the various measures and producing an initial assessment of their effects.

The results of the analyses presented below were based on interviews and detailed data collected both from central administrations and the various actors responsible for steering and implementing the measures evaluated, as well as from some of their beneficiaries. The secretariat also conducted original statistical analyses based on these databases.

## **To reduce energy consumption and greenhouse gas emissions, two schemes support the energy efficiency retrofit of public buildings and private housing**

Buildings in the residential and tertiary sectors represent the fourth largest emitters of greenhouse gases in France, behind transport, agriculture and manufacturing industry. According to the CGDD<sup>1</sup>, in 2018, these buildings emitted just over 71 million tons of CO<sub>2</sub> equivalent, broken down as follows: 43 million tons for the residential sector and 28 million for the tertiary sector.

The NRRP has two priority objectives in this area: to reduce buildings energy consumption and greenhouse gas (GHG) emissions by improving their energy efficiency, and the quality of life of users and households<sup>2</sup>. MaPrimeRénov' and support for the energy efficiency retrofit of public buildings, two measures in the recovery plan, are intended to contribute

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<sup>1</sup> General Commission for Sustainable Development (2021), Key climate figures, 2021 edition.

<sup>2</sup> This will also improve the purchasing power of households, particularly those of modest means, by reducing the number of “heat sieves”. Heat sieves are defined as very energy-intensive housing, classified as F and G after an energy performance diagnosis (DPE). The energy label shows the primary energy consumption of the dwelling. Seven classes from A to G (A corresponding to the best performance, G to the worst) make it up.

specifically to achieving these two objectives<sup>1</sup>. These objectives of the NRRP are part of public policies aimed at reducing:

- GHG emissions: the National Low Carbon Strategy<sup>2</sup> sets a target for the building sector to reduce emissions by 49% by 2030 compared to 2015 levels;
- Energy consumption: the law mentions various objectives aimed at renovating the entire real estate stock according to “low-energy building” standard or similar ones by 2050<sup>3</sup>; eradicating all thermal strainers by 2028<sup>4</sup>; and reinforcing the obligations of landlords in terms of the energy consumption of housing<sup>5</sup>.

### ***MaPrimeRénov’ is primarily based on a logic of massification of single-step work***

Implemented by the National Housing Agency (ANAH), MaPrimeRénov’ is an aid scheme for financing energy renovation work in private homes, which has replaced the energy transition<sup>6</sup> tax credit from January 1<sup>st</sup> 2020 for households with modest and very modest<sup>7</sup> incomes. The aid takes the form of a grant, which is considered to be a more effective incentive than a tax credit, as it is paid as soon as the work is completed.

Provided that the work is carried out by a qualified professional who is recognised as an environmental guarantor (“RGE” label), many energy renovation projects are eligible for MaPrimeRénov’ support, such as insulation<sup>8</sup>, heating, and ventilation work, as well as the energy audit of an individual house or apartment.

2 billion euros have been allocated to MaPrimeRénov’ for 2021 and 2022, in addition to the annual allocations provided for in the Finance Act<sup>9</sup>. The scope of MaPrimeRénov’ has

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<sup>1</sup> Other schemes, such as energy renovation and heavy rehabilitation of social housing, as well as ecological transition and energy renovation of VSEs and SMEs, present in the NRRP, also share these objectives.

<sup>2</sup> Adopted in 2015 and revised in March 2020.

<sup>3</sup> Objective defined by the law n° 2015-992 of August 17<sup>th</sup> 2015 on the energy transition for green growth (LTECV), revised in March 2021.

<sup>4</sup> Objective defined by the law n° 2019-1147 of November 8<sup>th</sup> 2019 “Energy-Climate”.

<sup>5</sup> In particular, the ban on renting out housing with an F or G rating, as of 2025, in application of Law No. 2021-1104 of August 22<sup>nd</sup> 2021 “Climate and Resilience” on the fight against climate change and the strengthening of resilience to its effects.

<sup>6</sup> MaPrimeRénov’ also replaces the ANAH’s “Habiter Mieux Agilité” renovation support programme.

<sup>7</sup> Defined by INSEE as the first four income deciles. From January 1<sup>st</sup> 2021, the MaPrimeRénov’ scheme has also replaced the CITE for households with intermediate and higher incomes.

<sup>8</sup> Insulation of walls, floors, attics, or windows.

<sup>9</sup> Over the 2021-2022 period, a total of 4.4 billion euros in commitment authorisations will be devoted to MaPrimeRénov’ in the broadest sense and to the actions of the recovery plan in favour of the energy renovation of private housing carried out by the ANAH. This amount breaks down into 2.4 billion under the

been extended, as of January 1<sup>st</sup> 2021, to all owner-occupiers, regardless of their income level<sup>1</sup>, and then, as of July 1<sup>st</sup> 2021, to owner-lessors as well as to the common areas of co-ownerships.

The amount of the grant is established, on a flat-rate basis, according to the type of work considered and the income level of the applicant. If necessary, this amount may be supplemented by a financial bonus conditional on the achievement of an objective relating to the reduction of energy consumption<sup>2</sup>.

The French National Recovery and Resilience Plan (NRRP) mentions a single quantitative objective assigned to the reinforcement of the MaPrimeRénov' scheme, i.e. 400,000 validated applications for subsidies by the end of 2021, then 700,000 by the end of 2022, cumulatively since 2020. The ANAH's annual performance project also sets MaPrimeRénov' the object of removing 80,000 homes from the status of "thermal flats" by 2021<sup>3</sup>. However, no other quantitative objective in terms of reducing GHG emissions or energy consumption of housing is defined.

*Despite the extension to all households and a strong dynamic of requests, MaPrimeRénov' still supports, for the most part, households with modest and very modest incomes, which will benefit from 81% of the amount of grants awarded in the first half of 2021*

A "massification" of the recourse to the MaPrimeRénov' scheme has been observed. Thus 672,000 applications were submitted between January 2020 and September 2021, of which 551,000 were validated, for a total of 1.8 billion euros in premiums. MaPrimeRénov' is therefore on track to reach 700,000 validated applications by 2021, a target initially set

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"Ecology, sustainable development, and mobility" mission for MaPrimeRénov' and 2 billion under the "Recovery Plan" mission. Because of the large number of grants awarded in 2021, the majority of the 2 billion euros would be committed from 2021. To support this dynamic in 2022, the commitment authorisations of the "Ecology, sustainable development, and mobility" mission would thus increase from 0.74 billion euros in 2021 (according to the Finance Act for 2021) to 1.7 billion (Finance Act bill for 2022). As for the France Relance budget dedicated to MaPrimeRénov', it remains unchanged for the 2021-2022 period.

<sup>1</sup> Prior to the stimulus plan and following the announcement of the transformation of the CITE into a bonus in 2019, households with intermediate incomes, i.e. households belonging to deciles 5 to 8, benefited from the CITE until the end of 2020 and were to benefit from MaPrimeRénov' from January 1<sup>st</sup> 2021. Households with higher incomes, i.e. deciles 9 and 10, benefiting from the CITE were to be excluded from the MaPrimeRénov' scheme.

<sup>2</sup> Global renovation package, conditional on an energy saving of 55% on a dwelling more than 2 years old; Low-energy building (BBC) bonus for achieving energy label A or B; Heat sieve exit bonus when the work enables the dwelling to be taken out of the heat sieve state (energy labels F and G).

<sup>3</sup> Objectives and indicator 3.1 of the annual performance project for the year 2021: number of dwellings removed from the "heat sieve" status thanks to MaPrimeRénov'.

for 2022. Several factors can explain this result, although their respective contributions cannot be precisely estimated at this stage:

- The eligibility of middle- and upper-income households to MaPrimeRénov' contributed to 32% of validated applications in the first half of 2021;
- MaPrimeRénov' was the subject of a dedicated communication campaign led by the ADEME<sup>1</sup>. Specific information was also sent to professionals; local advisers of the FAIRE<sup>2</sup> network were able to inform homeowners of the development of the scheme;
- The consequences of the health crisis may have supported an increased demand for house insulation, in particular the households' saving surplus during the health crisis<sup>3</sup>, as well as their appetite for improving the comfort of their homes. This is reflected, in particular, in an increase in household spending related to housing<sup>4</sup>;
- highlighted by three quarters of beneficiaries in a satisfaction survey<sup>5</sup>, the clarity and ease of the online grant application process may also have contributed to the significant increase in the number of applications;
- By outsourcing the application processing, the ANAH has been able to meet this increased demand while controlling the time required to respond: 141,144 applications were accepted in 2020 compared with 464,000 from January to September 2021. During this period, the total amount of grants awarded is 1.4 billion euros, more than twice the amount awarded for all of 2020 (0.5 billion euros).

Despite the extension to middle- and higher-income households, MaPrimeRénov' retains its social character. In fact, in the first half of 2021, households with very modest incomes remained the main beneficiaries of the scheme: they represented 43% of validated applications and 59% of the total amount of grants awarded. Next in order of grants

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<sup>1</sup> Agence de l'environnement et de la maîtrise de l'énergie – Agency for the Environment and Energy management

<sup>2</sup>The FAIRE network (Facilitate, Accompany and Inform for Energy Renovation) is a public information and advice service on energy renovation of housing set up by ADEME, ANAH, the National Agency for Information on Housing and Local Authorities. The local advisors of the FAIRE network help households assess their energy consumption and find renovation solutions adapted to their needs while offering them financial aid.

<sup>3</sup> In the first quarter of 2021, the Banque de France indicates that "household savings fell slightly in the first quarter but remain well above their pre-crisis level (84.9 billion euros after 87.1 billion euros in the fourth quarter of 2020)". (Stat Info dated August 18<sup>th</sup> 2021).

<sup>4</sup> For example, INSEE has noted an increase in expenditure on housing equipment of 11.3% compared to January 2021, "in particular purchases of furniture and household appliances" (rapid information no. 085 of March 31<sup>st</sup> 2021).

<sup>5</sup> Ipsos satisfaction survey of MaPrimeRénov' beneficiary households.

awarded are households with modest incomes (22% of the total amount), intermediate incomes (18% of the total amount) and higher incomes (1% of the total amount).

MaPrimeRénov' can be cumulated with other support measures for the energy renovation of housing<sup>1</sup>. The use of these schemes has also increased among low-income and very low-income households benefiting from MaPrimeRénov' in the first half of 2021. The combination of all these public supports reduces the remaining costs for households. Although its effects have not been evaluated at this stage, this combination is likely to strengthen the incentive nature of all the energy efficiency retrofit support schemes.

*A window system designed to provide broad support for housing retrofit, MaPrimeRénov' is not essentially conditional on achieving energy saving targets, although the bonus is higher for the most efficient actions*

The energy gain for work approved<sup>2</sup> during the first half of 2021 is estimated by the committee secretariat at 1.7 TWh/year<sup>3</sup>, based on the average gains associated with declared work. As a result of the massification of MaPrimeRénov', this gain is twice as high as that estimated for work validated in 2020 (0.8 TWh/year). Nevertheless, this estimated gain during the first half of 2021 represents 0.4% of the energy consumption of primary residences in France in 2019<sup>4</sup>.

Initially, the amount of the subsidy was established on a flat-rate basis according to the renovation work and its estimated impact in terms of energy savings and renewable heat production, as well as the applicant's income level. To meet the objective of massively increasing the number of energy renovation projects and to ensure that the demand for renovation work is met quickly, the stability of MaPrimeRénov' scheme has been favoured and its logic has not much changed in 2021. The flat rates and bonuses introduced in 2021 have so far provided relatively little incentive for households to carry out comprehensive renovations<sup>5</sup>.

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<sup>1</sup> These include energy-saving certificates (CEE), local authority support, and support from Action Logement. In addition, the reduced VAT rate of 5.5% for energy renovation work should be added to the support.

<sup>2</sup> Work for which the MaPrimeRénov' application has been validated by the ANAH.

<sup>3</sup> Estimate based on the files validated by the ANAH and the average conventional energy gain of the different actions eligible for the MaPrimeRénov' scheme. This average conventional energy gain is calculated by the National Energy Renovation Office (ONRE) for each action according to the typical characteristics of the dwelling.

<sup>4</sup> In metropolitan France, the energy consumption of primary residences for all energies combined was 410.7 TWh in 2019.

<sup>5</sup> According to the professionals we met, financial support cannot be the only way to encourage individuals to make more use of comprehensive renovations. Indeed, as this type of renovation requires coordination between several energy renovation works, other factors than the remaining costs for households could limit

In the end, the scheme mainly supports single-step renovations, accounting for 86% of the work supported. Although the granting of the subsidies is not conditional on a real reduction in the energy consumption of the dwellings after the work has been carried out, some single-step measures can be effective in achieving significant energy savings. For example, the installation of air/water heat pumps accounts for 55% of the expected savings for all the work supported, but 25% of the total amount of grants awarded in the first half of 2021.

On the other hand, comprehensive renovations represent only 0.1% of the work supported. Since an energy audit is not a systematic requirement for obtaining MaPrimeRénov', it is not possible to estimate, based on approved applications, the actual number of thermal sieve exits supported by MaPrimeRénov'<sup>1</sup>. While 0.2% of the work supported benefits from the "thermal sieve exit" package, this is only a minority of the number of exits. In fact, other work supported by MaPrimeRénov', allowing for real energy savings, may lead to exits from the thermal sieve, without the information being available in the database of applicants' files.

*The estimate of the real energy gains supported by MaPrimeRénov' can only be specified after delivery of the work*

The effects of the work supported by MaPrimeRénov' on energy consumption have only been estimated based on theoretical gains and declarations of work, that will not necessarily all be completed. In future evaluations, it will be necessary to estimate the real reductions in energy consumption and greenhouse gas emissions (1), and to assess the incentive effect of the different rates of support as well as the combination of the different aid measures to trigger renovation work (2).

***The implementation of support for the retrofitting of public buildings, of both the State and local authorities, has focused on work that can be carried out quickly***

The real estate stock, whether State's or local authorities' buildings, is characterised by low energy efficiency<sup>2</sup>. In particular, according to the Ministry of Higher Education, Research, and Innovation, a large proportion of university buildings had poor energy

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the number of comprehensive renovations, in particular a limited offer of support to individuals and insufficient structuring of the sector. These last two points could be the subject of a future evaluation.

<sup>1</sup> An energy audit is only mandatory if an energy bonus is requested.

<sup>2</sup> According to the Banque des Territoires, most public buildings were built before 1975 and are energy-drainers.

performance in 2018, with more than 50% of these buildings having an energy efficiency rating of D or lower<sup>1</sup>.

The recovery plan includes a support scheme for energy retrofitting of public buildings (ERBP), with a financial budget of around 4 billion euros to be committed over the 2021-2022 period. It is broken down into:

- 2.7 billion euros for the buildings of the State and its operators, with priority given to buildings in the higher education, research, and innovation sector, regardless of the ministry to which they are attached, i.e. 1.35 billion euros;
- 1.3 billion euros for local and regional authorities, which are distributed as follows:
  - 950 million euros in investment grants, exclusively for retrofitting of buildings, with 650 million euros for the communes and EPCIs<sup>2</sup> and 300 million euros for the departments;
  - 300 million euros of investment allocations for retrofitting of regional buildings, mainly high schools<sup>3</sup>.

The projects supported by the regions were not subject to a selection process operated by the State. In the other cases, support was awarded after specific calls for projects led by the Government departments concerned, or after selection by the decentralised State services.

Targets in terms of contracts awarded, floor area of sites, number of schools retrofitted are set in the National Recovery and Resilience Plan (NRRP). All the data needed to evaluate the achievement of these objectives was not available at the time of writing.

*For State, departmental, and municipal buildings, speed of execution was a condition of eligibility and the environmental performance of the work was one of the selection criteria*

Two calls for projects were launched in September 2020. The first was aimed at all buildings belonging to the State and its operators, and the second at all buildings in the higher education, research, and innovation sector, regardless of the ministry to which they

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<sup>1</sup> As a reminder, the energy label shows the primary energy consumption. There are seven classes from A to G (A corresponding to the best performance, G to the worst).

<sup>2</sup> Public Establishments of Inter-municipal Cooperation

<sup>3</sup> According to the ministerial instruction on the regional investment grant of December 11<sup>th</sup> 2020, 600 million euros of the investment grant is intended primarily, but not exclusively, for the energy renovation of buildings owned or occupied by the regional councils, mainly high schools. The NRRP indicates a 300 million euros budget intended for the energy renovation of public buildings in the regions.



belong<sup>1</sup>. A very short response time was imposed, with a deadline of October 2020. Applications were processed between October and the end of November 2020; the applications selection was completed on December 14<sup>th</sup> 2020.

The two calls for projects were managed at the national level by the State Property Directorate. The analysis of cases was devolved for cases where the amount was less than 5 million or 8 million euros in the Île-de-France region; a streamlined procedure was implemented for projects costing less than 70,000 euros. Although no geographical distribution of the grant was imposed *a priori*, the Île-de-France share was nevertheless capped.

As for departmental and communal buildings, the procedures for selecting applications were based on eligibility conditions and priorities set at the national level<sup>2</sup>, and specific rules specified by the regional prefects. The selection process used was similar to those already used to allocate State support for local authority investment.

Regardless of the selection process, two conditions were imposed on the works in order for them to be eligible: notification of contracts before the end of 2021 and delivery of the works by the end of 2022 in the case of local authority buildings retrofitting, and by the end of 2023 in the case of State buildings, with some exceptions<sup>3</sup>. As for their selection, two main criteria were retained: on the one hand, the capacity of the project leader to carry out the project within the announced deadlines (objective of rapid support to the construction sector), and on the other hand, its overall environmental performance, including energy gain, environmental gain, and energy efficiency<sup>4</sup>.

*The recovery plan supports 4,214 energy renovation projects of State buildings, spread throughout the country, representing an estimate of 2.8 billion euros...*

A total of 6,682 government building renovation applications were submitted, and 4,214 selected, for a selection rate of 62%, for a total estimate of 2.8 billion euros. All this work is supported by the recovery plan at the rate of 1.36 billion euros for retrofit projects for buildings in the higher education, research, and innovation sector, regardless of the ministry to which they belong, and 1.31 billion euros for other government buildings<sup>5</sup>.

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<sup>1</sup> Higher education institutions outside the Ministry of Higher Education, Research, and Innovation benefited from this call for projects.

<sup>2</sup> Specified in circular n° 6220/SG of October 23<sup>rd</sup> 2020 on the territorialisation of the recovery plan.

<sup>3</sup> At the exception of projects that are exceptional in terms of the scale or complexity of the work to be carried out, notably comprehensive renovations, which account for 1% of all projects.

<sup>4</sup> Applications of an amount less than or equal to 70,000 euros (excluding VAT) were exempt from the environmental selection criterion.

<sup>5</sup> Part of the budget was also allocated to quick-win projects, i.e., 19 million euros.

All territories, including the French overseas territories, benefit from the State's support for the energy renovation of State buildings. The amounts invested are also well distributed according to the size of the municipalities, including those in the French overseas territories, since 20% of the projects are located in municipalities with fewer than 20,000 inhabitants, 40% in those with fewer than 65,000 inhabitants and 35% in those with more than 150,000 inhabitants<sup>1</sup>.

*... whose environmental impact is not homogeneous*

Taking into account all the selected projects, the main energy renovation works supported in government buildings are heating/air conditioning (35% of the selected projects include this type of works), roof or facade insulation (31%), window insulation (29%) and lighting replacement (22%)<sup>2</sup>.

According to the estimates made by the project leaders, the reductions in greenhouse gas emissions (respectively, the energy gains) relative to the amount invested would be four times greater (respectively, three times greater) for heating works than for the average project supported. The scheme therefore financed a wide range of works without necessarily prioritising the most efficient actions, since the projects were selected on the basis of a set of criteria, of which the announced energy performance was only one part.

The respective estimates of expected energy gains and greenhouse gas emission reductions are only available for a part of the State building energy renovation projects:

- 3,257 projects supported would save 0.5 TWh per year;
- 3,136 projects supported would lead to a total reduction of 151,000 tons of CO<sub>2</sub> per year.

*Data is not yet available to assess the real impact of the energy renovations of local authority buildings supported by the recovery plan*

With the exception of the regions, the selection of projects is carried out by the prefectures on a decentralised basis. At the time of writing, the collation of the characteristics of the selected local authority building retrofit projects has not been completed. An analysis should be carried out by the Directorate General for Local Authorities by the end of 2021.

Only financial data are available at the national level. 96% of the recovery plan funds have been committed to the municipal block and 94% to the departmental level.

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<sup>1</sup> 61% of the energy renovations supported are located in urban areas with more than 500,000 inhabitants.

<sup>2</sup> The sum exceeds 100%; some projects are multi-stage.

The real effect on energy consumption and greenhouse gas emissions of all the energy renovations (public buildings and private housing) supported by the recovery plan has yet to be assessed. Future evaluations could also seek to identify the obstacles to the most efficient renovations in terms of energy gains and emissions, and to specify how the State and private operators have contributed to the development of wise advice offer and support for project leaders and to the structuring of the sector.

## **Two investment support measures aim to both modernise the industry and to transform it as it emerges from the crisis**

Prior to the crisis, the French manufacturing industry suffered from a competitiveness deficit, which was reflected in a decline in France's market share in global goods exports over the last two decades (-2% per year between 2000 and 2016<sup>1</sup>). In this context, the Covid-19 crisis threatened to accentuate this decline, by leading to a decline in productive investment greater than that of our partners. Indeed, the economic literature establishes that companies export more the more they invest in the modernisation of their productive apparatus. Although it fell less than the decline in activity, investment in the manufacturing sector fell by 4.5% in 2020<sup>2</sup>.

### ***Two industrial investment support measures that differ in their selection procedures and in the nature of the projects supported***

Within this framework and with a goal of boosting investment - but also of accelerating the transformation of industrial sectors in order to increase their resilience and integrate the new challenges linked to the ecological transition - two measures have been put in place: the Support for Investment and Modernisation of Industry measure and the Industry of the Future desk. These measures are in addition to the parallel reduction in production taxes, which aims to contain operating costs.

These two measures were launched in the fourth quarter of 2020 to support industrial investment in the wake of the crisis. However, they differ in terms of their objectives, their selection method, and the nature of the projects targeted:

- With 2.45 billion euros, the Support for Investment and Modernisation of Industry measure brings together a series of calls for projects (AAP), each with a specific objective, respectively the (re)shoring of strategic sectors (agri-food, electronics, health, 5G, critical inputs for industry), support for industries undergoing rapid change (aeronautics,

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<sup>1</sup> CNP (2019), *Productivité et compétitivité : où en est la France dans la zone euro?*.

<sup>2</sup> Annual national accounts, INSEE.

automotive) and projects with a strong territorial impact. This measure is operated by Bpifrance in cooperation with the General Directorate for Enterprises (DGE);

- The Industry of the Future desk, with a budget of 0.9 billion euros, consists of direct subsidies for the acquisition by SMEs and ETIs of certain equipment and technologies that contribute to their modernisation and transformation towards the industry of the future.

These two measures are governed by European regulations on government aid to businesses, whose temporary derogation measure “Covid-19” raised the *de minimis* threshold for aid to 800,000 euros and then 1.8 million euros, compared with 200,000 euros before.

These measures have been widely requested by all industrial sectors. For the Support for Investment and Modernisation of Industry measure, 2,179 beneficiaries had been identified by mid-September 2021, for 1.7 billion euros in subsidies. As for the Industry of the Future measures, 6,648 beneficiaries had been notified by the same date for an amount of 706 million euros in grants. As a result of the strong demand for these two measures, the budget for the Industry of the Future desk has been increased in 2021 by 0.6 billion euros and that of the PAAs by 0.45 billion euros.

***The “Support for Investment and Modernisation of Industry” measure provided greater support to small and medium-sized industries (SMEs) in the sectors most exposed to the Covid-19 crisis***

According to the interviews conducted by the committee secretariat, the beneficiaries interviewed were generally satisfied with the appraisal process and the level of assistance. However, faced with the volume of applications submitted and the tight deadlines for appraisal, the operators in charge of managing the schemes have had to reorganise themselves in a hurry, sometimes to the detriment of support for project leaders. For the first measure - the PAAs - two thirds of the beneficiaries are SMEs, half of which have between 10 and 50 employees. Large companies, also eligible for this measure, represent 13% of the beneficiaries for 26% of the total amount of aid. The Metallurgy and Metal Products Manufacturing sector, which includes subcontractors in the Automobile and Aeronautics Industries, is the main beneficiary with 18% of the recipients. Moreover, the beneficiaries are companies that were rather dynamic before the crisis, which were characterised by growth in their turnover and their investments, and among the most productive in the Industrial sector. They have nevertheless been more affected by the crisis.

The selection rate is around 30% for national PAAs and 17% for territorial projects. The grant rate varies from less than 5% to more than 80% depending on the project, with an average grant of 788,000 euros. The highest subsidy rates were mainly granted to projects

in the Automotive and Aeronautics sectors during the first phase of the PAA in order to accelerate the financial commitment of the measure.

According to the fifteen or so interviews conducted, the characteristics of the projects financed by the PAAs vary according to the size and maturity of the company. For innovative start-ups, the aid paid may have been decisive in initiating an industrialisation or pre-industrialisation project. For the more established SMEs and SMLs, the scheme would have helped accelerate the timetable or raise the level of ambition of existing projects. For large groups, the scheme would not have substantially modified their investment roadmap. In the latter two situations, obtaining the subsidy could, for some companies, correspond to a windfall effect, although this cannot be quantified at this stage.

### ***The “Industry of the Future” desk has financed the modernisation of production lines in SMEs rather than a real transition to the Industry of the Future***

For the Industry of the Future desk, 51% of beneficiary companies have between 10 and 50 employees. SMEs, which are also eligible for the scheme, represent 4% of beneficiaries. The rate of recourse by SMEs exceeds 10% in many sectors, such as metallurgy and the manufacture of metal products, plastics processing, and the manufacture of computer products. The average subsidy amounts to 114,000 euros.

According to a semantic analysis of the project descriptions provided by the beneficiaries of the scheme, 68% of the subsidies paid correspond to the purchase of programmable or digital machines. In particular, VSEs made greater use of this scheme to acquire machines dedicated to “machining”. Conversely, ETIs used the scheme for “robotisation” or “automation” projects. Therefore, the scheme seems to have financed the modernisation of production lines in SMLs rather than a real transition to the Industry of the Future.

### ***The objective of reviving industrial investment at the end of the crisis seems to have been achieved***

By supporting more than 11 billion euros in investments<sup>1</sup> one year after their launch, the two measures have fully met the objective of a rapid revival of industrial investment. The achievement of this quantitative objective was made possible by the complementarity of the two measures. In particular, the simplicity of the Industry of the Future desk procedures has given a greater number of companies the opportunity to benefit from investment support. These two measures are also part of an overall dynamic of sustained recovery in economic activity. Investment by non-financial companies therefore exceeded its pre-crisis

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<sup>1</sup> That is 12% of the pre-crisis industrial gross fixed capital formation (GFCF).

level by two points in the second quarter of 2021, although it is not possible at this stage to identify the specific impact of the recovery plan measures.

### **In response to the crisis, the objective of short-term recovery prevailed over that of structural transformation of the French industry**

The two schemes illustrate the difficulty of simultaneously achieving an objective of cyclical recovery of investment and another of structural transformation of the French industry, particularly with regard to new environmental and resilience issues or the transformation towards the Industry of the Future. For the Support for Investment and Modernisation of Industry, the analysis of the selection process and of the beneficiary projects does not make it possible to guarantee, at this stage, a significant impact of the scheme on the environment or on the resilience of industrial value chains. In particular, for the support measures for the Aeronautics and Automobile industries, financed by the Green Transition pillar of the recovery plan, a minority of the projects supported would contribute to the transformation of these two sectors towards low-carbon mobility<sup>1</sup>. However, some projects mention a reduction in energy consumption and greenhouse gas emissions thanks to the modernisation of the production tool<sup>2</sup>.

### **The “1 youth, 1 solution” plan: a wide range of measures, most of which predate the recovery plan, whose scope has been broadened to protect young people from the effects of the crisis on employment and training**

The “1 youth, 1 solution” plan aims to supplement measures to support employment, training, and the fight against job insecurity for young people - a vulnerable population in times of crisis and for whom there was a risk that the common law measures (partial activity or adjustments to unemployment insurance rules) would be less protective.

For a total amount of 10.4 billion euros over the 2020-2022 period, this plan consists of a wide range of measures aimed at offering a solution to all young people. It is structured around three priorities:

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<sup>1</sup> 30% of the projects in the Automotive sector explicitly mention in their description the adaptation of their production to electric or hydrogen vehicles. As for the projects in the Aeronautics sector, 3% of the projects are involved in the transformation towards the hydrogen or electric aircraft.

<sup>2</sup> According to the evaluation grids for aeronautics and automotive projects, around 15% of the selected projects would have a significant impact on the energy consumption or greenhouse gas emissions of automotive and aeronautics production.

- Facilitating entry into the labour market (7.6 billion euros), particularly through hiring bonuses and aid for apprenticeships and professional training contracts;
- Supporting young people who are far from employment (1.3 billion euros) through the re-funding of integration schemes, such as the Youth Guarantee (Garantie jeunes), mostly implemented by local missions and Pôle Emploi, as well as new funding for assisted contracts;
- Orienting and training young people for the professions of the future (1.5 billion euros), both to fight academic drop-outs and to prepare young people for certain professions of the future (health and digital).

Many of the measures in the “1 youth, 1 solution” plan existed before it or had already been implemented during previous crises; for those that were evaluated, the results were positive. These pre-recovery measures were opened to a larger number of beneficiaries, often under more flexible conditions.

By the end of August 2021, 5.1 billion euros had been committed under the “1 youth, 1 solution” plan and 3.6 billion euros disbursed, enabling the allocation of just over 2.1 million subsidies, whether in the form of hiring or work-study bonuses, support programmes or training.

***Measures to facilitate entry into the labour market were implemented rapidly, funding 450,000 new hires and 850,000 entries into work-study training contracts by the end of September 2021***

The target of paying 450,000 grants to Assisted Employment Schemes for Young People (AEJ) has been reached. Analysis of the detailed data on young people whose recruitment benefited from the scheme indicates that the latter benefited a broad public, in terms of qualifications and age. Evaluations carried out in May 2021 by the DARES and the CAE do not make it possible to measure the effect of the scheme on the level of employment of young people<sup>1</sup>, but the AEJ is said to have contributed to improving the quality of employment by favouring more stable and longer contracts. As such, the DARES highlights a positive effect of the AEJ on the level of employments eligible for the bonus (fixed-term contracts of three or more months, and open-ended contracts), counterbalanced by a

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<sup>1</sup> DARES (2021), “[Quels ont été les effets de l'aide à l'embauche des jeunes sur l'emploi des jeunes ? Premières évaluations](#)”, *Dares Analyses*, n° 22, May. Martin P. and Rathelot R. (2021), “[Évaluation de l'aide à l'embauche des jeunes à partir des déclarations préalables à l'embauche](#)”, *Focus*, n° 060-2021, Economic Analysis Council (CAE), May.

decline in non-eligible forms of employment (contracts of shorter duration, temporary work, self-employment).

Introduced by the recovery plan, the exceptional aid for work-study training, which supports both apprenticeship and professionalization training contracts, was then extended for a longer period (until June 2022) and saw its initial budget supplemented by 3.9 billion euros, for a total of 5.9 billion euros. According to the data available at the end of September 2021, 850,000 new work-study training contracts have benefited from this exceptional aid since July 1<sup>st</sup> 2020. Unless there is a reversal in the growth of work-study training entries, which has been observed since 2014, the quantitative target set at 950,000 new work-study training contracts benefiting from exceptional aid should be reached.

***Extension of the one-off apprenticeship support scheme in place before the “1 youth, 1 solution” plan; exceptional support would have had a significant effect on the number of entrants to work-study training***

The number of new work-linked training contracts for young people under the age of 26 rose by 11% in 2020. However, the trend is divergent between professionalization contracts (-55%) and apprenticeship contracts (+42%). The exceptional aid was extended, compared to the single aid scheme in place before the “1 youth, 1 solution” plan, to professionalization contracts, to companies with more than 250 employees under certain conditions, and to work-study students preparing a diploma up to the Bac +5 level. This expansion may have contributed to changing the profile of employees and employers receiving work-study training aid in 2020. They were more likely to be in large companies and in the Services sector than under the single aid scheme. In addition, 45% of the increase in work-study training aid paid in 2020 compared to 2019 corresponded to the entry of work-study training students preparing for a diploma at the Bac+3 level or higher. Even if, according to the economic literature, this population is less affected by unemployment, and work-study training has limited effects on them in terms of professional integration, the context of greater uncertainty linked to the health crisis may have justified extending work-study training aid to higher education.

An initial estimate of the effect of exceptional aid for work-study training has been made by the committee’s secretariat. Although the exceptional aid seems to have an incentive effect on the recruitment of work-study trainees by companies, at this stage, the estimated figures for this effect must be interpreted with caution.



***There was a clear increase in the number of support measures in 2021 thanks to the mobilisation of the various players in the public employment service, particularly the local missions***

By the end of September 2021, the support schemes for young people had led to the allocation of almost 620,000 grants since January 1st 2021, particularly through support in local missions - with a target of almost 1 million aids in 2022. The rapid increase in the number of public employment service actors should make it possible to achieve most of the targets in terms of the number of people entering the schemes - with the possible exception of assisted contracts in the Non-Market Sector ("PEC jeunes").

If the care of young people far from employment, likely to find themselves in great difficulty, had short-term benefits, the conditions for the rapid increase in the number of support measures could risk degrading the quality of the pathway and as such limit their positive effects for their beneficiaries in the medium term.

The analysis carried out by the DARES regarding the characteristics of the beneficiaries of the "1 youth, 1 solution" plan in the second half of 2020 indicates that the schemes appear to affect different groups. Those enrolled in the Youth Guarantee and the Contractualised Support Pathway to Employment and Autonomy (PACEA) are younger and less qualified than those in the Intensive Youth Support (AIJ). Similarly, the populations of the different integration schemes do not have the same level of training, with young people entering work-study training having the highest average level of education. Between the second half of 2019 and of 2020, the evolution of the number of young people supported was accompanied by slight changes in the profiles of the beneficiaries of each scheme. While their age remains stable overall, the share of new entrants with a level of education higher than the baccalaureate has increased slightly in most schemes, and more strongly for assisted contracts in the Market Sector and apprenticeship contracts.

The following questions could therefore be the subject of further study: have young people been directed towards the paths that best meet their needs? Will the support systems that have proved their effectiveness in the past be as effective once they have been extended to a new audience?

***Further evaluations are needed to assess the effects of the training and the guidance measures and, more generally, to assess the impact of the "1 youth, 1 solution" plan on the integration of its beneficiaries into employment***

The multiplicity of information sources makes monitoring the priority dedicated to guidance and training more delicate to date, but at least 220,000 training entries were recorded by the DGEFP between January and the end of September 2021.

In the first quarter of 2021, the employment rate of young people aged 15 to 24 returned to its pre-crisis level, erasing the sharp drop recorded in the second quarter of 2020 (-3.8 points), as it did for the working age population as a whole. However, it is very difficult to establish a link between this recovery of the youth labour market and the measures of the “1 youth, 1 solution” plan. In particular, the very general scope of this plan makes it difficult to use the usual evaluation methods, which consist of comparing a “treated” group with a “control” group. It is possible to measure the effects of each scheme by using thresholds to isolate eligible and ineligible populations, as the DARES and the CAE have done for the aid for hiring young people. The limitation of the scheme-by-scheme approach is that it does not take into account the substitution effects that may occur between the measures of the “1 youth, 1 solution” plan.

Future evaluations will make it possible to measure the impact of the schemes on the integration of young people in the medium term. In the context of the crisis, aid for recruitment and work-study training was designed to be general in scope, with little targeting. The adequacy of the resources committed to the results obtained will therefore have to be assessed. In terms of support and training, studies using FORCE data (Training, Unemployment, Employment) or the “Inserjeunes” statistical system should make it possible to accurately monitor the trajectories of beneficiaries of training and support measures, and to assess the effect of the “1 youth, 1 solution” plan over a longer timeframe.



For future reports of the committee, from 2022 onwards, calls for research projects (APR) will be issued, both to evaluate each of the measures selected by the committee and to try to evaluate the recovery plan as a whole. The timing of these APRs will depend on the pace of deployment of the measures, and the availability of sufficiently detailed data on beneficiaries. The evaluation will be particularly complex, given (1) the scale of the recovery plan and the large number of measures of a very different nature, some of which interact, (2) and the need to take into account the impact of other public policies such as the emergency support measures for the Covid-19 pandemic and the France 2030 plan announced on October 12<sup>th</sup>.