



Ensuring effective state aid to businesses for crisis response

Performance audit

Published: 7.7.2023



FULL REPORT (FR) 

What we assessed and why

We assessed the emergency plan implemented in 2020 to address the immediate economic consequences of the pandemic. We also reviewed the complementary resilience plan adopted in 2022 in response to the energy crisis. This plan is still ongoing. Multiple schemes to support businesses were implemented at a cost of approximately €92.4 billion between 2020 and 2022, with financial support totalling €260.4 billion including the cost of guaranteed loans and deferrals of social security contributions. We assessed the quality and effectiveness of these two state aid plans in order to improve crisis response for businesses in the future.

What we found

The emergency plan's measures have proven effective in supporting the liquidity of businesses, preserving the economic fabric, and safeguarding employment. To implement the measures rapidly, *ex ante* checks were limited and the refusal rate for applications was very low. The administrations assessed the risk of fraud variably and gradually. The option to combine different support schemes increased the risk of undue compensation being paid for the damage suffered.

The energy crisis, while of a similar magnitude to the 1973 oil crisis, is different in nature. It is the result of a series of economic imbalances and disruptions to global supply chains in 2021 in the context of the post-COVID economic recovery. The government responded immediately with automatic general measures and targeted aid for certain businesses. Administrations encountered difficulties assessing the needs of businesses and the reality of their financial situation. For this reason, in 2022, the appropriations allocated to finance this aid were grossly overestimated, and flat-rate aid was granted without verifying the losses actually incurred. In 2023, more flexible criteria have increased the risk of undue compensation, while the number of beneficiaries could grow significantly due to the notable increase in energy prices as of the second half of 2022. The absence of an automated data-sharing system for schemes implemented by electricity suppliers and support paid by the Ministry of Economy increases the risk of fraud and will necessitate *ex post* checks.



What we concluded

We have identified three ways to improve the quality of state aid to businesses in times of crisis and reduce expenditure.

1. Where crises are temporary in nature, support schemes must also be temporary.

In the two crises we analysed, we noted a tendency to continue implementing schemes beyond their original deadline, for example the Solidarity Fund and the state-guaranteed loans (PGE) of the emergency plan. Similarly, no end date has been announced for certain cross-cutting schemes under the resilience plan. However, stopping support too late may undermine the objectives of other public policies, such as the energy transition or the competitiveness of the economy. Performance indicators and an evaluation mechanism would greatly facilitate the monitoring of support scheme closure.

2. To limit the risk of improper solicitation or fragmentation of aid, schemes must target the businesses most affected by the crisis.

The relevant administrations must improve their knowledge of the financial and economic situation of businesses. More extensive microeconomic analysis capabilities would make it possible to target aid better, assess its impact, and ensure that the total amount of aid does not exceed the cost of the damage suffered. The emergency plan evaluation committee example shows the benefit of defining the necessary data-sharing arrangements for evaluations as the tax assistance schemes are being designed.

3. The urgency of policy implementation in times of crisis can be conducive to fraud.

This risk should be addressed as the schemes are being designed. Anti-fraud measures must be implemented at the same time as aid, most notably to facilitate the recovery of undue payments, and the cross-checking of administrative data files must continue. Therefore, in order to limit fraud linked to reduced activity during the pandemic, the state monitoring departments and the Service and Payment Agency (ASP) must be able to cross-check social, fiscal and banking data.