

Cour des comptes



PREPARATION AND IMPLEMENTATION OF THE RECOVERY PLAN

Communication to the Senate Finance Committee

March 2022

Executive summary

The Covid-19 pandemic and the business and travel restrictions have caused an unprecedented contraction of GDP in 2020, of 8.0% in France. In response to this economic shock, after implementing emergency measures to limit the contraction of activity during the crisis, the Government has put in place a recovery plan to allow a rapid return of economic activity to its pre-crisis level. Announced on 3 September 2020, the France Relance recovery plan dedicates €100bn to the recovery of the economy.

A recovery plan with several objectives and a wide range of measures

The recovery plan is structured around two objectives and three components. It aims not only to ensure the recovery of economic activity, but also to transform the economy, with three priorities: the “ecology” section brings together, for a budgetary volume of €30.4bn, measures aimed at supporting the ecological transition; the “competitiveness” section has €34.4bn to transform the productive fabric and strengthen the sovereignty of national production in certain strategic areas; the “cohesion” section, for €35.7bn, aims to strengthen social and territorial cohesion.

Designed with a very tight deadline in the summer of 2020, the recovery plan in many cases extends existing schemes, allocating funds to existing measures (e.g. MaPrimeRénov’ support for energy renovation in private homes) or to schemes awaiting funding (e.g. investments in the rail network). Regarding the investment component of the Ségur health plan, the €6bn budget decided in the summer of 2020 has been attached to France Relance. But the recovery plan also supports new measures, such as aid for the development of the hydrogen industry, funds for the transformation of urban and industrial wastelands or aid for the hiring of young people, apprenticeship contracts and professionalization contracts.

The total funds of the plan are divided almost equally between the two objectives of recovery and transformation of the economy. However, the balance differs between the different sections, with measures in favour of ecology being more transformational in nature, while those in favour of cohesion are more likely to have an immediate stimulus objective.

The porosity of the recovery plan with other plans or programmes underway leads to a weakening of the legibility of France Relance and its measures. Some of them are not part of the recovery (exceptional subsidy allocated to France Compétences, creation of places for the studies of new students). Others are similar to emergency measures since their main objective is to offset the effects of the health crisis (compensation for loss of revenue of local authorities). Lastly, the integration within the recovery plan of measures included in the new programme for future investments (PIA 4) creates confusion between the two initiatives.

The recovery plan ultimately consists of a very large number of measures, benefiting many economic sectors. A major difficulty for its analysis is the lack of an exhaustive, up-to-date and shared list of measures. It is therefore difficult today to assess the plan as a whole, as no complete, detailed and up-to-date information is available.

The financing of the recovery plan is mainly the State's responsibility, which is responsible for €86bn of the total budget of €100bn. France benefits from partial coverage by the European Union, for €39.4bn. EU funding for some measures, grouped under the National Recovery and Resilience Plan (NRRP), is however conditional on the achievement of structural reforms, usually referred to as "milestones", and on the attainment of quantitative targets for some measures. These requirements are a source of risk for European funding, in case of non-compliance with milestones or non-attainment of targets. Furthermore, the audit and control system for the implementation of measures set by the European Union imposes management costs on the State and can be difficult to apply to decentralised measures, due to the large number of intermediaries who are not always familiar with the enhanced control and audit requirements that apply to European funds.

Rapid but complex implementation due to the large number of measures and stakeholders involved

The implementation of the recovery plan involves a large number of stakeholders, mainly central administrations, decentralised services, operators, prefectures and local authorities. Its governance is based on several steering committees, at national and regional levels. The national committee ensures the proper deployment of the plan, adjusts the measures if necessary and organises any redeployment. The local committees have the task of circulating information on the measures and reporting on implementation difficulties. Their functioning seems to vary from one region to another, with unequal involvement of their members.

The measures of the recovery plan follow different allocation methods: simple public ordering (several changes have been made since 1 January 2020 simplifying the formalities of public contracts and facilitating access to them for SMEs); one-stop-shop mechanisms, which allow aid to be distributed rapidly; and calls for projects, possibly preceded by calls for expressions of interest, which are used to select beneficiary projects, but which require deadlines. In all cases, the measures were subject to rapid decision-making processes, with the risk that the quality of the projects selected would be lower and that priority would be given to projects that were already ready at the expense of those that needed time to be designed. The need for specific engineering to develop certain projects may have disadvantaged those stakeholders who did not have it (e.g. VSEs or rural municipalities).

As regards the budgetary management of the recovery plan, a specific budgetary mission was created in 2021, comprising three programmes, one for each of the priorities (ecology, competitiveness, cohesion). This choice is not strictly in line with the principles of the Constitutional bylaw on budget acts (the programmes include expenditure from various public policies, the objectives and performance indicators are limited and not very informative). Nevertheless, it makes it possible to identify and isolate the recovery plan appropriations in the State budget, and not to create confusion with ordinary appropriations. However, the scheme suffers from the fact that some of the funds for this plan have been allocated to other budgetary missions.

Moreover, budgetary management appears complex, with numerous delegations of credit management, as a result of the distribution of the implementation of the plan between the ministries responsible for the various public policies and, where appropriate, with operators. An unusual role with respect to the ministries' business departments was given to the budget department, which, as programme manager, became the promoter of the consumption of the recovery plan's appropriations, in order to allow its implementation in a short timeframe. Despite these disadvantages, the chosen budgetary management method has clear advantages, establishing a clear separation of recovery appropriations within the State budget. This separation should be maintained in the future, and the abolition of the *Recovery Plan* mission should be considered as soon as possible after the end of 2022.

Monitoring of the implementation of the plan is carried out at several levels. The general secretariat of the recovery plan monitors the progress of the measures, based on targets set in advance by the ministries. However, the monitoring tool “Pilote relance” gives only a very imperfect view of the plan, as the targets are rather conventional and not all measures are covered by Pilote relance. Moreover, this tool is not accessible to the public: only thirty or so measures are monitored and made public, via the France Relance “dashboard”.

The overall budgetary monitoring of the plan is carried out from the *Chorus* budgetary and accounting IT system. It is relatively simple for the *Recovery Plan* mission, with a detailed nomenclature of measures. However, it is limited to the consumption of appropriations by the State, which does not provide information on the amount of funds actually transferred to final beneficiaries for appropriations whose management is entrusted to operators. Administrations have generally developed very detailed monitoring of the measures they implement, but there is no centralisation and concatenation of this detailed information.

The implementation of the recovery plan has been a significant workload for administrations and operators. While central administrations and decentralised services have mostly operated with constant staffing levels, additional management funds and recruitment authorisations have been granted to certain operators and public entities, with a variable extent depending on the case.

The implementation of the recovery plan was also accompanied by numerous communication actions aimed at raising awareness and generating demand from potential beneficiaries. Numerous communication channels were therefore used to disseminate information on the recovery plan measures, both to the departments responsible for their implementation and to potential beneficiaries. They have led to the mobilisation of particularly significant financial resources compared to other communication plans carried out by the Government. Without ignoring the need to communicate on the France Relance plan, the justification for such an amount of expenditure appears uncertain.

Within the recovery plan, a little over €10bn is dedicated to actions whose allocation is decided at the regional level. The regionalisation of the plan was largely based on the prefects, who had a role in coordinating all the local players (local authorities, decentralised services, local services of operators, etc.) and, for certain measures, had the power to choose the beneficiaries. However, the Court notes a lack of coordination of the various contractualisation instruments between the State and local authorities: recovery agreements with the regions and departments, recovery and ecological transition contracts, State-region plan contracts. Moreover, not all local authorities have benefited from the recovery plan under the same conditions, some remaining outside the contractualisations or not having the engineering required to present a project. Lastly, the Court notes that the monitoring of the recovery plan does not currently allow the identification of all beneficiaries of all measures in a region.

Difficulty in assessing the recovery plan at the end of 2021 and questions about its continued implementation

The Government’s objective of consuming €70bn of commitments by the end of 2021 has been achieved. For 2022, the objective is to use up all commitments by the end of the year. The consumption of payment appropriations is logically slower, €42.1bn by the end of 2021. Further disbursements are expected to extend well beyond 2022, at least until 2026.

Given the scale of the plan, and the phasing of disbursements for some measures, detailed information on progress should be published at regular intervals.

The continued implementation of the plan beyond 2021 raises several questions:

- while the recovery plan aimed to return economic activity to its pre-crisis level by mid-2022, this target was reached by the end of the third quarter of 2021. This recovery is accompanied by the emergence of tensions in some sectors. In order not to exacerbate these difficulties, the implementation of the remaining funds should now be more selective;
- the evaluation of the effectiveness of the recovery plan's measures, foreseen from the outset by the Government, will have to be carried out with regard to the objectives assigned to it: stimulus of activity, transformation of the economy, development of the regions;
- Lastly, the continuation of certain measures of the recovery plan, if it is deemed desirable, can only be envisaged in compliance with a public finance trajectory compatible with the sustainability of the public debt.

Recommendations

1. In order to guarantee European funding for expenditure under the national recovery and resilience plan until 2026, put in place the means to ensure compliance with the requirements for internal control and audit of European funds (*general secretariat for recovery plan, ministries*).
2. For the *Recovery Plan* budget mission, no more commitment authorisations should be opened beyond the end of 2022; plan to abolish it as soon as possible after that date (*budget department*).
3. Rapidly set up a system for monitoring recovery plan appropriations disbursed by operators for each budget programme of the *Recovery Plan mission* (*budget department*).
4. In order to measure the regionalisation of the recovery plan, publish an overall assessment of the regional deployment of the measures in the first half of 2022 (*general secretariat for recovery plan*).
5. Publish at regular intervals a statement, detailed by major components, of the budgetary progress (expenditure, revenue shortfalls) of the recovery plan (*budget department, general secretariat for recovery plan*).
6. Review projects and remove measures that do not meet their targets (*general secretariat for recovery plan*).
7. Only consider the sustainability of certain measures of the recovery plan under the public finance trajectory provided for in the next programming law (*budget department*).