

## Evaluation Committee of the France Recovery Plan

### CALL FOR RESEARCH PROJECTS

#### Macroeconomic impact and climate of the Recovery Plan

##### *Issues and topics*

This call for research projects is organised in a one-stage **selection process from the detailed proposals of the research teams.**

##### **KEY DATE:**

Deadline for submission of full applications: **March 28st 2023 at 2PM (UTC +1 – Paris time)**

## I. Context

The Initial Finance Act (LFI, loi de finance initiale) for 2021 mandated to a Evaluation committee the assignment to prepare and conduct the assessment of the French Recovery plan (Plan France Relance) from April 1st 2021. It takes over from the committee for the monitoring and assessment of support measures for businesses faced with the Covid-19 epidemic; its composition was carefully thought out to reflect the social and ecological dimensions of the recovery plan. Chaired by Xavier Jaravel since January 2023, it brings together representatives of the finance committees of the National Assembly and the Senate, associations of regions, departments and mayors of France, representative employers' and trade union organisations, the Cour des Comptes et Administrations (General Directorate of the Treasury, Dares, CGDD (General-Commissariat for Sustainable development)), as well as three field experts, Messrs Philippe Bouyoux, Yannick L'Horty, and Benoît Leguet. The committee's secretaryship is provided by France Stratégie. The desire for an independent and rapid evaluation distinguishes France Relance from previous French investment plans, and France from its European partners.

The evaluation committee focus its assessment work on a dozen measures in the Recovery plan. energy renovation of private housing, energy renovation of public buildings, measures supporting demand for low-emission vehicles, measure to reduce production taxes, profit-sharing loans, long-term short-time working, strengthening of the FNE-Formation system schemes, and the bonus for hiring young people. The committee decided to broaden the analysis to the "1 jeune, 1 solution" (1 young person, 1 solution) plan, support for industrial investments, support for the development of plant proteins, but would also wish to give macroeconomic evaluation elements on the Recovery plan as a whole.

Initial evaluations were carried out, leading to the first report published on 26 October 2021 and the second report published on 20 December 2022. Evaluation works were mainly focus on measures, macroeconomic analysis Evaluation work was mainly focused on measures, while macroeconomic analysis remained descriptive.

The evaluation is particularly complex, given (1) the broad scope of the recovery plan and the large number of measures of a very different kind, some of which interact, (2) the necessity to differentiate the impact of other public policies such as the Covid-19 emergency support measures and the France 2030 plan announced on 12 October 2021, (3) and finally, a delay is necessary to appreciate the impact of the measures, particularly those leading to investments or works.

**In this context, France Strategie launch a call for project on macroeconomic effects of the Recovery plan. This call for project concerns macroeconomic impact and climate of the recovery plan.**

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

Measuring the macroeconomic impact of the Recovery Plan is a complex task, given its scope, the multitude of various measures and an economic, social and health environment marked by very high uncertainty. Studies have already attempted to estimate *ex ante* the impact of the French (DG Treasury

2020, OFCE 2020, Rexecode 2020<sup>1</sup>) and European (Pfeiffer et al. 2020 and Watzka and Watt 2020<sup>2</sup>) Recovery Plans on activity and employment. **As part of the France Relance evaluation committee, its secretariat represented by France Stratégie is launching a call for research projects to evaluate the ex-post macroeconomic impact of the recovery plan and its effectiveness in achieving assigned objectives.**

This call for research projects has a second objective: the evaluation of the climate impact, in particular the reductions of greenhouse gas emissions and energy consumption of the Recovery Plan. With a budget of 100€ billion, to be committed by the end of 2022, the Recovery Plan is structured around three pillars, each with its own objectives: "Ecology" (30€ billion), "Competitiveness" (34€ billion) and "Social Cohesion" (36€ billion). Specifically, the 'Ecology' pillar of the recovery plan aims to promote sustainable growth and to make France "the first major decarbonised European economy" and should contribute to reaching the objective of carbon neutrality by 2050. An ex-ante impact study by the DG Treasury indicates that the avoided emissions are estimated to be between 55 and 60 MtCO<sub>2</sub>eq in cumulative by 2070, on a sub-field of the measures of the Ecology part of the Recovery Plan representing about 18 billion euros. As with the ex-post macroeconomic assessment of the Recovery plan, projects will have to assess the ex-post environmental impact of the Recovery plan by not only assessing the Ecology part of the Recovery plan but all three parts.

**Particular attention will be paid to projects dealing with the two themes presented below: Macroeconomic impact and climate impact of the Recovery plan. However, it is possible to address only one of the two themes, the two components could be attributed to two different research teams.**

**An intermediate report with first results will be requested by August 2023, with the final report requested by November 2024.**

## II. Evaluation objectives

### 1) First objective of the evaluation : Macroeconomic impact of the Recovery Plan

The first objective is to assess the ex-post macroeconomic impact of the Recovery Plan and its effectiveness to achieve the assigned objectives. This involves proposing identification strategies for the effects of the Recovery plan distinguishing between the spontaneous recovery of the economy and other simultaneous public policies (emergency measures, which continued for a large part of 2021; the announcement of France 2030; the continuation of the corporate tax cut, etc.). The aim is to isolate the effects of the Recovery plan and estimate its impact on several dimensions (see below). Projects may propose a counter-factual analysis based on macroeconomic models (e.g. replicating the economic mechanisms of Covid, such as Baqaee and Farhi 2020, Guerrieri et al 2020<sup>3</sup>) or propose empirical strategies for causal estimation. Taking into account the detailed sectoral dimension will be a plus in order to take into account the diversity of the Recovery Plan measures.

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<sup>1</sup> DG Trésor (2020), « Rapport économique, social et financier 2021 », octobre ; OFCE (2020), « Perspectives économiques 2020-2021 », Policy Brief, n° 78, octobre ; Rexecode (2020), « La politique budgétaire entre sauvegarde et relance », Document de travail, n° 75, octobre.

<sup>2</sup> Pfeiffer P., Varga J. et J. in 't Veld (2021), « Quantifying Spillovers of NGEU investment », European Economy Discussion Papers, n° 144, juillet ; Watzka S. et Watt A. (2020), « The macroeconomic effects of the EU recovery and resilience facility: A preliminary assessment », IMK Policy Brief, n° 98, Hans-Böckler-Stiftung, Institut für Makroökonomie und Konjunkturforschung (IMK), Düsseldorf.

<sup>3</sup> Baqaee, D., & Farhi, E. (2020), "Supply and demand in disaggregated keynesian economies with an application to the covid-19 crisis" (No. w27152), *National Bureau of Economic Research* ; Guerrieri, V., Lorenzoni, G., Straub, L., & Werning, I. (2020), "Macroeconomic implications of COVID-19: Can negative supply shocks cause demand shortages?" (No. w26918), *National Bureau of Economic Research*.

**Any assessment based on actual observed economic behaviour (ex-post) will generally be considered favourably (e.g. by taking into account local heterogeneity in employment dynamics and the benefit of the Recovery plan), but simulated behavioural assessments based on the observed implementation of the Recovery plan and on observed exogenous variables may be considered.**

- a) Can we identify the effects of the different budget plans (emergency measures and recovery measures)?

A strong interest will be shown in analysis proposals making it possible to discern the respective effects of the various emergency measures and those of the recovery, for which the periods and beneficiaries partially intersect.

- b) The macroeconomic impact of the Recovery plan

- What is the contribution of the Recovery Plan to the economic recovery in France, from mid 2020 to 2022 ?
- What types of measures have been the most effective (public investment, public consumption, taxes, etc.) to support activity and employment?
- Has the Recovery Plan changed the savings behaviour of households ?
- What is the contribution of the Recovery Plan to France's potential growth? on investment?

- c) The impact of the Recovery Plan on the activity of sectors

Using a macro-sectoral approach, we wish to answer the following questions:

- How has the recovery plan supported activity and employment by sector? Have sectors been supported in proportion to their needs?
- What was the impact of the Recovery plan on sectoral reallocations and value chains?

- d) The differentiated impact of the Recovery Plan by household characteristics

In many ways, the Covid crisis is affecting low-income households. Active people who do not have stable resources - independents, jobseekers, people on fixed-term contracts, temporary workers - or whose financial situation was already precarious before the crisis - low-income earners, blue-collar workers, employees, single-parent households - report a financial situation worsened by the pandemic crisis. In this context, it would be relevant to take into account the differentiated impact of the Recovery Plan according to income and more generally household characteristics.

## **2) Second objective of the evaluation model and evaluate climate impact of the Recovery plan**

The evaluation of the climate impact - reductions in greenhouse gas emissions and carbon-based energy consumption of the Recovery Plan should integrate the whole Recovery plan. Some authors consider that measures in the Competitiveness section could slow down the achievement of objectives related to the ecological transition (see HCC 2020<sup>4</sup>). To give just one example, Perrier and Vandon (2021)<sup>5</sup> show that the reduction of production taxes would first benefit carbon-based companies.

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<sup>4</sup> Haut Conseil pour le climat (2020), « France Relance – Quelle contribution à la transition bas-carbone ? », avis, décembre.

<sup>5</sup> Perrier Q. et Vandon A. (2021), « Baisses des impôts de production : un soutien aux entreprises carbonées ? », Institute for Climate Economics, janvier.

Questions to focus on in the responses to the call for projects are the following:

- What is the net climate impact of the Recovery Plan? How can this impact be measured in terms of greenhouse gas emissions and energy consumption? Has the Recovery Plan brought us closer to the 2030 carbon emission targets of the National Low Carbon Strategy (NLCS, Stratégie nationale bas-carbone)?
- How can we gauge the overall coherence of the Recovery Plan and estimate the impact of the various measures on the climate and their contributions to the objectives of the National Low Carbon Strategy (NLCS)?
- Does the Recovery Plan trigger the private investments necessary for the ecological transition?
- In methodological terms :
  - How to take into account the articulation between the different measures?
  - Can we isolate the environmental impact of the Recovery Plan from the impact of regulatory and institutional developments in France and Europe (e.g. "climate and resilience" law, European emission norms for clean vehicles, "Fit for 55" package)?

### III. Selection process

This call for projects is organised in a two-stage process which consists of selecting the projects to be funded from the detailed proposals of the research teams.

#### 1) Methodology and databases

Applications must present a detailed research project describing the evaluation methods envisaged, the perimeter covered and the data sources used.

Particular consideration will be given to the methodological quality of the projects. Candidate teams will have to present the characteristics of the modelling, the main assumptions of the theoretical model. The consideration of exogenous factors such as the energy crisis and the war in Ukraine should also be explicit.

Additionally, we would like to remind you that we will be very interested in proposals for analysis that will make possible to distinguish the effects of the Recovery Plan from those of the emergency measures and the future investment program.

The secretariat of the Evaluation Committee will collect and consolidate all available data from administrations, separated by sector of activity and by employment area. This exercise is complex and has its limits, in particular a part of the Recovery plan will be difficult to locate (such as the 4.7bn€ in support for the railway sector), ad-hoc assumptions will have to be made for some measures.

France Stratégie will also facilitate access to any databases that the research team believes to be relevant to its mission.

The research team will have to plan the organisation of seminars with researchers, administration and company managers to discuss the intermediate and concluding results of the research work.

#### 2) Research teams

France Stratégie will look closely at the quality of the team created to carry out the research project. The method of teamwork as well as the commitments and investments of each team member must be clearly explained in the research projects submitted.

### 3) Course of the project

The duration of the project may not exceed 18 months from the date of signature of the research agreement concluded between France Stratégie and the representative acting in the name and on behalf of the research team (the laboratory or unit) initiating the project.

Project carriers must ensure that they present a research timetable complying with the maximum 18-month period mentioned above and provide for the presentation to France Stratégie of intermediate results based on a first series of analysis within 4 months after notification.

Intermediate results must be submitted by the end of August 2023. The final results must be submitted to the contractor on October 1st 2024. The project must be completed by December 2024 by the latest.

## IV. Schedule

- Launch of the call for projects mid-February 2023.
- Selection of projects: minimum one month after the publication of the calls for research projects. Deadline end-March 2023.
- Establishment of the notification of the files: end-April 2023
- Start of work midendApril 2023.
- Intermediate results :
  - End of August – beginning of September 2023: we expect provisional but reliable and advanced results aiming at presenting the selected modelling, as well as intermediate results of the macro and/or climate impact of the recovery plan.
- Final report in October 2024.