rethink the recovery

Methodology Factsheet - Recovery Plan Analysis

Finance Watch study perimeter and approach

The study covered the fiscal plans announced in 2020 by Germany (€130 billion), France (€100 billion) and Spain (€72 billion) and meant to provide stimulus for the economies hit by the covid-19 pandemic.

For the purposes of the analysis, the respective fiscal plan measures were grouped into three pillars that are supportive of the economic and social transformation in the European Union. They are as follows:

- Pillar 1: Environmental objectives
- Pillar 2: Social objectives
- Pillar 3: Infrastructure and digitalization[1].

In this note, the three pillars are also referred to as "environmental pillar", "social pillar" and "infrastructure pillar". Assignment of the individual measures to one of the three pillars was independent of the further resilience and sustainability assessment/scoring of each measure. As a result, a measure being classified as part of the environmental pillar was assessed applying identical criteria as a measure assigned to the social or infrastructure pillar. As explained below, the strength of resilience dimension of the plan is an aggregate result of the assessment of all three pillars of measures. Thus, all pillars contributed to the plan's resilience.

Illustrative case: Split of the plan "France Relance" falls into three pillars



The measures of every fiscal plan were assessed line by line to provide a separate view on each of the measures. Hereby, the coherence of each individual measure with other measures across the plan was also taken into consideration. In the case of France and Germany, individual measures were reclassified.[2]

Step 1: Sustainability scoring

Each individual measure received two scores – environmental sustainability score and social sustainability score – based on its expected direct and indirect environmental and social sustainability impacts. A scale from one to five was applied ('1' being the lowest score – '5' the highest).

[1] Note that for France and Spain the measures devoted to infrastructure and digitalization objectives were separated and are also presented separately in the respective country reports.
[2] Two measures were not included in any of the pillars: equity injection related to German's railway operator Deutsche Bahn (5 billion Euro) and France business taxation relief (20 billion Euro).

The scores were assigned based on the subject matter assessment. The table below highlights the key considerations of environmental and social sustainability, which were taken into account. A negative impact of a measure was scored '1'. For further explanations of the scores assigned to each measure, refer to the Matrix of Fiscal Plan Analysis, columns "Measure Assessment" and respective columns with the assigned scores.

Environmental sustainability criteria (1- 5 scale)
An expected direct or indirect environmental impact of the measure could be established via one of the following: - shift towards more sustainable resource consumption patterns such as use of renewable energy sources, energy efficiency-related measures, greenhouse gases emission mitigation actions - circular economy approach, including more efficient utilization of resources - a biodiversity plan - available evidence of compliance with National Energy and Climate Plans according to EU's Governance Regulation (COM (2018) 1999).[3]
Social sustainability criteria (1-5 scale)
The measure is expected to contribute to one of the following: - creation of employment base and support to education, skills and knowledge - direct or indirect net benefit to the job market cohesion and stability objectives under the EU Pillar of Social Rights.[4]
Total sustainability score
Total sustainability score was computed as the arithmetic average of the environmental sustainability and social sustainability scores. Refer to the column "Sustainability Score" in the Matrix of Fiscal Plan Analysis (respective country tabs).

Step 2: Resilience vs recovery assessment

The analysis differentiates between the two sets of measures:

- *Resilience-oriented:* These are the measures that provide for long-term resilience to the economy and society by increasing their ability to withstand future changes and shocks, minimize environmental risks, enhance social justice and cohesion. These measures are **long-term oriented** and expected to produce effects beyond 2021 up until 2030-2050.
- *Recovery-oriented:* These measures that are of emergency nature and dictated by the immediate recovery needs due to the Covid-19 pandemic. These measures are rather **short-term** and conceived as a temporary relief to the economy/society.

For the purpose of this analysis, resilience and recovery dimensions of each measure are mutually exclusive. i.e. each measure is classified either as a recovery or resilience-driven. In the Matrix of Fiscal Plan Analysis, this is reflected by assigning the binary scores ('0' or '1') to each of the measures in the columns "Recovery Classification" and "Resilience Classification".

[3] https://ec.europa.eu/energy/topics/energy-strategy/national-energy-climate-plans_en

[4] https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en

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Step 3: Overall environmental and social resilience scoring

Finally, overall environmental and social resilience scores were calculated for each of the pillars of measures, as well as for each of the fiscal plans overall.

To calculate these overall scores, environmental and social resilience scores (calculated at Step 1) of those measures, which were assessed as resilience-oriented (as per Step 2), were taken into account. The final scores were calculated as weighted averages of the individual environmental and social sustainability scores. The weights are the budgets allocated to each of the measures. The formula is as follows:

Plan A's environmental resilience score =

[Environmental sustainability score (Resilient measure 1) * Budgeted amount of measure 1]

+ [Environmental sustainability score (Resilient measure 2) * Budgeted amount of measure 2] +…

…+ [Environmental sustainability score (Resilient measure X) * Budgeted amount of measure X]

[Budgeted amount of measure 1 + Budgeted amount of measure 2 +…+ budgeted amount of measure X]

Below is an illustrative example of the calculation:

Example of budget weighting of an individual measure

Illustrative Case A:	Illustrative Case B:
Measure amount: €8 billion Plan Budget: €80,000 billion Measure belongs to Plan's Environmental Pillar	Measure amount: €10 billion Plan Budget: €90,000 billion Measure belongs to Plan's Environmental Pillar
Environmental Score: 2/5 Social Score: 4/5	Environmental Score: 2/5 Social Score: 4/5
Resilience: Yes	Resilience: Yes
Total Resilience score: 3.5/5	Total Resilience score: 3.5/5

Measure A and Measure B have similar individual scores, and both contribute to Plan's Resilience but under different Pillars

* Sustainability divides itself into Environmental sustainability and Social sustainability

Methodology limitations

From the policy research perspective, the applied approach does not scientifically assess the advantages or disadvantages that some countries had before the start of the crisis in any of the policy

pillars (environmental and social conditions or infrastructure investments) and which may have provided them with stronger ex ante resilience capabilities.

Matrix of Fiscal Plan Analysis

Summary

Germany

France

Spain

National Fiscal Plans

Link to the Plan “España Puede”

Link to the Plan “France Relance”

Link to the Plan “Das Konjunkturprogramm für alle in Deutschland”