

# Evaluation of the design and impact of COVID-19 hardship measures

State Secretariat for Economic Affairs

## Key facts

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The Confederation and the cantons introduced various measures in response to the economic impact of the COVID-19 pandemic. These included the COVID-19 hardship measures which were intended to prevent bankruptcies and job losses at businesses that were faced with high, uncovered, fixed costs as a result of the official measures to combat the pandemic. The hardship measures came into force in December 2020 and were a supplement to existing assistance, such as short-time working and COVID-19 loss of earnings compensation. The cantons were responsible for implementing the hardship measures. They decided whether to introduce measures on their territories and how to organise them. In total, around 35,000 businesses received support, mainly in the form of non-repayable contributions, totalling around CHF 5.3 billion.

The Swiss Federal Audit Office (SFAO) examined the design and effectiveness of the hardship measures. The audit is also based on a survey of companies in the sectors most affected. More than 2,000 recipients and just over 700 businesses that did not receive hardship measures took part in this survey. At the same time, the implementation of hardship measures was audited by two private offices on behalf of the State Secretariat for Economic Affairs (SECO).

The audit concluded that the hardship measures provided important support to affected businesses and drew a positive conclusion regarding their effectiveness, based in particular on the survey results. The SFAO identified two main problem areas with regard to the efficiency of the hardship measures. Firstly, some of the hardship measures were too high or unnecessary in relation to the needs. Secondly, there was a certain degree of unequal treatment between sectors, but also between businesses within a given sector. The SFAO has identified various lessons to be learnt for a future exceptional situation, which address the conceptual causes of these problems.

### **Those affected saw a positive impact**

The businesses surveyed generally believed that the hardship measures had a positive impact. The majority stated that the financial assistance was important for securing their own business' existence and were satisfied with the scope of the assistance. Recipients of hardship measures were also more affected by the pandemic compared to businesses that did not benefit from any such measures, which is an indication that the assistance was well focussed.

Almost half of the assistance went to the restaurant and hotel industries. Other significant shares of the hardship measures went to businesses in the wholesale and retail trade, and in the travel industry.

## **Conceptual weaknesses in access and calculations**

The conceptual approach was aimed at covering uncovered fixed costs. When analysed on a case-by-case basis, the hardship measures met the needs present at the time to varying degrees. Depending on a business' initial situation and cost structure, the assistance offset their uncovered fixed costs to varying degrees. In the SFAO's view, one of the hardship measures' weaknesses is the focus on turnover when determining the amount to be received. This regulation favoured businesses with high turnover losses but low fixed costs. The real objective of the hardship measures, namely to cover uncovered fixed costs, only started to be given more weight after a certain time.

The SFAO takes a critical view of the easing of access for businesses that were closed by order of the authorities. As a result, companies that were hardly affected, or not affected at all, were also granted access. This was the case for companies that were able to achieve a comparable pre-COVID-19 turnover despite closure, for example due to a strong increase in other sales channels (e.g. online shipping, take-away) or if the closure only affected part of their business activities.

## **Various lessons for the future**

The SFAO has compiled various lessons to be remembered should similar financial assistance be granted to companies in the future. These lessons focus on the economical use of funds (costs) and the effectiveness of the measures. Firstly, the objectives and the logic behind the financial assistance must be clearly formulated and communicated in a needs-orientated manner. Secondly, the objective behind any financial assistance must be more precisely reflected in the choice of access criteria and, in particular, for calculations. Maximum assistance levels must also be purpose-orientated. Full coverage of uncovered costs is not necessary, this is because the cost-benefit ratio stagnates as coverage increases. Thirdly, the legal framework must explicitly provide for the possibility of clawbacks in cases where the support provided to businesses is too high in view of the financial assistance's intended purpose. This is the case, for example, if the way in which the assistance has been designed proves to be inaccurate due to the urgency of the situation.

The hardship measures were cantonal measures in which the federal government participated under certain conditions. This gave the cantons leeway to implement the measures on a local level. While a federal funding share of 50% was initially negotiated, this ultimately came to around 84% for the non-repayable contributions. If the 50% funding share had been maintained, the federal government would have saved around CHF 1.75 billion. In the SFAO's view, the combination of strongly federalised implementation and a high proportion of federal funding is unfavourable. From a conceptual point of view, there is a risk that the cantons will not make efficient use of the financial resources if the majority of the costs are borne by the federal government. Against this background, principles for cost sharing between the Confederation and the cantons should therefore be defined for the future.

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