The European Investor State has no clothes. Generic promises and local weaknesses of green public subsidies in France.

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Abstract

This article focuses on green transition policy funding, implemented in France in the 2010's. Rather than approaching the emergent European Investor State through its “new” public investment policies (e.g., loans, equity, investment banks and funds), this article focuses on mutations of “older” public investment policies i.e. subsidies for investment. Overall, we argue that the European Investor State is currently characterized by a paradox: while there are increasing public resources for investment - particularly green transition investments, there are fewer and fewer resources to disburse it. Indeed, austerity and new public management policies are weakening territorial administrations, limiting their capacities to properly identify and support beneficiaries. Moreover, public administrations, are stressed by high competition and rivalries which cause instability and a proliferation of subsidies. This bureaucratic weakness of the EIS has major consequences on subsidies' effective distribution as public subsidies tend to be increasingly concentrated in the same hands i.e. larger communalities and companies on one hand, a large range of private middlemen on the other hand. Hence, the European Investor State appears polyphonic, sometimes even contradictory, without long-term continuity.

Introduction

Public subsidies have always been a key instrument of planning and industrial policies through the different ages of interventionism -from the Keynesian state (Hall 1989) to the neoliberal State (Weiss 2012). However, behind this instrumental continuity, subsidies' conceptions, uses, and practices evolve in line with dominant modes of governing the economy and macro-economic dynamics. So, what happen to public subsidies in the European Investor State (EIS)? Rather than approaching the emergent EIS through its “new” investment policies (e.g., loans, equity, investment banks and funds), we will focus on mutations of “older” policies and instruments.

To better understand these mutations, we look at the concrete implementation of public subsidies following cash flows from public authorities to beneficiaries - or from investors to investees (Feher 2018). This financial circuit's analysis highlights the networks of multi-scalar actors and the material infrastructures that underlie, allow, or hinder capital flow (Chiapello 2020). By tracing back subsidies' financial circuits, we will be able to analyze both these instruments' conception (i.e., the genesis of the circuit), their implementation (i.e., the circuit's daily operations) and their distributive effects (i.e., the circuit's final beneficiaries). This bottom-up analysis is relevant to a large body of scholarship on the recent transformations of State interventionism in Europe (Prontera and Quitzow 2022; Berry 2022; Mertens and Thiemann 2017; Lepont and Thiemann this issue) and France (Coutant et al. 2021) because it highlights tensions and contradictions arising during the daily implementation of investment policies.

First, we argue that the contemporary European Investor State carries a particular conception of public subsidies. EIS uses subsidies to implement "project-based policy funding", as subsidies are exclusively distributed to standardized projects through competitive procedures (Büttner and Leopold 2016). Moreover, these subsidies mostly target "investment gaps" by incentivizing public and private procurements.

Second, we analyze the implementation of these EIS (green) public subsidies through the complex financial circuits that underly and frame these investment policies. We argue that these circuits are structured by a tension between two injunctions: to disburse project-based policy funding and to comply with fiscal constraints.

Third, when we study these instruments' daily life, it appears to suggest a weak Investor State with limited capacity to control and intervene. The article argues that the EIS is currently characterized by a paradox: while there are increasing public resources for investment - particularly green transition investments, there are fewer and fewer (human) resources to disburse. Indeed, austerity and new public management policies weaken territorial administrations and limit their capacities to properly identify and support beneficiaries. This administrative weakness of the EIS has major consequences on subsidies' effective distribution. On one hand, public subsidies tend to be increasingly concentrated in the same (richer) hands as larger communalities and companies have (human and financial) resources to capture most of this funding. On the other hand, while public administrations lack resources and competences to both disburse or mobilize subsidies, a large range of private middle-men (e.g. engineers, consulting offices, associations etc.) gain a portion of subsidies… to implement it.

Consequently, political attempt to renew and boost State interventionism are limited and framed by public administrations (lack of) material and symbolic resources.

To illustrate public subsidies' current mutations, this article focuses on green transition investment policy implemented in France in the 2010's. Green transition stands at the heart of the contemporary State interventionism making green infrastructures and/or technologies a privileged target[1] (Prontera and Quitzow 2022). To engage this transition, public authorities promote many different project-based subsidies with their own managers/instructors, budget, schedule, targeted sub-sectors and beneficiaries. Indeed, the French green investment policy is characterized by a high administrative fragmentation as public administrations from different sectors (energy, planning, urban, economic development, etc.) and at different levels (central, deconcentrated, or decentralized) promote and defend different doctrines, governance models, and instrumentation for ecological transition (Blatrix et al. 2021; Poupeau 2020). These contrasting doctrines and governance models are reflected in the diversity of public funding and it is striking to note the proliferation of green public subsidies.

[1] At the EU level, the "European Green Deal" launched in 2019 by the president of the Commission, Ursula Van der Leyen, provides one trillion euros to reduce net greenhouse gas emissions by at least 55% by 2030 and achieve the carbon neutrality in 2050.

In this paper, we selected five major instruments (PIA, TEPCV, Heat Fund, ERDF, and DSIL), in terms of budgetary size (see Appendix 1). This is, of course, not an exhaustive list but a snapshot of contemporary public subsidies' diversity[2]. These project-based funding policies are carried out and managed by different actors' coalitions with uneven resources. In addition, these public subsidies are characterized by a high turnover rate. Except for the Heat Fund, all devices experienced maintenance operations (Star 2018) during the 2010s, causing objectives and means redefinition (PIA, ERDF) or device disappearance (TEPCV, green DSIL). However, beyond the uniqueness of each case study, it is possible to determine common frameworks and trends that outline specific modes of State interventionism.

The empirical analysis is based on 45 interviews conducted all along these five subsidies' financial circuits: from central administration officers involved in subsidies' conception (e.g. at the Minister of Environment or the National Agency for Ecological Transition head office) to street level bureaucrats—that is, public and private actors committed to their daily management (e.g., territorial administrations, local authorities, associations, companies, etc.)[3]. In addition, we explore available documents, publications, reports from the institutions building up these financial devices.

The remainder of the article is organized as follows. The opening section introduces public subsidies and outlines the article's empirical and theoretical value-added for the understanding of the European Investor state (EIS). Then, the empirical sections 2 and 3 characterize public subsidies' uses and practices in the EIS. Section 2 portrays subsidies' financial circuits. These circuits are largely structured by project-based financing's rules on one hand, fiscal constrain on the other hand. Section 3 focuses on subsidies' daily implementation highlighting an important mismatch between ample funding for green transition and the lack of operational capacity characterizing the EIS. This paradox has important consequences on public funding's distribution.

1. Public subsidies and State interventionism in France

The financial crisis in 2008 and the COVID pandemic have profoundly affected State interventionism in Europe, both quantitatively and qualitatively. A growing body of scholarship address this issue by analyzing economic policies' resilience and variation in the (post-)crisis context.

Focusing on the proliferation of "new" actors -e.g. sovereign wealth funds (Dixon, 2017), public investment banks (Mertens et al. 2021, Marois 2021), and tools -e.g. guarantee, loan, equity, for public investment policies, many social scientists stress on the financialization of the State i.e. "*a state which conceives itself and behaves as an investor (…) on the other hand, a state which is collaborating with and tries to enrol private investors*" (Chiapello 2017, 2020; Lepont and Thiemann this issue). Such a financialization results from both austerity policies (Blyth 2013), because public authorities are looking

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[2] We have left aside many others such as the "innovation territories" call for projects launched in 2019 by the *Caisse des dépots et consignation* or the numerous grants distributed by regions for renewable energy production or energy efficiency. The Region Occitanie, for instance, grants subsidies for building retrofit and sustainable construction (via the NoWatt or the eco-energy voucher), the development of renewable energies (biomass heating, geothermal energy, heating networks), and the circular economy and ecological waste management (AAP Biodéchets).

[3] Particularly in two French regions: on the mainland (Occitanie) and overseas (Guadeloupe).

for off-balance sheet policies in order to control/reduce public expenses (Mertens and Thiemann 2017), as well as ideological preferences of the political and administrative elites.

Beyond the renewed instrumentation of public interventionism, scholars analyze (dis)continuities of economic policies' rationales since 2008 (Berry 2022). On one hand, academics promote various concepts and thesis to report on State interventionism's recent mutations: de-risking State (Gabor 2021), substitutive State (Berry 2022), catalytic State (Prontera and Quitzow 2022), shareholder State (AUTHORS 2021), EIS (Lepont and Thiemann this issue). On the other hand, they embed these « new » economic policies in broader dynamics starting with the development of neoliberalism (Berry 2022).

However, this literature has two important limitations.

First, they mostly focus on « new » actors and instruments in economic and public investment policies without considering continuity and variation of older mechanisms for intervention. However, this toolbox does not fully replace existing policies and instruments inherited from previous interventionism ages (e.g. Keynesian State, regulatory State). Conversely, we argue it worth analyzing and characterizing the contemporary EIS as a dynamic process of policies' hybridization, or layering (Capano 2019). As such, public subsidies -i.e. public money granted by the State or by local authorities to a third-party (companies, associations, local authorities, households) are a borderline case of the European Investor State.

Second, existing studies pay too little attention to the concrete implementation of interventionism policies and instruments, focusing on their conception and taking for grant their achievement and efficiency. For instance, Prontera and Quitzow (2022) analyzed the European commission's new treasury-based tools for clean energy production as a rupture with the regulatory State paradigm and the affirmation of a "catalytic State" in Europe. However, they do not analyze these tools' enforcement and effects in European countries while they are sometimes far removed from the modernizing aspirations of their promoters.

Conversely, we explore subsidies' rationales and uses in the EIS age considering public subsidies as a particular public policy instrument. The sociology on public policies instrumentation (Lascoumes and Le Gales 2007) highlights the social and cultural foundations and implications of instruments: "*every policy instrument constitutes a certain social order. It comprises distinct conceptions of social control (or 'governmentality'); and it produces, therefore, its own effects and social outcomes, which may differ markedly from initial intentions. »* (Buttner and Leopold 2016, p.46). In other words, the underlying conception of control of a particular instrument, its practical uses and its effective outcomes are diverse and contested depending on spatially and temporally situated power relations and resources (Douillet 2011). To analyze the contested implementation of these instruments in France we focus on their financial circuits.

Historically, public subsidies are a privileged vector of French economic *dirigisme*[4] (Schmidt 1996). The aftermath of the World War II, particularly 1949/50, constitutes "the height of national public funding" (Margairaz 1991, p.1229) with massive transfer to major national companies (Charbonage de France, EDF, GDF and SNCF) to (re)build industrial, energy and transport infrastructures. In the following

[4] According to Andy Smith (2021) this socio-economic regime is characterized by the Keynesian economics, a state interventionism, a national planning and a dedicated elite of senior civil servants.

decades the French State distributed subsidies to many different sectors either to support investments -e.g. to build social housing (Fretigny 2018), or to finance non-profit sectors (Prouteau and Tchernonog 2017; Cottin-Marx et al. 2017). Finally, from 1945 onwards the French central government (i.e. ministries of home affairs and finances) granted significant subsidies to local authorities in order to support local investment policies. While the decentralization laws (1982) gave a greater autonomy to local authorities for these policies' design and implementation, these financial flows remained important at least initially (Ferlazzo 2021).

Recently, some studies analyzed the quantitative and qualitative transformations of these "historic" French public subsidies in many different sectors highlighting three general trends: a large reallocation of funds (both intra and inter sectorial) as well as a "projectification" and a "financialization" of subsidies (Aust 2014 ; Epstein 2015; Prouteau and Tchernonog 2017 ; Marx-Cottin et al. 2017 ; Arfaoui 2019). These transformations heavily weight on the (investor) State's strategy and capacity.

First, public subsidies' targeted sectors and legitimate recipients evolve in the recent years. As such, few actors benefitting from a long-term public financing faced a sharp drop of the overall grant amount. For instance, French associations have seen their subsidies reduced by 3% per year from 2005 to 2012 (Prouteau and Tchernonog 2017). On the contrary in the current (post-) crisis context French authorities distribute generous subsidies, along with tax exemptions, to private companies in order to restore their profitability and competitiveness. A recent study on public financial support to private companies counted 32 billion euros of subsidies only in 2019[5] (Abdelsalam *et al.* 2022).

The "greening" of public policies has also important distributional effects as specific sectors, actors and technologies receive significant funding. For instance, PIA funding (Lepont this issue) specifically targeted R&D projects in favor of smart grids and energy storage (e.g., demonstration project of a compressed air energy storage solution using a constant pressure storage tank) or waste reduction and recycling (e.g., development of a new recycling process for Li-ion batteries of electric and hybrid vehicles combining pyrolysis with hydrometallurgy). Regional development subsidies (TEPCV, Heat Fund, ERDF, and DSIL) funded green infrastructure or equipment massification—e.g., heat network and biomass boiler, construction or renovation of low-energy tertiary buildings, or energy renovation of public lighting[6]. Thus, the State intervenes in the economy by incentivizing public and private procurement through either local authorities or companies.

Second, more and more subsidies are exclusively distributed to standardized projects. A recent stream of literature focus on these "project-based policy funding" or "projectification" i.e.

> *…a strong trend of formalization of policy implementation according to logics of project management, an expansion of auditing structures and logics of quantification in public policy, and an increasing expertization, privatization, and marketization of policy implementation.* (Büttner and Leopold 2016: 43)

[5] With tax credits and other tax expenditures this public support to private companies reach 157 billion euros in 2019.

[6] These subsidies mostly flow to three different types of projects: 1) feasibility studies for infrastructure development (e.g., for a methanation unit) or a service improvement (e.g., for bio-waste collection), 2) infrastructure construction, and 3) infrastructure renewal.

This project funding model is spurred notably by new public management affirmation (Pollitt and Bouckaert 2011; Löfgren and Poulsen 2013; Epstein 2020) and Europeanization (Büttner and Leopold 2016; Arfaoui 2019). Public funding' projectification allows and reinforces the State control over territorial actors, as shown by Buttner and Leopold for the EU funding project-based funding:

> *…projectification' is mainly used strategically by European policy-makers as a "concept of control" in order to foster local policy implementation in accordance with overall strategic aims of EU policy-making.* (Büttner and Leopold 2016: 62)

We observe in France similar transformations for instance for local development policies. After the decentralization laws in the 2000/2010s[7] characterized by a transfer of competences to local authorities and an increasing fiscal discipline on local budget (Le Lidec 2020)[8], central government used more and more subsidies for local investment to drive and control "from a distance" territorial and planning policies (Crespy and Simoulin 2016; Epstein 2015; Dupuy and Pollard 2014). To benefit from these limited and competitive grants, local authorities must comply with State requirements even if they fall outside of their own debates and priorities (Bernt 2009; Breton 2014). Consequently, project-based investment policies are particularly instable, uncertain and costly for the potential investees.

Third, public subsidies target and address "investment gaps", especially for the green transition. Nowadays, climate and environmental policies[9] are perceived and framed as a financial issue i.e. a mismatch between green transition's financial needs and existing (public and private) investment flows (Chiapello 2020; Magalhaes 2020). As such, a think-tank publishes annually an overview of climate finance calculating both existing investment flows and missing funding to reach climate policies' long-term objectives - starting with carbon neutrality in 2050. In 2021, climate investments in France reached 84 billion euros while additional investments requested are from 14 to 30 billion by year. To close this funding gap, public funding has to focus on market failure and the leverage of private capital (Mertens and Thiemann 2019).

Far from being a « frozen » instrument, public subsidies are deeply influence by both public policies' strategic choices (e.g. green new deal) on one hand, administrative (re)organization on the other hand. Consequently, it worth focusing on the subsidies' uses and practices in order to characterize the contemporary forms of french and european *dirigisme* - particularly its green shade.

2. Green public subsidies' financial circuits - actors and instruments

Intervention through subsidies in the Investor State is more than ever designed as part of project-based funding policies. Through our case studies and thanks to the financial circuit analytical

[7] The law on local freedoms and responsibilities of August (*loi relative aux libertés et responsabilités locales*), 13, 2004 ; the MAPTAM Law (*Modernisation de l'action publique territoriale et d'affirmation des métropoles, Modernization of public territorial action and affirmation of metropolises*) of January 27, 2014 ; the New territorial organization of the Republic law (*Nouvelle organisation territoriale de la République*) of August 17, 2015.

[8] During the 2010s, French governments "trickled down" the austerity policies. As such, the Francois Hollande government drastically reduces local authorities' operating grants *(dotations de fonctionnement)* while the Emmanuel Macron's government introduces a budgetary contractualization with local governments to oversee their budgets and public spending (Le Lidec 2020).

[9] We observe similar trends in other sectors such as develoment policies (Chiapello et al. 2023 ; Ducastel et al. 2023).

framework, we identify two key dimensions of the "project world" (Büttner and Leopold 2016) of French public subsidies: its multi-level organization and its constrained financial framework/instrumentation.

2.1 A multi-level financial circuit

Following subsidies along their own financial circuits allows us to identify four groups of actors involved into their design and management. Indeed, subsidies don't just fall from the sky but they rely on particular social relationships and knowledge that enable public funds to flow from investors to investees.

The subsidies' framing and allocation work is generally organized and divided at two administrative levels: central (ministries, General Secretary of Investment, agency headquarters) and territorial (Regional Directorate for the Environment, Planning and Housing [DREAL], ADEME regional offices, regional administrations, prefectures).

First, all five financial devices are designed at a national level. Bureaucratic and political actors in Paris define and frame the subsidies' targets, budget, and technical or financial requirements. For instance, Positive Energy Territory for Green Growth's (TEPCV) framework were set up in summer 2014 by Ségolène Royal, then Minister of Environment, mainly with the members of that office[10]. They adopt large and inclusive terms of reference, targeting different sectors (carbon mobility, energy production, energy efficiency, building, etc.) with relatively low administrative burden (Herd and Moynihan 2018). It reflects the Minister's intent to reach a large number of local authorities, particularly small municipalities with lower bureaucratic capacities. A former member of the office recalls:

> *She (*Ségolène Royal*) already had this logic of "it's not enough to set big objectives; they must be accompanied by very operational tools for the local communities" with already a very facilitating spirit of the action of the local communities. … We had a lot of difficulties setting up an inter-administration team between the planning department, the French Office for Biodiversity, the energy department…. These were all different ways of doing things. So, a lot of it was played out in the office, in fact. It was quite fragile and efficient at the same time, in my opinion. I spent nights writing conventions for positive energy territories, at least the first ones.... because all this was very much supervised by the minister. An order which was not to make kilos of paperwork and to have a very simple document: mutual commitment of the State and the community with a list of actions, an amount of 500.000€ for every territory.* (Former office member of Ségolène Royal, Ministry of Environment, 24.11.2021)

Second, territorial administrations—either decentralized services or local authorities' administrations (e.g., from a regional council) play a key role by allocating public subsidies at the local level. For the daily allocation work, project managers and instructors select "good" projects according to the subsidy's terms of reference but also according to their local relationships, knowledge, and previous experiences (Lebrou 2020). Territorial and social dimensions of subsidy's allocation are apparent when viewing the differences from one region to another. For instance, the DREAL in Midi-Pyrénées adopted a "sprinkling logic" for TEPCV, supporting a lot of small projects, while the DREAL in Languedoc-

[10] Ségolène Royal has served several times as a Minister and was candidate for the French presidential elections in 2007.

Roussillon favored few large structuring projects. These local variations mirror the two distinct project-based cultures in these former regions (Negrier and Simoulin 2020). Rather than simply applying a national framework to local realities, these territorial administrations are strategic intermediaries to concretely articulate national subsidies with socioeconomic structures and local configurations of actors. However, we note a changing power balance between central and territorial administration from one subsidy to another: from the Investment Program for the Future (PIA), which is strictly framed by the Prime Minister's office and managed from Paris by a dedicated direction at the ADEME head office, to European Regional Development Funds (ERDF) funding, in which EU partnership instruments reinforce local actors (Bache 2010; Spilanis, Kizos, and Giordano 2016).

Within these two administrative levels (national and territorial administrations) different groups of professionals coexist. We identify three jurisdictions (Abbott 1986) -i.e. engineers, local officials and financiers, with their own sets of knowledge and experience who alternately cooperate and compete to manage green public funds. Engineers are often hired as project managers, for instance at the ADEME regional office. They rely on their in-depth knowledge of technical issues for the files' instruction. Then, local government professionals with degrees and experience in territorial administration often (co)manage subsidies—e.g., ERDF instructors in regional administration or TEPCV instructors at DREAL. Their legitimacy comes from their knowledge of local actors and their familiarity with administrative machinery. Finally, a group of financiers with expertise in risk management and business plan analysis becomes more important in the management of public subsidies. For instance, in the early 2010s, ADEME hired 45 full-time professionals with recognized track-records in (public and private) financial institutions to distribute PIA fundings (Cour des comptes 2016).

A third group of actors is strongly involved in this project-based funding model: the beneficiaries or investees. In project-based funding policies, beneficiaries, mostly local authorities or private companies, invest time and resources to ensure their project is in compliance with the subsidies' terms of reference (Breton 2014; Büttner and Leopold 2016; Lebrou 2020; AUTHORS 2022). In addition, beneficiaries co-finance these project-based funding policies as European jurisdiction limits public subsidies to 80% of eligible expenses for local authorities and 40% for the private sector. Consequently, beneficiaries self-fund at least 20% (either with their own savings or with a loan) of their investments. In addition, they also often have to apply for different public subsidies to reach the maximum public aid rate. For instance, in 2016, Florac, a small town in Southern France rural area (Lozère, Occitanie), built a 3,8-milllion-euro heat network connecting several public buildings (hospital, fire station, etc.), and the municipality applied for and obtained public funding from three different sources: 1,5M euros from the ADEME heat fund, 800.000 euros from Region Occitanie, and 100.000 euros from the Lozère department.

Fourth, these subsidies' financial circuits, public administrations, and beneficiaries are supported by a large range of public and private experts—e.g., service providers as well as consulting and engineering firms. Sebastian Buttner and Lucia Leopold (2016) highlight such a dynamic for European funding, including ERDF, at two different levels: for the day-to-day allocation process by the management authorities (with external consultants ensuring budgeting, participant selection, accounting, or auditing) and/or to support potential beneficiaries to acquire and manage EU funding. In a similar vein, ADEME regional offices rely on a large network of associations and companies embedded in local contexts—e.g., electrification syndicates (François-Mathieu Poupeau 2020)—to bring out eligible projects for the Heat Fund. These local intermediaries are partly funded by ADEME officers, who set up annual objectives in terms of projects submitted. Deconcentrated services are also mobilized. For instance, the *Direction Départementale des Territoires et de la Mer* (DDTM) was frequently consulted by TEPCV and Green Local Investment Support Grant (DSIL) instructors to provide feedback and/or a technical assessment of a project from the ground.

Focusing on actors populating these subsidies' financial circuit, we trace the contours of a public/private "world of projects" (Büttner and Leopold 2016) where participants share a common set of norms and rules regulating public fundings' distribution/attraction. Beyond actors' configurations, however, this project-based investment policy is also characterized by a financially constrained instrumentation.

2.2 The weight of fiscal discipline on financial circuits' instrumentation

Since 2009 and the French *Grenelle de l'environnement*, increasing amounts of public money seem to be (re)allocated to green investments (e.g., launch of the Heat Fund in 2009 and TEPCV in 2015 and the greening of existing subsidies such as ERDF or DSIL), but, in the aftermath of the 2008/09 financial crisis, austerity policies (Lepont this issue; Blyth 2013; Peck 2012; Bezes and Le Lidec 2015) has reinforced fiscal discipline. This fiscal discipline seems even stronger for environment and ecology policies (Evrard and Persico 2021), especially because there is no revenue earmarked for green projects as the attempts to set up a tax carbon have so far failed (Hourcade and Shukla 2013). This fiscal discipline affects financial circuits' instrumentation both upstream, to secure public funding for the subsidies, and downstream, to allocate them. Consequently, financial circuits are not stable and secured but always submitted to contingency and reconsiderations.

Upstream, to mobilize additional resources for green deal policies, political entrepreneurs have to engage in fiscal negotiation. The success of these negotiations depends on their political resources and/or the window of opportunity for green politics. For instance, the Heat Fund was set up after the "Grenelle de l'environnement" (Halpern et Pollard 2017) while the PIA and the green DSIL are part of larger recovery plans after the 2008/09 financial crisis and the COVID crisis. Segolene Royal success to obtain 700 million euros for TEPCV also relies on the international context, with the Paris Agreement to be signed this very year.

Nevertheless, these budgetary agreements are frequently challenged by the guardians of fiscal discipline, i.e., the Ministry of Finance and/or right-wing parties. This is currently the case, in the aftermath of COVID crisis and the recovery plan "France relance," with Emmanuel Macron and his government stressing the national debt and announcing further government spending cuts. Accordingly, subsidies' political and administrative promoters often set up off-balance sheet facilities and derogatory frameworks to escape these calls for fiscal order. For instance, TEPCV funds have been transferred from the national budget[11] to a dedicated facility[12] hosted at the *Caisse des dépots et consignation*, the historical French public financial institution[13]. The *Cour des Comptes* criticized this

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[11] From the program 174.

[12] The "*enveloppe spéciale transition énrgétique*" set up in 2015 by the law on energy transition and green growth

[13] At the beginning, Segolène Royal attempted to fund this program with the dividend paid by EDF, the French major and historical power company, to the State. However, this option was strongly opposed by the Ministry of Finance and then rejected by the President. "*Since her arrival, the logic of the Minister had been to use the dividends of EDF as the State is a majority shareholder of EDF. To create a fund, a bit like the Barnier fund for natural risks. A fund to help the ecological transition in the territories. This fund of energy transition—she carried*

setup as "*a tool for extra-budgetary financing of budgetary expenditures*" (Cour des Comptes 2016). By doing so, Ségolène Royal "sanctuarize" these credits, taking them outside of the Ministry of Finance and away from parliamentary supervision. The same is true for PIA, for which the Government of Nicolas Sarkozy set up extrabudgetary management, mostly circumventing parliamentary control while a General Secretary of Investment, under the prime minister's authority, monitors PIA funding at a national level[14]. This legal and financial arrangement was never contested by successive governments despite heavy criticism, particularly from the *Cour des Comptes*.

Recently, few social scientists have explored off-balance sheet policies, i.e., the development and implementation of financial innovations spurred by administrators and political actors to increase their fiscal margin for maneuvering (Buso et al. 2017; Knoll and Konstanze 2019; Quinn 2017; Mertens and Thiemann 2017). Most of these studies have focused on three particular innovations: the rise of national development banks, public–private partnerships, and government guarantees. These innovations are mostly based on private fundings' mobilization (or blending), for instance through bond markets. Looking at public subsidies, we identify a similar trend, i.e., to off-balance investment dedicated fundings, but with different modalities as this is public money that is transferred from the national budget to off-balance facilities.

Downstream of the financial circuits, the fiscal discipline also weighs on the allocation mechanisms. Despite the creation of many subsidies for green investments, public funding remains scarce and insufficient to achieve national energy transition objectives[15] as well as demand from potential beneficiaries. Consequently, subsidies' operators (TEPCV, PIA, DSIL) resort to calls for projects, what Jamie Peck calls "tournament financing" (Peck 2012), i.e., a competitive process to select and fund only a few projects, concentrating (limited) financial resources. The corollary is an increasing territorial differentiation between those who have the capacity to afford and comply with these calls and those who do not (Büttner and Leopold 2016). As such, a call for projects is a privileged scarcity management's instrument (Crespy and Simoulin 2016; Epstein 2015).

Therefore, contemporary public subsidies rely on and are framed by a long and complex circuit of public and private actors on one hand and, on the other, fiscal discipline that constrain these actors' margin for maneuvering. According to the projectification of public policies' academic literature, this instrument embodied a particular promise i.e. a control from a distance by the central State over territorial actors. However, when we study these instruments' implementation in depth, it appears to suggest an Investor State without the means to achieve its ambitions.

3. An Investor State without the means to achieve its ambitions: the limits of project-based investment policy's implementation

Analyzing the "daily life" of these subsidies—i.e., their concrete implementations—reveals a weak Investor State with limited capacity to control and intervene. Indeed, austerity and new public management policies 1) exacerbate the political and administrative competition over public funding,

it almost since her arrival. Unfortunately, it didn't work" (Former office member of Ségolène Royal, Ministry of Environment, 24.11.2021).

[14] Rectifying finance act, article 8, 2010.

[15] Set up in the *Stratégie Nationale Bas-Carbone* and the *Programmation Pluriannuelle de l'Energie*.

and 2) weaken territorial administrations, limiting their capacities to properly identify and support beneficiaries. This weaken administrative capacity has important distributional effects (3).

3.1 The increasing competition over financial resources

Recent green fiscal resources' inflation has gone hand in hand with an increase competition between political and administrative elites to control and manage it. To explain such an intense competition, we focus on two main factors: the administrative fragmentation of environmental policies on one hand, the austerity policies on the other hand.

First, French environmental policies are cross-sectoral (Lascoumes 2008; Blatrix et al. 2021) and there is a strong issue of institutional distinction for public departments and agencies. The environment ministry has few resources and is often challenged by sectorial administrations (energy, agriculture) and local authorities. Indeed, many institutions launched their own green project-based funding policies without inter-ministerial coordination and funding mutualization (Breton 2022). TEPCV's centralized management by Ségolène Royal and her office has been heavily criticized by the other environmental administrations, starting with ADEME, which considered territories' energy transition as its own prerogative[16].

This weakness is further strengthened in the context of austerity as "*the allocation of financial resources becomes an issue of struggle between departments*" (Blatrix et al. 2021). TEPCV, for instance, was criticized from September 2017 by the new government, which pointed to a "funding impasse"[17]. Consequently, a circular was issued by the minister to tighten the rules for project management (deadlines, verification of public aid thresholds) and thus drastically reduce disbursements. However, the government faced a rebellion from local elected officials, particularly in the Senate, and they were forced to backtrack and re-budget TEPCV to pay off the current agreements. Nevertheless, they never renewed this call for projects.

Because of the intra- and inter-administrations' concurrences, the Investor State appears polyphonic, sometimes even contradictory, without long-term continuity.

3.2 The "residualization" of territorial administrations

We have already mentioned a few consequences of austerity policies for public subsidies: the increased political competition over fiscal distributions, the evolution of public subsidies' instrumentation, the use of off-balance-sheet policies, and so on. Another consequence is the constant reduction of territorial administrations' operating expenses. Indeed, new public management reorganization combined with increasing pressure on public spendings caused what Renaud Epstein called a "residualization" of the local State (Epstein 2015).

During the last two decades, successive governments engaged in several territorial reforms in the name of new public management principles: the reduction of public spending, the (re)focus on State

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[16] "*On TEPCV, they (ADEME) had the impression that the minister was doubling them up while it is their role and that she was taking over things that should have been delegated to the ADEME, so it was a bit complicated*" (Former office member of Ségolène Royal, Ministry of Environment, 24.11.2021).

[17] https://www.banquedesterritoires.fr/territoires-energie-:positive-une-circulaire-fait-leffet-dun-tremblement-de-terre

regalian missions, and the opening of markets in favor of the private sector (Barone, Dedieu, and Guérin Schneider 2016). Consequently, several territorial administrations have been removed[18] while others have been merged; for example, the DREAL, which managed TEPCV funding, was created in 2009 by merging three existing directions[19] (Poupeau 2013). These reorganizations result in elimination of positions, reallocation of personnel, and, finally, a loss of knowledge and experiences of the territories by the State.

> *I saw the agents in DREAL who have been there for years seeing all their colleagues retire and not being replaced. Or suffer from constant reorganizations to regroup the workforce. Where there was a mission that was carried out by three agents, we only keep one, for example. So, we group together; we group together permanently. We mutualize. We mutualize. In a logic of efficiency. A reduction of means to have more efficient costs.... But this can also have its limits*. (Head of the Public Finance Office and former project manager at DREAL Occitanie, Prefecture of Herault, 21.06.2022)

In addition, in the "great recession" following the 2008 financial crisis, territorial administrations had to deal with a strong injunction to reduce their operating expenses. Indeed, austerity measures "trickle down" at the local level, causing a continued decrease in the number of staff. A recent report from the *Cour des Comptes* documents this process, showing that, since 2010 and the beginning of the reform of the State's territorial administration, there has been a loss of 11.000 full-time equivalent employees, i.e., 14% of the initial workforce. Among the most affected territorial administrations there are prefectures, which manage DSIL (Cour des Comptes 2022). Similarly, in 2013, the Ministry of Environment cut 1000 jobs, particularly in its local administration (i.e., DREAL) and agencies (Evrard et Persico 2021), while ADEME has seen a significant drop in its workforce from 946 permanent employees in 2011 to 858 in 2020[20].

To cope with these restrictions on operating expenses, outsourcing a certain number of tasks to external operators appears to be a preferred solution. Thus, ADEME funds large regional networks of (para-public or private) intermediaries (associations, companies, energy syndicates) in charge of pre-instruction for the Heat Fund. In the Occitanie regional office of ADEME, there are only five permanent project managers dedicated to Heat Fund investments, but they work with 23 local "facilitators" spread across the 13 departments of the region and hired by different structures (Matuszewski to be published). These facilitators often have short-term contracts with a highly incentive-based compensation system correlated with their ability to disburse public subsidies.

In parallel, territorial administrations managing public subsidies are increasingly recruiting short-term contractual staff. For instance, the recovery plan *France relance* enables the recruitment of few project managers, notably at ADEME, but only for the two years of the plan. As such, territorial administrations must cope with increasing staff turn-over, which weakens their capacity to disburse even further.

This chronic understaffing situation becomes even more visible and difficult in the current context characterized by a relegitimization of investment policies (Lepont this issue). Indeed, few

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[18] Such as public engineering in the field of water (Barone, Dedieu, and Guérin Schneider 2016)

[19] The Regional Directorate for Industry, Research and the Environment (DRIRE), the Regional Directorate for the Environment (DIREN), and the Regional Directorate for Equipment (DRE)

[20] https://www.senat.fr/rap/l19-140-311-1/l19-140-311-16.html

administrations have had to manage a rapid increase of their investment budget, from one year to another, with constant human resources. For instance, regional prefecture granted an additional one billion of DSIL in 2020/2021. Other administrations have seen their mission expanded during the last decades, and ADEME was entrusted with the management of several new project-based funding policies: PIA in 2009, Air and Mobility Fund in 2018, *France relance* in 2020, and so on.

While there are increasing public resources for investment, there are fewer and fewer (human) resources to disburse it.

3.3 The distributional effects of the Investor State paradox

This paradox has three major consequences for the implementation of investment policies.

First, operators face difficulties allocating subsidies in the constrained timeframe, particularly to potential investees with fewer resources and less capacity. This involves an increasing tendency toward non-recourse from these potential beneficiaries, as Vincent Lebrou already highlighted for ERDF fundings (Lebrou 2020). This tendency is particularly visible in the French overseas territories[21], such as Guadeloupe, as communities face important indebtedness issues and a recurrent lack of technical capacities (AUTHORS 2022). Here, project-based fund operators struggle to fully disburse the allocated package without getting personally involved in the preparation of the grant file.

> *It also corresponded to what I wanted to do and to the needs that I identified on the territory. I was in support of the communes and the inter-communalities on the elaboration of the projects, the financing plans, and so on, because I realized very quickly that, if I wanted to consume subsidies that were allocated to the territory of Guadeloupe, I had to go and look for the projects; they would not arrive immediately on my desk, and I had to go into the field. I had to work with the elected officials to see what projects were in the cards and how they were going to be financed, how they were going to be set up, to see if they were viable, if they were not viable.* (Manager in charge of planning and sustainable development, Prefecture of Guadeloupe, 05.08.2021)

As illustrated by this project manager, who has managed DSIL for four years in the prefecture of Guadeloupe, operators commit themselves to informal consulting work for local communities. This involvement in favor of “the territory’s needs” gives more meaning to their work. However, this extra work is time- and human resource-consuming and, thus, is hardly compatible with the little time that they have for each case file and few managers can do it.

Second, in order to compensate for the loss of resources of territorial administrations, subsidies’ operators dedicate a growing portion of their funding to training courses and/or support programs provided by professionals such as energy syndicates for the Heat Fund or private consulting firms for ERDF (Büttner and Leopold 2016: 63). This large range of engineers, consulting offices, associations, and syndicates also gain a portion of subsidies either for the performance of the numerous feasibility studies funded or to help potential beneficiaries acquire these public subsidies. As such “grant

[21] Jean-Renée Cazeneuve and Georges Patient. *Soutenir les communes des départements et régions d’outre-mer. Pour un accompagnement en responsabilité*. Rapport parlementaire, décembre 2019.

grabbing" (Jones et Ward 1998) is increasingly becoming a lucrative activity to specialized private structures.

Third, as operators have fewer and fewer resources to support smaller and poorer beneficiaries, public subsidies tend to be increasingly concentrated in the same (richer) hands. This trend is particularly visible for public funding targeting innovations such as PIA: the Ile de France and Rhône-Alpes regions[22] alone account for 60% of PIA I, II and III funds (Barbizet 2019). But this is also true for European funds as the bureaucratic cost of these subsidies are particularly high.

> *European aid is more complicated to obtain; it is more demanding in terms of administrative files and follow-up, payment support, etc., and so we will not mobilize European aid on small projects of a few thousand euros. It is too much instruction, too much work time for everyone—for the project owner but also for us here—on small operations. So, we reserve that for the big operators, who are used to working with European aid. Typically, ENGIES know how to do this kind of thing very well; a small town of 80 inhabitants, well... The mayor doesn't have the time or the capacity to do that either*. (Manager in charge of renewable energy, Occitanie region, 23.11.2021)

Larger communalities and companies are well positioned to capture most of this funding, deepening socioeconomic and territorial inequalities as territorial administrations can no longer afford to (partially) correct this concentration effect.

Then at the end of these subsidies' financial circuits, large public works companies and energy producers capture an important part of this public funding as project managers and/or master builders. For instance, Engie and *Electricité de France* (EDF) (through its subsidiary Dalkia), the two major French companies in the energy sector, have been awarded several contracts for the construction of geothermal installations on groundwater. Alongside these major companies, smaller enterprises also benefit from these public funds; ERDF supports several farming groups and their "*société par actions simplifiées*" for the construction of methanation unit. We therefore find both "usual" beneficiaries of public orders and markets and "new" economic players with important socioeconomic resources, who are able to capture a portion of these public subsidies to open up accumulation avenues.

These unequal distributive effects is a recurring issue of all project-based funding policies and a consequence of beneficiaries' uneven capacities - to cope with investors' requirements and/or to absorb subsidies (Epstein 2015; Halbert et al. 2022). For instance, development finance institutions supporting sustainable projects in the global South set up technical assistance departments to help them disbursing their public aid - what Jean-David Naudet summed up with the formula "*finding problems to solutions*" (Naudet 1999). However, these unequal distributive effects are exacerbated by the recent austerity policies as both investees AND investors' capacities are reduced.

To implement subsidies at the ground level, the contemporary Investor State faces two major limits: institutional and political competition and the lack of resources in territorial administrations. Consequently, this Investor State lacks a long-term strategy and seems to "navigate on sight," causing

[22] The two richest French regions.

confusion and uncertainty among public and private sectors. Furthermore, this Investor State is increasingly dependent on private actors to allocate and disburse its subsidies.

Conclusion

This article set out to investigate the political economy effects of the Investor state by analyzing its instrumentation, particularly one specific public policy instrument: public subsidies for (green) investment. According to the projectificaion literature, this project-based funding policy holds a promise: green State interventionism from a distance through public and private procurements. However, when we look carefully at the subsidies' implementation, it is clear that this promise does not materialize. It comes up against the regulation mechanisms of the administrative and political fields on one hand, causing instability and a proliferation of subsidies, and austerity policies on the other hand, weakening territorial administrations and limiting their capacities to properly and fairly "land" public subsidies. Thus, we end up with the current Investor State paradox: While there are increasing public resources for investment, there are fewer and fewer (human) resources to disburse it.

These daily relationships and practices underlying green transition funding policies have important distributional effects. Indeed, the combined effects of new public management and austerity policies increase the administrative burden for subsidies to be paid by potential beneficiaries. Larger communalities and companies are well positioned to capture most of this funding thanks to the "grant machine" (Halbert et al. 2022) they are implemented internally to comply with public subsidies requirements. Conversely, communalities and companies located in peripheral territories (Kuhn 2015) - e.g. remoted rural areas, overseas islands, former industrial areas, poor neighborhoods, have much fewer resources to meet these financial and administrative requirements. In 2018 and 2019, the Yellow Vests protests highlighted the unequal distribution of the ecological taxes' burden at the expenses of the areas furthest from metropolis and most car-dependent. Far from correcting these inequalities, the funding policies for ecological transition tend to increase them.

It is worth considering the extent to which the Investor State is compatible with austerity policies. Indeed, throughout this article, we highlighted the crucial role played by the street-level bureaucrats, "small hands" all along the subsidies' financial circuits, particularly by territorial administrations, to concretely articulate national public subsidies with local institutions. However, austerity policies seem to particularly negatively affect these key intermediaries, threatening the future capacity of the State to subsidize. It looks like the Investor State is sawing off the branch on which it is sitting.

These trends are not specific to France. Indeed, fiscal consolidations measures occurred in all European countries following a similar general pattern (Kickert et al. 2015) and targeting very specific budget items : social policies and operating expenses - particularly at local level (Streeck and Mertens 2011 ; Bremer et al. 2022). In the meantime, the project logic became the « *new spirit of public policies* » all over the European continent (Sjoblom et al. 2013; Büttner and Leopold 2016) and beyond (Peck 2012). Put together, these policies produce similar configurations and effects: an ad-hoc interventionism without a strategic planning and depenning socio-territorial inequalities. As such, the affirmation of the European State Investor, with its financialized toolbox and its limited capacities, tends to homogenize State interventionism models in Europe.

Appendix

Appendix1: Presentation of case studies

Subsidies	**Positive Energy Territory for Green Growth (TEPCV)**	**The Heat Fund**	**Investment Program for the Future (PIA) I & II – Demonstrator[23]**	**European Regional Development Fund – Energy transition[24]**	**Green Local Investment Support Grant (DSIL verte)**
Targeted sectors and actions	Renewable energy production, energy efficiency (building and education), low carbon mobility	Renewable heat (biomass, solar, geothermal)	Renewable energy production and storage, smart grids, low carbon mobility	Renewable energy production, building energy efficiency (building and education)	Energy efficiency (building), low carbon mobility
Targeted beneficiaries	Local authorities (municipalities, communities of municipalities)	Local authorities, private companies & associations	Local authorities & private companies	Local authorities, private companies & associations	Local authorities
Period of funding	2015–2016	Since 2009	2010–2016	2014–2020	2020–2021
National budget	700 million	2,6 billion[25]	1,6 billion	1,8 billion	1 billion
Allocation mechanisms	Two calls for projects	Project-based funding on a rolling basis + Regular call for projects for larger infrastructures	Calls for interest and calls for projects (e.g., “Transport & vehicles of the future”)	Project-based funding on a rolling basis	Two calls for projects
Decision-making bodies	Ministry of Environment[26]	National Agency for Ecological Transition – ADEME	General Secretary of Investment (Prime Minister office)	EU	Ministry of Territorial Cohesion[27]

[23] Comité d'évaluation du PIA 2019

[24] Analyse du FEDER 2014–2020 pour mieux préparer 2021–2017 en France métropolitaine. Transition énergétique 2019.

[25] https://presse.ademe.fr/2021/05/bilan-fonds-chaleur-2020-350-millions-deuros-engages-au-profit-de-plus-de-600-installations-enrr-sur-le-territoire.html) 330 millions pour 2020 (même source

[26] A dedicated "*Mission nationale Territoires à énergie positive pour la croissance verte"* has been created at the Ministry.

[27] In particular by the General Directorate of Local Authorities (*Direction général des collectivités locales*).

		(headquarter office)			
Managers/ operators	Regional Directorate for the Environment, Planning and Housing (DREAL)	ADEME (regional offices)	ADEME (headquarter office)	Region	Regional and departmental prefecture

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