



## Hardship Fund – Funding Administration

Performance audit

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### What we assessed and why

On 14 March 2020, the Federal Government presented an outline of the hardship fund, established as part of its COVID-19 support measures to mitigate the pandemic's economic impact on self-employed people and family businesses in Austria after the first lockdown, which was imposed on 16 March 2020. Responsibility for the hardship fund lay with the Federal Ministry of Finance and the Federal Ministry for Digital and Economic Affairs (MoDEA). Funding applications were processed by the Austrian Federal Economic Chamber (AFEC).

Between June 2020 and March 2021, we audited the hardship fund to assess its legal framework and design, the administration and provision of funding, and the quality of service provision in terms of public benefit. The period under review was March to December 2020.

### What we found

The hardship fund (partially) compensated self-employed people and businesses for lost net income resulting from the pandemic, and a comeback bonus – introduced in June 2020.

The time pressure under which the hardship fund's legal framework was drawn up and uncertainty about how the pandemic would develop put the achievement of the hardship fund's objectives at significant risk. The objective and functioning of hardship fund support were uncertain, as it was meant to compensate partly for lost net income and partly for operating expenditure.

In addition, designing the hardship fund guidelines was an unfamiliar area of responsibility for the MoDEA, as the funding had a clear social objective rather than supporting the Austrian economy. This resulted in numerous problems in the design of the guidelines, particularly the eligibility criteria and the support calculation method.

Limitations in project management (lack of cross-ministerial management to provide structure) posed a high risk of inefficiency in the implementation of the hardship fund. In addition, only a few people were responsible for the central implementation processes in the ministries.

The support was paid out in two "phases", each with different criteria for calculating funding. In phase 1, it was paid as a lump sum. In phase 2, it was based on a model to compensate entrepreneurs individually for their loss of earnings in several "reference periods". This two-phase



approach made the model for calculating support complex and difficult to understand. Each aid application had to be assessed on the basis of the applicant's lost net income in one or more reference periods. The frequent – sometimes retroactive – changes to the funding guidelines and their ongoing reinterpretation, as well as the growth in the number of potential beneficiaries, made processing funding applications much harder work. Especially in phase 2, the requirements and preparation needed for applicants to fill in the online application form – which was only available for a limited time – increased significantly.

The AFEC's processes for processing hardship fund applications were clearly structured and the documentation of the day-to-day processes and developments made them easy to follow. Despite the considerable time pressure and the successive amendments to the funding guidelines, the AFEC was generally able to process hardship fund applications in a timely manner.

The AFEC had to perform ex-post checks, usually through sampling, on compliance with the eligibility conditions, in particular the existence of a significant threat from the COVID-19 pandemic and the absence of double funding. However, a more specific definition of the first criterion was lacking. Eligibility conditions could be checked downstream by a number of audit bodies, in addition to the AFEC and the Tax Offices; this resulted in resource-intensive multiple audits of the same files.

## What we concluded

When formulating funding guidelines, a clear and consistent description of the funding's objective and basic functioning should be ensured.

Before any new funding instruments involving multiple ministries are introduced, the responsibilities of the ministries involved in their design and implementation should be critically assessed in terms of their technical expertise; other stakeholders – e.g. in the area of the labour market – should also be involved.

Once implementation of the hardship fund has finished, there should be an internal evaluation; the results should be used, for example, to inform the creation of a contingency plan for similar situations.

As far as possible, multiple amendments to funding guidelines in quick succession, and retroactive amendments, should be avoided, given the associated administrative burden and in order to ensure legal certainty and transparency.

Even where support schemes and funding guidelines are designed under time pressure, the costs and resources necessary for funding administration and control should be estimated at least roughly. Furthermore, the design of such funding administration and control should be as user-friendly and efficient as possible.