Currently, the world is being swept by the pandemics caused by the coronavirus disease. Many economies struggle as a result. It has been estimated that around 70% of European small and medium-sized enterprises have experienced revenue reductions in 2020 due to the pandemics. Moreover, the majority of SMEs had to limit their activities and have experienced a revenue decrease of more than 50% compared to the same period of the last year. In April 2020, Poland has adopted the so-called Financial Shield (which is a part of the Anti-Crisis Shield) – a program of financial support for enterprises of different sizes from the Polish Development Fund. It is aimed at counteracting the negative consequences of the lockdown and sustaining the liquidity of the firms. The Financial Shield takes the form of repayable advances up to 75% of which may be forgiven under certain conditions. The highest share of the Financial Shield is aimed at small and medium-sized enterprises – they will receive PLN 50 billion of state support which is half of the Financial Shield's fund. Micro firms will receive PLN 25 billion. At the same time, a similar program was adopted in France. It is called the "French Solidarity Fund" and is directed to micro, small, and medium-sized enterprises suffering losses due to lockdown measures. **The Polish and French schemes have a couple of common conditions** that make them unique among the financial support programs adopted by other countries: **first of all**, they are directed at micro, small, and medium-sized firms; **second of all**, they take the form of repayable advances and subsidies/direct grants to companies; and **third of all**, the main eligibility criteria for a firm to apply for the funding is that the turnover drop due to the lockdown measures should be at least 25% in Poland and 50-70% in France. The third condition makes Polish and French support schemes unique as no other country in Europe has adopted similar programs throughout their territories.

To qualify for the programs the micro firms and SMEs must have a turnover drop of at least 25% in Poland and 50% in France comparing to the previous month. This design allows for the comparison between the firms receiving financial support and those that do not receive it. **The aim of this research, therefore, is to estimate the effects of the subsidy programs for micro firms and SMEs in Poland and France**. **The main research question of this study is: what are the effects of the subsidy programs for micro, small, and medium-sized enterprises? And in particular: what are the effects of these programs on the liquidity and financial performance of the micro firms and SMEs?**

There are several reasons why this research will evaluate the financial support programs directed towards micro firms and SMEs. **Firstly**, it is estimated that the financial gap generated by the COVID-19 crisis in the micro firms and SMEs sector is responsible for more than 50% of the GDP drop in Poland and France in 2020. **Secondly**, micro firms and SMEs are responsible for the lion’s share of GDP and employment in Poland and France, hence, their bankruptcies would have a devastating effect on the economies. Therefore, it is crucial to understand the effects of the support schemes provided by the Government during the crisis to be able to prepare properly for future downturns and learn from this experience. **Thirdly**, the nature of these subsidy programs is very unique because direct business subsidies are generally very rarely given under the rules of the European Common Market.

The proposed research will be the first study of the nationwide liquidity subsidies programs available to micro firms and SMEs under crisis conditions. **The research results will be extremely important for policy-makers in Poland, France, and internationally and will have the following policy-making implications**: understanding of the effects of the subsidies directed at supporting liquidity of the firms during the crisis; estimation of the effects of the subsidy on liquidity and firms’ performance; evaluation of the efficiency of the threshold mechanism in the firms’ selection process – is the 25%/50% turnover drop threshold efficient? understanding which firms and in what way benefitted from the subsidy – is there a differential effect of the subsidy depending on the size of the company? Moreover, **the proposed research results will be of particular importance for micro-firms and SMEs**. Provided they are the recipients of the subsidy, they need to understand what effects they can expect from this form of public support. This research will be able to estimate the causal effects of the subsidy on firms' liquidity and financial performance and, therefore, decision-makers within the firm will be able to use this information when deciding if to apply for such subsidies in the future weighing all pros and cons. Finally, the project will also **bring value to society**. The devastating effect of the coronavirus crisis, disproportionally hurting micro, small and medium-sized businesses that form the lion's share of the economy, makes their financial stability and access to the liquidity of paramount importance to society. Therefore, it is highly important that public support schemes are assessed and their effects evaluated before the next crisis comes around.