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FINAL FINDINGS

EDP Dialogue Visit to France

9 – 10 November, 12 December 2022

EXECUTIVE SUMMARY

Eurostat undertook an EDP dialogue visit to France on 9-10 November 2022 as part of its regular visits to Member States. Some issues that were not covered in the EDP dialogue visit were followed-up by Eurostat and the French Statistical Authorities via videoconference on 12 December 2022.

The main aim of this dialogue visit was to discuss methodological issues and specific government transactions in the light of the implementation of the ESA 2010 methodology and of the provisions of the Manual on Government Deficit and Debt. In addition, data sources used for the EDP data compilation were reviewed and some issues raised in the context of the October 2022 EDP Notification were further clarified. Eurostat examined the use of Comptabilité Générale de L'État (CGE) in the compilation procedures, planned and potential methodological changes to be undertaken in the forthcoming benchmark revision and some selected sector classification issues.

Progress achieved by the French statistical authorities on open action points from the previous EDP dialogue visit that took place in June 2019 was discussed. Outstanding issues stemming from the October 2022 EDP notification were also analysed.

It was observed that no major change had taken place since the previous dialogue visit regarding institutional responsibilities in the framework of the reporting of data under the Excessive Deficit Procedure (EDP). The quality management system and information related to audit activities were also discussed.

The availability and use of data sources was discussed in detail. In this context, Eurostat and the French Statistical Authorities discussed in-depth the existence and nature of unexplained residuals of other accounts payable and other accounts receivable, and the risks that these residuals could also comprise relevant statistical discrepancies. Revision policy was discussed in detail, with due focus on the forthcoming 2024 benchmark revision, to be accomplished in May 2024.

Concerning the delimitation of general government, a discussion about the application of the market/non-market test and of qualitative criteria took place. Eurostat reviewed the list of government-controlled entities classified outside general government and enquired on selected entities. The classification of specific entities and/or their operations was also discussed in detail, most notably RATP, ERAFP and ALS. Some financial entities in the public sector perimeter were also reviewed.

As concerns the implementation of the accrual principle, the recording of inflation measures, taxes and social contributions, and EU flows, was discussed in detail. Regarding inflation measures, Eurostat and the French Statistical Authorities discussed in detail the support provided by the French State via EDF. Moreover, a discussion on the recapitalisation and nationalisation of EDF was initiated, although a conclusion was taken that further targeted discussion was needed in this regard. Regarding taxes, Eurostat and the French statistical authorities discussed in detail the reconciliation between cash information provided prior to the meeting and the tax and social contributions revenue recorded in Government Finance Statistics. INSEE will provide further support to Eurostat in achieving this reconciliation. Regarding EU flows, Eurostat expressed the point of view that, in order to assess the correctness of the recording (namely the correct time of reporting of contributions to the EU and the neutralization of B.9 regarding grants from the EU), a thorough filling of EDP questionnaire table 6 was required.

Other relevant issues discussed include the recording of interest expenditure, court decisions and guarantees. Concerning guarantees, the French Statistical Authorities and Eurostat discussed in-depth the PGE, a new guarantee scheme set-up to tackle the economic difficulties caused by the Covid-19 crisis.

Eurostat highly appreciated the quality of the information provided by the French statistical authorities prior to the mission. Eurostat also thanked the French statistical authorities for the explanations given during the mission and considered that the discussions were very transparent and constructive.

FINAL FINDINGS

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009 (the EDP Regulation) on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to France on 9-10 November 2022 and on 12 December 2022.

The delegation of Eurostat was headed by Mr Luca Ascoli, Director of Directorate D: Government finance statistics. Representatives of DG ECFIN and the European Central Bank (ECB) participated in the meeting as observers. The French authorities were represented by the National Statistical Office (INSEE), the Ministry of Finance (General Directorate for Public Finances – Direction Générale des Finances Publiques, DGFIP), the Central Bank of France (Banque de France, BdF) and the French Treasury (Direction générale du Trésor, DGTrésor).

The previous Eurostat EDP dialogue visit to France took place in July 2019.

Eurostat carried out this EDP dialogue visit in order to review the data sources used for the EDP compilation, to review the implementation of the ESA2010 methodology and the provisions of the Manual on Government Deficit and Debt (MGDD), as well as to discuss some specific government transactions and sectorisation issues.

With regard to procedural arrangements, the *Main conclusions and action points* would be sent to France on 23 February 2023 for review. Then, the *Provisional findings* would be sent to France for review. After this, in accordance with Article 13 of the EDP Regulation, the *Final Findings* will be sent to France and the Economic and Financial Committee (EFC) as well as published on the website of Eurostat.

Eurostat greatly appreciated the information provided by the French statistical authorities prior to and during the EDP dialogue visit. Eurostat also thanked the French statistical authorities for the good cooperation and for the constructive and transparent discussions during the EDP visit.

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1. STATISTICAL CAPACITY ISSUES

1.1. Review of the institutional responsibilities in the framework of the compilation and reporting of EDP and government finance statistics

1.1.1. Institutional cooperation

Introduction

In France, the institutions involved in the compilation of EDP/GFS tables (the French Statistical Authorities) are the National Institute of Statistics and Economic Studies - *Institut national de la statistique et des études économiques* (INSEE), *Direction Générale des Finances Publiques* (DGFIP) and the Central Bank/*Banque de France* (BdF).

INSEE is responsible for the methodology and for validating and monitoring the processes used to produce the financial and non-financial accounts of general government.

INSEE is also preparing the EDP notification tables, based on the information transmitted by the General Directorate for Public Finances (DGFIP), the General Directorate of the Treasury - *Direction Générale du Trésor* (DGTrésor) and the National Central Bank - *Banque de France* (BdF), and sends them to Eurostat via Edamis.

DGFIP is responsible for the compilation of non-financial and financial accounts (the latter shared with Banque de France), the Maastricht debt and the EDP tables (planned data), with its subordinated units. Moreover, DGFIP is responsible for monitoring public accounting standards, collecting accounting information and transposing individual data into the national accounts (using the method approved by INSEE), and transmitting the data to INSEE.

DGTrésor, another Directorate of the Ministry of Finance, contributes to the preparation of the April notification, especially in relation to forecasts.

Banque de France actively participates in the compilation of the financial accounts of general government (together with DGFIP and INSEE) and is involved in preparing some data relevant for annual and quarterly debt.

Discussion

During the visit, the French statistical authorities confirmed that there were no specific changes in the institutional arrangements since the last EDP dialogue visit in June 2019.

Considering the temporary inconsistencies sometimes observed between ESA Table 27 and EDP Questionnaire Table 10, Eurostat enquired further on the process of compilation of the general government sector financial accounts. The French statistical authorities clarified that Banque de France is responsible for compiling the financial account, except for flows and stocks relating to the Maastricht debt, for which INSEE is ultimately responsible. Notwithstanding, INSEE and BdF, as well as DGFIP, closely cooperate on the whole compilation process, sharing relevant data and other information to each other. As an example, BdF provides to INSEE data on flows concerning the recording of financial leasing. The temporary misalignments between ESA Table 27 and EDP Questionnaire Table 10, notably concerning equity, thus simply occur because such alignments come later on in the compilation process. Eurostat took note of the explanations and concurred that nonetheless full alignments are immediately accomplished as soon as detected.

Considering that it is DGFIP who provides the data to INSEE, Eurostat further enquired the French Statistical Authorities on the annual process of demarcation of the general government sector perimeter. The French Statistical authorities explained that DGFIP provides data on a perimeter previously decided by INSEE. It was also clarified that, nonetheless, DGFIP is only

able to provide data for entities (including public corporations) to which a DGFIP accountant is ‘seconded’, such that in a few cases INSEE may need to gather data by its own means.

Findings and conclusions

Eurostat appreciated the supporting documents and took note of the clarifications provided.

1.1.2. Quality management framework

Introduction

The Quality Management System implemented in INSEE is based on the European Statistical System Code of Practice. According to the June 2019 SDV, all EDP/GFS compilation procedures/steps are individually documented, and additional efforts are being undertaken to summarize and centralize those descriptions.

Discussion

During the 2022 SDV mission, INSEE explained that it updated its agreement with DGFIP for the production of the general government account and that the centralization of the compilation procedures is work-in-progress. Eurostat briefly recalled the usefulness of this practice and welcomed INSEE for its continuous efforts.

Eurostat welcomed the documents provided prior to the SDV and enquired on the new loading interface being implemented. INSEE explained that the new loading interface (‘Toucan’) is an update to the previous one (‘Pelican’), allowing INSEE to access, at any time, all existing data at a great level of detail. Moreover, the new loading interface brings an improvement for the financial side of the accounts, which are now loaded in the system (while they were not before). This step forward, importantly, further ensures internal consistency on each side of the accounts, as well as it helps on working towards consistency between the financial and the non-financial accounts.

Findings and conclusions

Eurostat welcomed the supporting documents and took note of the clarifications provided.

1.1.3. Audit and internal control arrangements

Introduction

The profit and loss, balance sheet and general ledger (CGE - compte générale de l’État) of the State, as well as the accounts of the general scheme of social security funds, are audited and certified by the Court of Audit since the financial year 2006 (according to Article 58-5 of the Organic Law on Finance Laws - *Loi organique relative aux lois de finances* LOLF). Once the Court of Audit has produced its certification report, its potential impact on the accounts is incorporated as soon as possible. Certification of accounts with data referring to year (T-1) is carried out by the Court of Audit at the latest by 30 June of year (T). Yet, the Budget de l’État is on the contrary merely subject to a ‘declaration of conformity’.

On the other hand, in France, the local authorities are not obliged to have their accounts certified. However, a growing number of authorities have their accounts certified by an independent body.

Discussion

During the meeting, Eurostat enquired further on the continuous cooperation between the statistical authorities and the Court of Auditors. The French statistical authorities explained that, in the course of its auditing procedures, the CoA provides to DGFIP, between 15 January and 15 April every year, a flow of observations concerning the CGE. In the context of their cooperation for the compilation of EDP/GFS accounts, DGFIP then transmits all relevant information (i.e., liable to have an impact in the accounts) to INSEE, which integrates it in EDP/GFS accounts if and when appropriate.

Findings and conclusions

Eurostat took note of the clarifications provided.

1.2. Data sources and revision policy

The source data for the public accounts (the general budget, the special accounts, the annex budgets, and the public authorities' accounts) are produced, since 2012, using the CHORUS accounting software. In budgetary accounting, the general budget and the special accounts data are available from the CHORUS database. For expenditure, these data give the object (budget *programme, action, sous-action*) and the nature of the expenditure (by *Loi Organique relative aux lois de finances* (LOLF) category). For revenue, the data give the nature of this revenue. For support funds (*fonds de concours*), the data contain the title of the fund and some information on the third party from whom the payment originates as well as on the receiving Ministry. These data are used to determine the operations on goods and services (when possible, with the product code and the counterpart sector in the transaction) and to calculate the B.9.

The main source data for the State's non-financial accounts is the *Budget de l'État*. The CGE is yet not systematically used to bridge cash-to-accrual data, such that accrual adjustments are made with support of other data, some of which collected on an ad-hoc basis.

For the annexed budgets and the public authorities, the CE1A ("Production and Validation of Accounts") Department of the DGFIP incorporates a general ledger per entity in the CHORUS database at the beginning of the following financial year. These balances are used to code the operations on goods and services and to calculate the B.9.

The accounting data for the funds controlled by the State for year (T) are also incorporated into the CHORUS database at the beginning of year (T+1). More detailed information for each fund is also used by the DGFIP (internally or via the CDC – *Caisse des dépôts et consignations*), to determine operations on goods and services (when possible, with the product code and the counterpart sector in the transaction) and for the B.9.

As concerns ODAC (other central government bodies), most of these public institutions produce accounts according to the accounting framework and to standards of the instruction known as M9 or according to secondary standards, which then results in applying the rules of the general chart of accounts (*Plan Comptable Général*). However, some entities classified as ODACs follow specific charts of accounts or the general chart of accounts itself (applied by private companies). In any of the cases, these are accrual-based accounting systems.

For local government accounts, data collection is quasi-exhaustive for the main budgets as of the April notification. All departments and regions, municipalities, and groupings of municipalities with tax-levying powers are covered. The population missing in the April notification is to be found mainly in the miscellaneous local government bodies - *organismes divers d'administration locale* (ODAL) and local authorities' annex budgets, representing less than 1% of the total mass of local government (APUL). Accordingly, later revisions for the semi-definitive and definitive accounts are small in scale and are linked either to the increase in population between the provisional and semi-definitive accounts or to revisions or corrections made to the source data.

The social security funds account is produced from centralised computerised data for the accounts of eleven funds, including the general scheme and the Agricultural Social Mutual Fund - *Mutualité Sociale Agricole* (MSA). For 6 units inside the Social Security sector, DGFIP database collects information directly. The remaining units are reported outside the working balance as public corporation classified in S.1314. Out of these, data from public hospital accounts are collected by DGFIP almost exhaustively.

The main source for calculating the Maastricht debt is public accounting for the different sub-sectors: the State, central agencies - *organismes divers d'administration centrale* (ODAC), local government units - *administrations publiques locales* (APUL) and social security units - *administrations de sécurité sociale* (ASSO). Further data are also drawn notably from:

- the Banque de France, for coin;
- the Banque de France and INSEE, for financial leasing;
- Eurostat, for EFSF operations.

To calculate the State debt, INSEE is using an accounting balance taken from the CHORUS data warehouse. This is supplemented by data provided by the French Treasury Agency - *Agence France Trésor* (AFT), which is in charge of managing State debt and cash position. The State debt is revised very little from one version of the accounts to another.

For local government, data used to calculate the Maastricht debt are taken from the accounting balances centralised in the DGFIP data warehouses.

For the compilation of the financial accounts, the French statistical authorities use the *Compte Générale de l'État*. This makes scope for discrepancies given that source data used for compiling the non-financial accounts is, mostly, the *Budget de l'État*.

1.2.1. Compte général de l'État (CGE)

Introduction

Article 30 of the LOLF specifies that *compte général de l'État* (CGE, i.e. the general ledger of the State) is based on the accrual principle of recognition of rights and obligations. Transactions must be recorded in the year to which they relate, regardless of their date of payment or receipt. CGE is certified by the French Court of Auditors.

The CGE also brings about a patrimonial vision of the State. It covers what the State has in its treasury at a moment "T", and also includes information on its assets, its liabilities and its commitments. The general accounts thus describe what the State controls (land, buildings, roads, receivables, inventories, software, military equipment, etc.), what it owes (the debts) and what it may be required to pay in the future, such as accrued expenditure, provisions, or off-balance sheet commitments.

In the 2017 and 2019 SDVs, DGFIP explained to Eurostat that this source data was relatively complex to use for the State and to reconcile with other source data. Accordingly, the CGE was not systematically used as input for the compilation of EDP/GFS accounts. Nonetheless, in those meetings, Eurostat strongly encouraged avoiding delaying the exploitation of such a rich source data and encouraged INSEE and DGFIP to take a step-by-step approach.

During those bilateral discussions, Eurostat indicated that it would expect CGE and *Budget de l'État* to be consistent among themselves but that, of course, such kind of 'alignments'/verifications cannot be undertaken by INSEE without a very active participation from DGFIP (and BdF). Whereas such exercises are time consuming, investing in them may pay

dividends in the future, notably regarding B.9 and B.9f consistency as well as extra information on payables and receivables.

CGE is currently used for the financial accounts, including for filling Questionnaire tables 4.1, which shows the accrual adjustments of expenditure and revenue from a CGE perspective (together with accrual adjustments applicable to other bodies). However, INSEE does not use this information for the compilation of the non-financial accounts (e.g. D.1, P.2 accrual), except for the recording of interest and the gross fixed capital formation linked to public-private partnerships (PPPs).

Following these discussions, since the 2019 SDV analytical and comparative studies are being made by DGFIP with a view to an increased systematization of CGE use.

Discussion

Eurostat thanked the French statistical authorities for the work undertaken to enrich the national accounts compilation with CGE information, notably considering its burdensome and complex character, and enquired on an update on this work-in-progress.

INSEE and DGFIP explained to be working on a radical shift, enabling ESA Table 2 and the net lending/net borrowing to be more directly compiled from the CGE profit and loss account, while EDP will continue to be presented with a cash working balance based on Budget de L'État. In this context, INSEE considered that in general CGE is very close to National Accounts principles, such that several accrual adjustments compatible with ESA rules will be integrated in the national accounts, namely those concerning intermediate consumption, gross fixed capital formation, current transfers, and subsidies. Moreover, according to the French statistical authorities, broader use of CGE is expected to result in a considerable improvement in decreasing discrepancies between the financial and the non-financial accounts.

INSEE recalled that some treatments are undertaken in the National Accounts and EDP context based on time-adjusted cash, as for example VAT. Moreover, in some situations INSEE takes its own view based on EDP methodology (such as related to court decisions). In this context, the CGE profit and loss result will not be 1:1 comparable to the net lending/net borrowing.

In the context of these discussions, Eurostat enquired the French Statistical Authorities on some entries it observed in CGE, notably 'dettes à fournisseurs' and 'indemnité inflation' ⁽¹⁾, and the mirror entry in the National Accounts/EDP Questionnaire tables. As for 'dettes à fournisseurs', the French Statistical Authorities indicated that indeed these concern typical 1:1 CGE entries to National Accounts, namely in intermediate consumption, which will be included in the 2024 benchmark revision. Concerning the observed differences between the CGE and the EDP questionnaire tables entries on 'indemnité inflation', the French Statistical Authorities reflected that these probably concerned differences between the time of production of the two accounting frameworks, to be investigated further.

Findings and conclusions

Action Point 1: INSEE and DGFIP will keep Eurostat informed about the developments concerning the exploitation of CGE for the purpose of accruing non-financial transactions in government finance statistics. Prior to the benchmark revision, INSEE and DGFIP will produce

¹ 'Indemnité inflation' is an exceptional and individual aid of a single amount of EUR 100, tax free, which was paid to circa. 38 million French people between December 2021 and February 2022. Eligibility for the scheme combined income and employment situation criteria. The total cost of this measure was of approximately EUR 3.8 billion.

and send to Eurostat an explanatory note on their work and the effective results to be implemented in the GFS accounts.

Deadline: Before the 2024 benchmark revision.

Action Point 2: Concerning ‘*Indemnité inflation*’, the French Statistical Authorities will reassess the difference between the amounts recorded as payable in CGE and in the EDP Notification. The French statistical authorities will inform Eurostat on their findings, and either introduce appropriate corrections to EDP data or provide reasoning why the CGE amounts are not used for the EDP reporting. ⁽²⁾

Deadline: April 2023 EDP Notification.

Provisions in CGE

Introduction

Several points concerning provisions recorded in CGE were discussed in the 2019 SDV, notably *compte d'épargne temps*, ‘provisions pour charges’ and ‘provisions pour risques’. While provisions are not considered, by default, an expenditure/liability in ESA, in some cases its use might be justified (e.g., in the case of standardised guarantees).

Discussion

Eurostat recalled past discussions, notably concerning ‘*compte d'épargne temps*’, which was furthermore discussed in the GFS TF and the EDPS WG (‘Recording of wages and salaries - 13th month payments and holiday money; entitlements due to overtime’). INSEE explained that their intention is to follow the prescriptions of the EDPS WG once those discussions would reach conclusions. Notwithstanding, INSEE considered that an interpretation on a specific type of provisions could not be levered to consider all provisions under public accounting as liabilities.

Eurostat agreed that whereas a more consistent use of ‘provisions’ for National Accounts purposes would require a SNA/ESA revision, an informed and educated reading of public accountants provisioning practices may prove useful for the National Accountant. Furthermore, Eurostat recalled that recently some IPSAS rules have been revised in order to move some provisioning to liabilities.

Findings and conclusions

Eurostat took note of the arguments provided.

1.2.2. Unexplained Residuals

Introduction

Significant unexplained ‘residuals’ concerning both other accounts receivable and other accounts payable in EDP questionnaire table 4 have arisen in the past years.

In past EDP notifications, Eurostat has discussed with INSEE whether these unexplained residuals were correctly reported under OAP and OAR. In the view expressed by Eurostat in those occasions, given their ‘unexplained’ nature, these ‘residuals’ could perhaps be better

² Action point completed during the April 2023 EDP Notification. While the CGE records part of the related expenditure in 2022, INSEE considers that the full amount should be recorded in year 2021, which is the time the benefit was established. This explains the difference between the National Accounts and the CGE payable adjustments.

represented as a statistical discrepancy. On its side, INSEE explained that these explained residuals ought not to be statistical discrepancies, but simply reflect of a so far deficient use of the CGE, as discussed above.

Discussion

Eurostat presented its calculation of the evolution of the ‘unexplained residuals’ reported in EDP questionnaire tables 4.1 throughout the EDP Notifications. Both as concerns other accounts payable and other accounts receivable, there appears to be no tendency for improvement, i.e., for the decrease in these ‘unexplained residuals’, such that the last reported amount of ‘unexplained residuals’ for a given year is typically high, ranging in absolute value from 0.2% of GDP to 0.7% of GDP.

Given that Banque de France compiles ESA Table 27 and INSEE compiles the financial accounts entries in EDP Tables 3 (and questionnaire tables 4), Eurostat wondered whether such ‘unexplained residuals’ could reflect statistical discrepancies.

INSEE reflected that whereas EDP questionnaire table 4.1 was built for compilers departing from cash – which is nonetheless the case of the French general government accounts – the French Statistical authorities compile these tables directly using CGE payables/receivables, which are also the basis for the financial accounts payables/receivables entries. INSEE is therefore faced with two situations, depending on the sectors considered. In the case of the State, the use of budgetary data for the non-financial accounts, on the one hand, and the use of CGE data for the financial accounts, on the other hand, means that certain accounts payable and receivable are included in the CGE (financial accounts) even if they are not included in the non-financial accounts process, resulting in statistical discrepancies. These processing differences are being subject of a reconciliation work. Moreover, the French statistical authorities explained that the ‘unexplained residuals’ also frequently contain payables/receivables, for the State and other central government entities, for which sufficient breakdowns or specific classification are difficult to identify and report in the EDP questionnaire tables 4.1.

In the case of other sectors, general accounting data is used for both financial and non-financial accounts, which spontaneously limits statistical discrepancies. In both cases, unallocated accounts payable and receivable also come from unspecified accounts. In particular, these unspecified lines come from accounts payable / receivable recorded in more general accounts (in the source accounting) than the details requested in the notification table.

Accordingly, the French Statistical Authorities expressed that these ‘unexplained residuals’ concern both real payables/receivables and statistical discrepancies.

Eurostat took note of the explanations by the French Statistical Authorities and considered that the on-going exploitation of the CGE will solve a part of the problem. Moreover, Eurostat considered that further work needs to be undertaken on explaining, in the EDP questionnaire tables 4.1, the observed payables/receivables of several central government bodies. Finally, Eurostat expressed apprehension with the presentational issue on the message conveyed by the wording ‘unexplained’ and, considering the explanations provided by the French Statistical Authorities, reflected that ‘unspecified’ would better depict the reality. INSEE took note of this point and will use the ‘unspecified’ item accordingly.

Findings and conclusions

Action Point 3: Concerning the unexplained residuals in other accounts payable and other accounts receivable, as observed in the tables 4.1 of the Questionnaire related to the notification tables:

- a. The French Statistical Authorities will attempt to further detail the other accounts payable and receivable, via creating new subcategories in questionnaire tables 4.1., by kind of transaction and/or unit, in order to reduce the ‘unexplained residuals’.

Deadline: continuous action, with first results in the April 2023 EDP Notification.

- b. The French Statistical Authorities will revise the questionnaire tables 4.1 to remove from ‘unexplained residuals’ to ‘unspecified items’ those other accounts payable and receivable that are not unexplained in the nature, but for which simply the French Statistical Authorities cannot find a specific classification. ⁽³⁾

Deadline: continuous action, with first results in the April 2023 EDP Notification.

- c. The French Statistical Authorities will provide to Eurostat a breakdown of the ‘real’ unexplained residuals per institutional unit, to the deepest possible detail, for each of the sub-sectors.

Deadline: end-May 2023.

1.2.3. Revision policy and related EDP/GFS consistency. 2024 benchmark revision

Introduction

The French national accounts are revised and published every year in May. In May of year (T) are published the definitive accounts for year (T-3), the semi-definitive accounts for year (T-2) and the provisional accounts for year (T-1). Accounts for years earlier than (T-3) are in principle not revised for government accounts.

Eurostat has in the past pointed to INSEE that EU legislation refers to the last four years: the EDP notification being open also for years (T-3) and (T-4). In the context of these discussions, during the January 2019 Technical Visit, INSEE has agreed to keep open also T-3 for government accounts.

General government data notified in March of year (T) are usually the same as those that appear in May, moment when INSEE publishes the full national accounts. However, if between March and May new information about the provisional accounts that would result in a revision of the deficit (especially in the social security funds) emerges, then these changes would be included in the tables sent out in May.

For the October notification, for year (T), revisions affecting the non-financial account are introduced in a simplified manner, via a capital transfer (expenditure or revenue), in order to maintain consistency with the other (sector, business) accounts, while updating the deficit aggregates. On the other side, all components of the financial accounts are updated.

When there is a change of base (approximately every 5 years), the revision potentially covers all years. A benchmark revision will be undertaken in year 2024 (here onwards ‘2024 benchmark revision’) while the previous one was undertaken in October 2018.

As regards EDP/GFS revision policy, in France it is preferred to keep the main aggregates tables consistent with the supply and use tables, as well as the regional accounts, etc., which creates specific constraints. As a result, the required changes to EDP/GFS may not be implementable

³ Action point completed in the 2023 April EDP Notification. Unexplained residuals were revised, reducing in volume, with counterpart on ‘unspecified items’ as well as some increase in detail. The issue is however work-in-progress, and the French Statistical Authorities are working on achieving further specification of the ‘unspecified items’.

into national accounts main tables, prior the next benchmark revision, and hence incomplete revisions to GFS are implemented.

Two examples of these incomplete revisions concern the sector reclassification of Radio and TV (April 2018) and SNCF-Réseau (October 2018). In both cases, instead of a de facto reclassification, an artificial entity was created in order to reroute a part of the operations of the entities to be reclassified, and achieve a correct B.9 and debt.

Even though B.9 and debt are correct, during each EDP notification Eurostat has expressed concerns that this procedure is not satisfactorily from a GFS point of view (which is not, per se, the EDP notification purpose in the view of INSEE).

Discussion

Eurostat took note of the information provided by INSEE prior to the meeting that no changes to the general government accounts revision policy occurred since the 2019 SDV: most revisions occurring between the April and October EDP Notifications and all sector classifications are incorporated in capital transfers payable or receivable, in the latter case until the forthcoming benchmark revision.

Eurostat reiterated its view on this specific aspect of revision policy. INSEE acknowledged that its revision policy is not entirely satisfactory, but that it was so required to assure consistency elsewhere in the system, most notably concerning GDP and business and household accounts. Hence, despite this shortfall in GFS, for INSEE the basic principle of National Accounts is coherence across sectors, and that all accounts are closed in May T+3, while the EDP objective was only or mainly to measure B.9 and debt appropriately, which is not at risk from its revision policy.

INSEE explained that it aims to strike a balance between the readability of the accounts for users, internal consistency between the accounts and the earliest possible inclusion of new information. In particular, INSEE considered that, with the obvious exception of deficit and debt reporting obligations, it is preferable to postpone a change to the account rather than incorporate imprecise changes. This point is particularly relevant in the case of reclassifications of significant units, such as SNCF Réseau, which lead on the one hand to a reclassification of a large number of flows and assets between the business sector and the government sector, and on the other hand to a break in the valuation of value added due to differences in valuation between the sectors. Yet, and due to the continuous criticism of Eurostat in this context, INSEE committed to examine way to appropriately undertake GFS revisions in between benchmark revisions.

INSEE and Eurostat discussed some details concerning the 2024 benchmark revision. According to INSEE, the benchmark revision is the appropriate moment to integrate errors, sectors reclassifications and methodological changes.

Enquired by Eurostat on examples, INSEE referred that the 2024 benchmark revision would retropolate and correct the sector reclassifications of French public Radio and TV and SNCF Réseau. Furthermore, in the 2024 benchmark revision, INSEE will proceed to the sector reclassifications of ALS since the start of the time series (see point 4.1.2 below) as this entity is considered to be a public administration since its creation, and of CGLLS (see point 4.1.5 below). Moreover, INSEE will also recognise that *taxe d'apprentissage* (TA) and *participation des employeurs à la formation professionnelle continue* (PEFPC) are taxes even before the creation of France Compétences, thus rerouting those to the general government accounts. Additionally, INSEE will change the method of recording Account 654 ("*pertes sur créances irrécouvrables*"; write-offs of claims), recognizing these as expenditure, following the discussions held during the 2019 SDV.

Findings and conclusions

Action Point 4: Concerning the revision policy and the 2024 benchmark revision:

- a. INSEE will provide a summary note on revisions to be undertaken in its 2024 benchmark revision.

Deadline: In due time, allowing for Eurostat reaction before the deadline for closing the preparatory work for the benchmark revision.

- b. INSEE will investigate the possibility, internally with departments for other accounts (notably sector accounts and business statistics), to allow for revisions in GFS to be undertaken in the most appropriate way in between benchmark revisions.

Deadline: continuous, with a note to be provided before the 2024 benchmark revision.

- c. INSEE will produce a note analysing the National Accounts effects on recognising that *taxe d'apprentissage* (TA) and *participation des employeurs à la formation professionnelle continue* (PEFPC) are to be considered as taxes since their existence and before the set-up of France Compétences.

Deadline: In due time, allowing for Eurostat reaction before the deadline for closing the preparatory work for the benchmark revision.

- d. INSEE will provide a specific note quantifying the impact over the years of the sector reclassification for ALS for the whole series.

Deadline: before the benchmark revision and after a complete assessment has been made.

- e. Regarding the CGLLS, which will be reclassified in S.13 at the moment of the benchmark revision, INSEE will provide to Eurostat the 2021 balance sheet.

Deadline: June 2023.

1.2.4. EDP Inventory

Introduction

The French EDP Inventory published on Eurostat website dates November 2018. The list of S.13 entities, following the recommended template, at the time of the EDP DV was not provided to Eurostat, although these lists can be found on the website of INSEE.

Discussion

Eurostat recalled the importance of keeping the EDP Inventory up-to-date, both concerning methodological changes following either bilateral discussions and MGDD revisions (occurring in early 2023), as well as benchmark revisions. Moreover, Eurostat reinstated the importance for users to be able to find up-to-date general government entities' lists in Eurostat's website, in a centralized way, and so it urged INSEE to provide these lists, which *de facto* already exist and require only a template adaptation. INSEE promptly agreed with the reasoning and requests of Eurostat.

Findings and conclusions

Action Point 5: Concerning the EDP Inventory:

- a. INSEE will update the EDP Inventory, reflecting all changes implemented as compared to the current published version – notably the recording of taxes – as well as anticipating any eventual changes forthcoming in the 2024 benchmark revision.

Deadline: September 2023.

- b. INSEE will provide the list of S.13 entities, according to the format provided by Eurostat, to be published in Eurostat's website. ⁽⁴⁾

Deadline: February 2023.

⁴ Action point completed on 13 April 2023, with the sending of the requested complete list of S.13 units.

2. FOLLOW-UP OF PREVIOUS VISITS

The majority of the issues concerning a follow-up of previous visits were discussed in the context of the appropriate points in this meeting agenda. Reference to a follow-up character is mentioned under the specific points, in these findings.

2.1. NPL information

Introduction

The scope of the NPLs reported in the context of the *Council Directive 2011/85 article 14(3)* was discussed with the French statistical authorities in the past EDP visits. Eurostat encouraged the French statistical authorities to estimate, if need be, the NPL stocks, including using CGE information on provisions and expert judgment. Following these discussions, INSEE has started to report NPL information concerning the State.

Discussion

Eurostat enquired INSEE on the source data, accounting and valuation basis, of the NPL information currently reported. INSEE explained that the NPL amounts represent the outstanding impairments for risks of non-repayment of loans granted to units outside general government, as recorded in the *Compte général de l'Etat*, which are close to the concept developed in §13.66 of the SNA, even if a 90-day period is not explicitly mentioned in their definition.

Eurostat explained that reporting the impairments/depreciation of loans as NPL is an understatement, as the potential volume risk to the debtor of a NPL is its nominal value, which is what is meant to be reported under *Council Directive 2011/85 article 14(3)*. Yet, in case a provision/impairment impacts the general government accounts, while deemed as a portion that will not/is unlikely to be repaid, the NPL would instead be recorded at its reset nominal value (i.e., the original nominal value minus the amount already recorded as a capital transfer). In this context, Eurostat urged the French Statistical Authorities to investigate on the nominal value of the loans reported as impaired by the CGE accountant or, in the absence of such information, to apply a coefficient for the provision-to-NPL ratio.

Findings and conclusions

Action Point 6: In the contingent liabilities questionnaire, INSEE will correct the reporting of NPLs of the French State. INSEE will consider applying an appropriate coefficient to stocks of NPLs, so that the figures reported represent the (reset) nominal values of the loans impaired, and not the level of overall impairment, as is currently the case. ⁽⁵⁾

Deadline: end-December 2022.

⁵ Action point partially completed in December 2023.

3. FOLLOW-UP OF THE OCTOBER 2022 EDP NOTIFICATION

3.1. Rafale sold to Greece and Croatia

Introduction

The French State has signed contracts with both Greece and Croatia to sell Rafale planes, which have made advance payments to the French State. In its financial accounts, the French Statistical authorities have recorded a payable (F.81) towards those two countries, after receiving cash payments in advance of deliveries still to be made. The exact size of this payable was crosschecked with information provided by the Greek and the Croatian authorities.

Concerning Greece, half of the second-hand planes will be delivered by the French State in 2023 (while the first half would apparently be delivered in 2021). Concerning Croatia, the planes will be delivered in 2024 and 2025. In the view of Eurostat, these are long-term advances, which merit a classification to loan liability (from inception).

Discussion

Eurostat recalled the discussions held during the October 2022 EDP Notification concerning the choice of financial instrument to record the long-term payable of France to Greece and Croatia in the context of the deliveries of Rafale planes to those Member States.

In the view of INSEE, ESA 2010 paragraph 20.132 suggests that only when it is the “*seller (or constructor) that provided a delay of payments for an already delivered good and thus “assume a financial role”*” that a loan liability (F.42) should be recorded in the accounts of France S.13.

For Eurostat, ESA 2010 paragraph 20.132 and paragraph 25 in section 2.5.3.1 of the MGDD (2019 edition) point towards the treatment of long-term advances and long-term trade credits. In Eurostat’s opinion, an attempt to distinguish the two cases as completely different was questionable, as in both cases one part provides long-term financing to the other.

Furthermore, Eurostat indicated that Greece and Croatia, which are prepaying deliveries, in the long-term, are currently recording a loan asset against France, such that, consistently, France should book a loan liability towards Greece and Croatia. INSEE was not fully convinced with this ESA interpretation. However, it agreed that the MGDD clarification is important, as it reflects the result of a collective deliberation, which INSEE values.

Findings and conclusions

Eurostat took note of INSEE’s arguments, as well as of its intention to revise the current treatment of these liabilities (to be reclassified as loans), so to be aligned with the collective interpretation of the MGDD as well as to the current recording of Greece and Croatia.

(see Action Point 18a in section 4.2.1)

4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

4.1. Delimitation of general government, application of market/non-market rule in national accounts

4.1.1. *Practical implementation of the market/non-market test*

Introduction

The practical implementation of the 50% test was discussed in detail in the 2017 as well as 2019 EDP dialogue visits.

DGFIP tests sector classification every year for the 50% threshold, and informs INSEE in case one significant unit would fall under the 50% threshold. INSEE reviews each unit's sector classification on several occasions, although not every year: in the context of the creation of a new unit, when there is a major change in governance of the unit, and during benchmark revisions.

In practice, the 50% test is calculated using the "*liasse fiscale*" and, whereas the item "*FO - subvention d'exploitation*" is correctly excluded from the numerator ("sales"), there have been situations where subsidies have been included in position "*FL-chiffres d'affaires nets*" (i.e., turnover) by the accountants of the units.

In the past, given that the subsidies on production can often be reported in sales within the '*Liasses fiscales*' (i.e., company financial statements returned to tax authorities), Eurostat recommended an alternative approach consisting in using DGFIP data on counterpart information (i.e. beneficiaries of the subsidies on production) at least for the biggest amounts.

As regards the qualitative criteria, a classification inside government is decided, on a case by case basis, whenever government was identified as the unique client. INSEE also analyses the ownership of the majority voting interest, the composition of the board (whether public servants are present), the right to appoint or remove board's members, as well as the possibility for Government being the only client of a unit to exert a significant control on it.

Discussion

Eurostat enquired INSEE on the developments on the practical implementation of the sector classification rules since the 2019 SDV. Concerning the frequency of testing, INSEE confirmed that it is now able to perform the market/non-market test annually.

Following on the documents provided prior to the 2022 SDV, Eurostat enquired on some of the accounting items referred to as being included in the market/non-market test carried on for existing public corporations.

When questioned on the inclusion, as sales, of item R315 – *autres produits d'exploitation*, INSEE explained that this item includes income from royalties, which can be considered as (ESA) sales. Eurostat wondered how many public corporations would have income from royalties, on which basis, and thus also the proportion of royalties in the whole of R315. Moreover, Eurostat explained that only royalties on assets produced by the entity itself can be considered as sales. Eurostat hence considered that item R315 ought not be included as sales by default.

Eurostat furthermore asked on the sign of items R211 and R213, which concerned stock removals. INSEE confirmed that stock removals (which refer to the consumption of stocks) are recorded as a positive expense. Eurostat agreed with the inclusion of these items as costs in the market/non-market test.

Enquired on item R331 (*Produits des autres valeurs mobilières et créances de l'actif immobilisé*), INSEE explained that this broadly concerned interest revenue, which is why it was

included in costs (with a negative sign). However, Eurostat noted that one should be attentive to the fact that this item may as well include dividends (which should not be included in the test). INSEE indicated that dividends are recorded under a different heading in tax returns (liasse fiscale), entitled "*income from equity holdings*" (*revenus des participations*).

Eurostat and the French Statistical Authorities reviewed also the market/non-market test performed on new public corporations. Enquiring on a number of items in this test, Eurostat sees no issue with the inclusion of items C_71 (*'production stockée'*) and C_752 (*'Revenus des immeubles'*) in sales – the latter notably concerning rents of HLM – and with the removal of item C_72 (*'Production Immobilisée'*) from costs. On the other hand, Eurostat wondered what item C_7481 (*'Produits des versements libératoires ouvrant droit à l'exonération de la taxe d'apprentissage'*), currently included in sales, contained. INSEE explained that this presumably included revenue of entities that sell training services, while it agreed to further explore its content.

Eurostat asked on examples of recent application of the qualitative criteria when deciding the sector classification of public corporations. INSEE recalled the case of Action Logement Services, discussed in the October 2022 EDP Notification, a further qualitative analysis of this entity was undertaken, and a decision was taken to reclassify this entity 5 on the basis of qualitative criteria (see section 4.1.2 below) for the 2024 benchmark. Moreover, INSEE also presented the case of the Etablissement français du sang. The unit will be reclassified as part of the 2024 benchmark, as the prices charged cannot, according to INSEE, be qualified as economically significant within the meaning of the ESA.

Eurostat and INSEE discussed the application of the qualitative criteria to Laboratoire Français de fractionnement et biotechnologies. While this entity shows a market-test result above 50%, a considerable part of its sales is to general government entities (notably hospitals). Conversely, Laboratoire Français de fractionnement et biotechnologies sells also to private hospitals in France, as well as to health care entities and services abroad, such that effectively its share of sales to French general government entities was below 50%.

Concerning a more systematic or automatized assessment of the qualitative criteria, notably the analysis for counterpart of sales and of subsidy revenues, as a follow-up to the 2019 SDV, the French Statistical Authorities informed that SIREN⁽⁶⁾/SIRET⁽⁷⁾, which are registration numbers allowing a company to be identified in its relations with public bodies and administrations, could be potentially used in this respect. These numbering constituted a kind of counterpart information, in the relationship of entities with the State, and could thus eventually be used to find out what entities get subsidies from the State and/or sell goods and services predominantly to the State. Eurostat has thus invited the French Statistical Authorities to further explore this possibility.

DGFIP explained that the potential use of its database (chorus) for counterpart information is limited, because the identity of beneficiaries is not a searchable variable in the database. Analyses of counterparties can only be carried out on a case-by-case basis, by studying transfer flows individually.

Findings and conclusions

Action Point 7: Concerning the practical implementation of the sector classification analysis, INSEE will:

⁶ Système d'identification du répertoire des entreprises

⁷ Système d'identification du répertoire des établissements

- a. Remove item R315 from sales in the market/non-market test, per default. ⁽⁸⁾
- b. Verify the appropriateness of including item C_7481 in the market/non-market test for new public corporations. ⁽⁹⁾

Deadline: June 2023.

- c. Undertake a one-off analysis, based on SIREN/SIRET, on subsidies received by public corporations from other S.13 entities.

Deadline: June 2023.

4.1.2. Changes in sector classification since the last EDP dialogue visit

Introduction

Prior to this SDV, INSEE has provided a list of new units in S.13 and units removed from S.13 since the last SDV, as well as a list of cases under evaluation.

Since the last EDP visit, the main change in sector classification was the reclassification of Action Logement Services in the general government sector. INSEE also analysed the situation of various holdings and concluded that three legal units would be classified into general government (GIAT Industries, FSI-PME Portefeuille, FSI Equation). INSEE informed that other holding-type units analysed serve the market groups they belong to and are thus considered as being attached to the units of these groups.

Discussion

Eurostat enquired on the three identified pending cases of sector classification (*Autorité des relations sociales des plateformes d'emploi, Haut Conseil de l'évaluation de la recherche et de l'enseignement supérieur* and *Établissement public Mobilier national*). INSEE explained that, whereas the market-test was yet not possible to make, its initial assessment was that those entities have a non-market nature. Eurostat thus asked why the entities had not right away been classified in the general government sector, eventually pending a re-assessment. INSEE hence agreed to integrate those three entities in the general government sector.

Moreover, Eurostat enquired on the sector reclassification (to outside the general government sector) of Association des Régimes de Retraite complémentaires. INSEE clarified that this concerned a reclassification from the central government to the social security funds.

Finally, Eurostat enquired on the entity SAS GI CDG Express. INSEE explained that this entity is in fact a joint concession, by RATP and SNCF Réseau, tasked to build the CDG Express connection between Paris and the Charles de Gaulle Airport, which is classified in the general government sector.

Findings and conclusions

Eurostat took note of the explanations provided by the French Statistical Authorities.

GIAT Industries/ KNDS

⁸ Action point completed in December 2022, with the transmission of the Questionnaire on Public Corporations.

⁹ Action point completed in December 2022, with the transmission of the Questionnaire on Public Corporations.

Introduction

GIAT (¹⁰) Industries/Nexter Systems is the holding of a group of manufacturers of weapons, 100% owned by the French State. INSEE informed that this holding – GIAT Industries – will be classified in the general government sector in the 2024 benchmark.

In 2015, Nexter merged with the German group *Krauss-Maffei Wegmann* (KMW), creating a new unit, KNDS (¹¹), 50% owned by GIAT Industries and 50% owned by the German family-controlled defence company Krauss-Maffei Wegmann. The joint holding company is based in Amsterdam, Netherlands. Given that the State holds a “golden share” in Nexter systems, giving it special powers over the decisions of the former Nexter group, and has veto rights for decisions on the sale of shares and the sale of certain assets listed in the decree, INSEE considers KNDS to be a public company, even though the State does not hold more than 50% of the entity.

Discussion

Eurostat enquired the French Statistical authorities on the governance, functioning and activities of KNDS, with a view to a potential of sector reclassification (of a part of) this entity. According to INSEE, their analysis of the KNDS sector classification at the time of its creation concluded that the entity was a market producer. Moreover, INSEE then assessed that the unit (may) sell the equipment it produces to a customer base wider than the French and German States.

Notwithstanding, Eurostat wondered whether the effective activities of KNDS were now as expected at the time of the creation of the unit, notably in what concerns its clients and its autonomy of decision from the French (and eventually German) States.

Findings and conclusions

Action Point 8: INSEE will provide a note on the sector classification of KNDS, including the analysis of autonomy of decision, as well identification of KNDS’s clients.

Deadline: June 2023.

Action logement service and Action Logement Groupe

Introduction

Action Logement is a group dedicated to easing access to housing. The Action Logement group is organized around six main entities, each specializing in a field of housing activity. A complementarity of expertise that allows the Group to offer a unique offer in France, to respond to the problem of the employment-housing link. Located in the heart of the territories, the Regional Delegations and all of the Group’s real estate and service subsidiaries work in close collaboration with the Regional and Territorial Committees. The mission of these joint bodies is to strengthen links with local housing actors and to better understand the specific needs of each territory, in order to develop solutions adapted to real needs and thus contribute to fighting effectively against territorial fractures.

Action Logement Groupe (ALG) is the structure that defines the strategy and manages relations with the public authorities. Its main missions are to sign with the State the conditions of employment of the Participation of Employers in the Construction Effort (PEEC), to determine the conditions of use of financial resources, to ensure financial balance and to ensure that aid and services are distributed fairly, in all territories.

¹⁰ *Groupement des Industries de l’Armée de Terre*

¹¹ KMW+Nexter Defense Systems

Action Logement Services (ALS) collects the “*Participation des employeurs à l’effort de construction*” (PEEC), a contribution paid by employers, and pursue two main missions: providing grants and loans to the contributors’ employees, in order to facilitate their access to housing and building and financing social housing.

Discussion

Eurostat recalled that INSEE and Banque de France had very recently reviewed the national accounts classification of ALS sub-group, reclassifying it from the financial intermediaries’ sector to the general government sector (sub-sector of ODAC), in the October 2022 EDP Notification. This reclassification followed the assessment by the French statistical authorities that ALS is a non-market producer controlled by the State.

Eurostat and the French statistical authorities further discussed the overall sector classification of ALS from the beginning of the time series. It was agreed that ALS should be considered as a non-market entity, classified in the general government sector since its creation, given that the “*Participation des employeurs à l’effort de construction*” (PEEC), which constitutes by far its major source of revenue, should be considered a tax, rather than sales. Moreover, ALS activity is mainly focused on providing grants in the form of subsidies and concessional loans, under the control of the State, for public policy reasons.

In this context, it was agreed that ALS will be reclassified for the whole series from the 2024 benchmark revision. The deposits held by ALS, will be reported as loans granted under the PEEC scheme, constituting Maastricht liabilities of the general government.

During the October 2022 EDP Notification requests for clarification, INSEE considered two other entities of the group: *Action logement immobilier* (ALI)⁽¹²⁾ and *Association foncière logement* (AFL)⁽¹³⁾, which hold social housing real estate, as being market producers via their rental income, such that these entities therefore remained classified in the non-financial corporations sector.

Eurostat presented in the meeting the provisional results of its own analysis of the sector classification of ALI (consolidated), with its market/non-market test pointing to it being a market unit, also when accounting for a coefficient on CCF. Notwithstanding those results, Eurostat enquired on the nature of the rents that form a major part of the revenue of ALI, notably to which extent those rents benefits from direct or indirect support of government. INSEE clarified that housing subsidies are indeed paid by the State to eligible tenants, although these can then use those subsidies to rent any housing, from either a public or a private housing company. In this context, it could be far-fetched to consider the subsidy is not a sale from the housing company point of view, which to the limit could lead to consider private housing companies as non-market entities.

Finally, Eurostat enquired on the remaining entities of the Action Logement Group, notably on what distinguishes the work of ALI and Action Foncière Logement and on the sector classification of Action Foncière Logement and Action Logement Formation considering these are non-profit associations.

¹² ALI implements the Group's real estate strategy, holds the equity securities of all the real estate subsidiaries, including 48 ESH and several HLM and ensures financial and management balances allowing the implementation of the objectives expected by the Group in terms of production and rehabilitation.

¹³ AFL is a non-profit association, which aims to produce rental and home ownership housing, in order to diversify housing in neighborhoods undergoing urban renewal and in cities where the housing supply is the tightest, and contributes to the fight against unfit, unhealthy or endangered housing, in support of public policies.

Findings and conclusions

Action Point 9: Concerning the Action Logement Group, INSEE will provide a note on the analysis of the sector classification of Action Logement Foncière and Action Formation Logement. INSEE will furthermore confirm whether the activities of Association Pour L'Accès aux Garanties Locatives are already included in the accounts of Action Logement Services.

Deadline: June 2023.

4.1.3. Questionnaire on government-controlled entities classified outside the general government sector

Introduction

The most recent version of the Questionnaire on government-controlled entities classified outside the general government sector, as reported by INSEE was discussed under this agenda point.

Discussion

Regarding practical issues, Eurostat thanked INSEE for including a welcomed innovation in its QPC: a new column designating the head of the group of entities identified in the database.

Eurostat again recalled that INSEE consistently sends to Eurostat a Questionnaire on Public Corporations in end T, concerning T-2, when it would be most desirable to send information concerning T-1, and reaffirmed its call for improvements in this context. INSEE explained that constraints on the ÉSANE⁽¹⁴⁾ prevent an immediate application of Eurostat's request, although it committed to work towards this improvement.

Eurostat enquired on the follow-up of Action Point 11 a) of the 2019 SDV, which asked INSEE to review the sectorisation of the entities which showed a market-test below 50% for three years in a row (seemingly 1 400 companies), including 11 with liabilities above EUR 150 million. INSEE explained that those 11 companies are holding companies, to whom the market/non-market test does not apply. At the same time, INSEE confirmed that the specific rules on MGDD section 1.6.3.2 are verified for these entities to be kept outside the general government.

Concerning the remaining entities, INSEE explained that many are ancillary units of units themselves classified outside the general government sector. For several other entities, INSEE acknowledged that a reclassification to the general government sector would be appropriate. Notwithstanding, and recognising that the net lending/net borrowing for those entities was negligible, and that their cumulated potential Maastricht Debt was below EUR 1 billion, thus proposing to make a macro-adjustment for these entities with the next benchmark revision. Eurostat agreed with this proposal.

Eurostat then enquired on the status of specific entities reported. Given the detail of the issues, a number of action points (see below) were straightforwardly agreed to further verify the questions.

Eurostat questioned whether ORANO, reported with NACE 64, loss-making and with a market test below 50% in all three years was the holding/head office of all other subsidiaries reported.

Eurostat asked whether entity 'Areva', with NACE 68, ID number 712054923, loss-making with a market test below 50% in all three years below 50% was Areva SA, resulting from the restructuring of the Areva Group. INSEE confirmed this entry referred to AREVA SA and

¹⁴ Élaboration des Statistiques Annuelles d'Entreprises

wondered whether a reclassification of this entity would be appropriate, given the capital injection in 2017, reclassified as capital transfer. For INSEE, such a reclassification could thus represent a ‘double-count’, given that the EUR 2 billion recorded in the net lending/net borrowing in 2017 correspond *grosso modo* to the entity’s cumulated losses then since. The entity, INSEE recalled, is being wound-down, selling its assets to repay its liabilities (which are of round EUR 600 million end 2021). Eurostat noted that the situation of AREVA SA since 2017 thus pointed to an appropriate decision to classify the capital injection as a capital transfer. Eurostat also took note the interesting reasoning of INSEE of a potential double-count on reclassifying this entity and of the parallels it established of AREVA SA as a non-financial defeasance structure, committing to further consider the problematic.

Moreover, Eurostat queried on reported entities Areva Energies Renouvelables, Areva Med SAS and Areva Project 2. In the same context, Eurostat wondered on why Areva NP was reported in the QPC, considering that this entity had presumably been sold to EDF.

Eurostat enquired why entity *SATT Linksum Grenoble Alpes* was not recorded in the general government sector, given that this entity, belonging to CEA (which is classified in the general government sector) has a market/non-market test below 50%. The same question was addressed on a number of other entities with a market/non-market test below 50% for all three years, notably *La Poste Santé*, *SNPE*, *Electricité de Mayotte* and *Naval Energies*.

Eurostat then asked as well on the status of two reported entities belonging to SNCF group – *SNCF* and *VIIA* – given the first (which appears to refer to *SNCF Mobilites*) has a market-test which is significantly deteriorating year after year, and the second has a market/non-market test very close to 50%.

Findings and conclusions

Action Point 10: Concerning the questionnaire on public corporations, INSEE will:

- a. Undertake efforts to be able to produce in T a Questionnaire on Public Corporations with reference year T-1, instead of T-2 as currently. ⁽¹⁵⁾

Deadline: December 2023.

- b. Verify whether Orano - reported as NACE 64, loss-making and with a market-test below 50% for the past three years – is a holding/head office of the Orano group. A note is furthermore to be provided on the sector classification of this entity. ⁽¹⁶⁾

Deadline: June 2023.

- c. Send to Eurostat the accounts of Areva SA since the restructuring of the Areva Group. Furthermore, INSEE will analyse the sector classification of Areva Energies Renouvelables, Areva Med SAS and Areva Project 2. ⁽¹⁷⁾

Deadline: February 2023.

- d. Provide explanation on the Areva NP entry and analyse its sector classification. ⁽¹⁸⁾

¹⁵ Action point followed-up on 19 January 2024. INSEE explains improvements cannot be made under current data availability conditions.

¹⁶ Action point completed on 19 January 2024. INSEE considers this entity as both the holding of the group as well as providing financial services to it.

¹⁷ Action point partially completed on 7 March 2023. The accounts of Areva SA were provided, as well as an explanatory note.

¹⁸ Action point completed on 19 January 2024.

Deadline: June 2023.

- e. Verify the sector classification of the entity SATT Linksum Grenoble Alpes, a unit belonging to CEA and having a market/non-market test below 50% for the recent years. ⁽¹⁹⁾

Deadline: June 2023.

- f. Re-analyse the sector classification of a number of S.11 entities, showing a market/non-market test below 50% for all three years, covered in the Questionnaire, notably La Poste Santé, SNPE, Electricité de Mayotte and Naval Energies. ⁽²⁰⁾

Deadline: June 2023.

- g. Produce a note analysing the sector classification of VIIA and SNCF entries, both belonging to the SNCF Group, whereas the former has a market/non-market test very close to 50% and the market/non-market test of the latter has sizeably deteriorated in the last three years. ⁽²¹⁾

Deadline: June 2023.

4.1.4. Sector classification of specific units and schemes

ERAFP

Introduction

Retraite additionnelle de la fonction publique (RAFP) is a mandatory, points-based scheme created for fully qualified and trainee civil servants working in French central government (civilians and military), local and regional authorities and the public hospitals sector, as well as members of the judiciary, established by the 2003 pension reform law and operating since January 1st, 2005. It provides civil servants with a supplementary income to the pensions paid by Caisse nationale de retraite des agents des collectivités locales (CNRACL) and *Service des Retraites de l'État* (SRE), the basic public service schemes for local authority and central government employees, respectively.

Établissement de retraite additionnelle de la fonction publique (ERAFP) is the public-sector administrative entity that manages this pension scheme.

The scheme works on a capitalisation principle. Each beneficiary thus has an individual RAFP retirement account that they can access and consult via their personal space and in which their RAFP points accumulate. Each year, the employer declares its employees' contributions (the contribution rate being split equally between employer and employee, with each paying 5%), calculated on their ancillary remuneration up to a limit of 20% of the gross basic salary. These contributions are then converted into points which, multiplied by the service value of a point, give the amount of the benefit that the employee receives.

Discussion

¹⁹ Action point completed on 19 January 2024.

²⁰ Action point completed on 19 January 2024.

²¹ Action Point completed on 19 January 2024. The market-tests of SNCF Voyageurs and VIIA (a subsidiary of Rail Logistics) are very close to the 50% thresholds. These entities are thus being closely monitored by INSEE and Eurostat.

Currently, ERAFP is classified in S.1314. However, INSEE wondered whether the current classification is appropriate, and presented the case to Eurostat.

The RAFP, managed by ERAFP, is an employment-related social insurance scheme deriving from a relationship between the government and civil servants, to make up for the shortcomings of pre-existing pension benefits, in particular the failure to take account of bonuses in the reference income used to calculate the benefits to be paid. According to ESA 2010 paragraph 4.90, it is thus to be considered an ‘other employment related scheme’, rather than a social security scheme.

Moreover, the RAFP operates on a funded basis and benefits depend on the performance of the assets accumulated through past contributions. As such, it is a defined contribution scheme with reserves, which ESA 2010 paragraph 20.39 recommends classifying in the insurance corporations and pension funds subsector.

Furthermore, ERAFP meets the criteria to be considered as an institutional unit as it appears to be autonomous in the exercise of its main mission, which consists in managing the contributions to the RAFP according to the logic of a pension fund.

Thus, Eurostat agreed with INSEE that whereas the law specifies that RAFP is a pay-as-you-go scheme, the scheme is de facto a funded defined contribution scheme, which should in principle be classified in the pension funds sector (S.129). In this context, Eurostat recalled that paragraph 33 of section 1.3.2 of the MGDD suggests that a condition *sine qua non* for a defined contributions scheme to be classified within the general government sector is that “(...) government is effectively ensuring the payment of benefits for an amount higher from than the one payable from the assets accumulated in the fund”, and wondered whether this was the case for RAFP.

Notwithstanding the potential reclassification issue, Eurostat noted that currently the accounts of ERAFP/RAFP are having a considerable positive impact in the general government accounts, which should not be the case. Eurostat recalled that the accounts of such pension funds should be balanced by the imputation of an ‘adjustment for the change in pension entitlements’ (D.8) and urged INSEE to implement this correction if ERAFP/RAFP remain classified in the general government sector.

Furthermore, Eurostat recalled that in the April 2022 EDP Notification the financial accounts for ERAFP/RAFP were not available nor were they estimated, which has caused a relevant B.9-B.9f discrepancy of more than 0.1% of GDP only in respect of this unit. Eurostat has thus welcomed that ERAFP accounts are obtained in time for the April Notifications or, in the worst-case scenario, that an OAP/OAR to the amount of B.9 is imputed to rebalance the B.9f.

Findings and conclusions

Action Point 11: INSEE will verify whether the State explicitly guarantees RAFP assets or liabilities, in the sense referred to in the MGDD. In case an explicit guarantee does not exist, INSEE will thoroughly justify why the existence of an implicit guarantee can be presumed. ⁽²²⁾

Deadline: March 2023.

France Compétences

²² Action point completed on 31 March 2023. INSEE provided an analysis considering that RAFP is an employment-related social insurance scheme, more precisely an autonomous pension fund engaged in a market financial intermediation activity, to be classified in the pension fund sector in national accounts. Following this analysis, RAFP and ERAFP will be reclassified into the S.12 sector in the 2024 benchmark.

Introduction

France Compétences is a public administrative entity, created on January 1, 2019, by the law of September 5, 2018, and classified in the central government agencies sector. France Compétences is in particular responsible for re-allocating amounts paid by firms for apprenticeship and professional training. The funding of the is ensured in France by two kinds of payments: “taxe d’apprentissage” (TA) and “participation des employeurs à la formation professionnelle” (PEFPC), which are classified as compulsory levies from 2019 onwards.

In 2020, the Government decided to change the date of payment of these levies, to make them more contemporary: TA and PEFPC based on the N wages, will be paid in N from 2021, whereas before 2019 they were paid in N+1 (February) via the “Contribution Unique a la Formation Professionnelle at a l’Alternance” (CUFPA). However, the transition period was different for the two taxes.

Discussion

Eurostat recalled that this issue was discussed in the April 2020 EDP Notification, when the reclassification of France Competences was undertaken. The compulsory character of TA and PEFPC before the creation of France Competences in 2019 is probably undisputed, which would point to, at least, the need to reroute those amounts and related expense in general government accounts for years prior to 2019. INSEE agreed on the indisputable character of TA and PEFPC to be considered as taxes and informed that this situation will be revised in the 2024 benchmark revision.

Eurostat also recalled that, since the reclassification of France Competences, some B.9-B.9f discrepancies were observed and some relevant revisions to the accounts were undertaken. INSEE explained that still to this day it could not access to the accounts of France Competences, and especially OPCO, for the year 2019. Moreover, INSEE explained that from the incomplete data that it possesses, it estimates that a relevant positive B.9 exists in year 2019 although, for prudent reasons, it has decided to ‘neutralise’ it. Eurostat acknowledged the difficulties sometimes encountered by statistical authorities to obtain complete data from some specific entities, in a timely manner, especially just after a sector reclassification. Yet, Eurostat invited the French Statistical Authorities to try to solve this specific lack of data.

Findings and conclusions

See Action Point 4c ⁽²³⁾.

RATP

Introduction

The *Régie autonome des transports parisiens* (RATP) Group is a state-owned public transport operator and maintainer headquartered in Paris, France. The RATP is responsible for most of the public transport in the Greater Paris area, including the *Paris Métro*, *Île-de-France* tram, and RATP bus network, as well as part of the regional express rail (RER) network. Other entities of the RATP Group carry activities abroad, although RATP's Paris-related activities (RATP EPIC) are a major part of its business.

Moreover, law no. 2010-597 of 3 June 2010 relating to the Grand Paris area entrusts RATP with the technical management of all the lines, structures and facilities built by *Société du Grand Paris* (SGP; classified in the general government sector).

²³ “INSEE will produce a note analysing the National Accounts effects on recognising that *taxe d’apprentissage* (TA) and *participation des employeurs à la formation professionnelle continue* (PEFPC) are to be considered as taxes since their existence and before the set-up of France Compétences.”

The transport offer in the *Île-de-France* region is defined by *Île-de-France Mobilités* (classified in the general government sector). RATP's activity as an operator is governed by multi-year agreements signed with *Île-de-France Mobilités*. Under these agreements, RATP undertakes to provide a transport service defined in terms of quantity and quality and receives compensation based on the direct revenues and flat-rate contributions paid by *Île-de-France Mobilités*.

RATP is furthermore compensated for the infrastructure manager activity on the metro and RER network, as well as the technical manager activity on the Grand Paris network.

The RATP 50% test ratio was discussed in the past, the discussion in this 2022 SDV is thus a follow-up of previous discussions.

Discussion

As regards the current sector classification of RATP, Eurostat presented some observations and own calculations of the market/non-market test, noting that some considerations could lead to consider RATP as a non-market entity, and as such to be reclassified in the general government sector.

Eurostat noted from RATP annual report that "*Fixed assets are depreciated over their useful life on a straight-line basis*" and recalled that this does not fit well within the definition of consumption of fixed capital in ESA, thus suggesting using a coefficient to adapt this cost item for the market-test.

Also, on the 'costs' side, Eurostat noted that the State contributes to the pension fund of RATP employees, and wondered whether all personnel expenses, notably an estimated cost on pensions, are included in the published accounts of RATP, or are instead fully booked in CGE and hence 'artificially' reducing the RATP costs.

Concerning the 'sales' side of the market-test, most of RATP revenue originates in Ile-de-France Mobilités. The question is, however, to understand which of the components of Ile-de-France Mobilités payments to RATP can be considered as sales, in the context of the market-test, and which cannot. In this context, Eurostat considered that components R12 (contribution to taxes and duties), R13 (contribution to health protection measures) and R2 (contribution to financing investments) could not be considered as RATP sales, and should hence be removed from the market-test, making its result decrease by around 15 p.p.

Eurostat queried on the revenue item R11, '*contribution to operating expenses*', noting that from RATP report reading this item seemed to include both a part related to the compensation for RATP's operating expenses (which could hardly be considered as sales) and a part concerning a share of the profits of Ile-de-France Mobilités. Moreover, Eurostat also noted that whereas this revenue item is relatively important every year (amounting to around EUR 1 billion), it became even more significant in year 2021, reaching EUR 3.5 billion. This seemingly was followed by a parallel increase of the expenditure on 'Material and other external expenses'. In this context, Eurostat asked the French statistical authorities to further investigate and explain the detail of this revenue item, so that the share to be considered as sales could be determined.

Findings and conclusions

Action Point 12: In relation to RATP, INSEE will:

- a. Investigate the revenue item R11, transferred by Ile-de-France Mobilités, and will explain in detail to Eurostat what type of incomes are included in that item, for which amounts, for the past 5 years. ⁽²⁴⁾

²⁴ Note sent in October 2023. Action Point completed.

- b. Analyse and explain the reason for the relevant increase in both revenue (R11) and material expenses in 2021. ⁽²⁵⁾
- c. Gather information and inform Eurostat as regards the flows and accounting relations between RATP Epic and the RATP pension fund, managed by the State. ⁽²⁶⁾
- d. Produce a new market/non-market test of RATP Epic, covering the past 5 years, considering the points raised in the meeting as regards subsidies, CFC coefficient and staff costs ⁽²⁷⁾.

Deadline: May 2023.

Main aggregates of ODAC

Introduction

At Eurostat's request, the French Statistical Authorities provided a table presenting, in a summarized way, the financial and the non-financial accounts of the main other central government entities (or aggregates of entities), as well as the State, and the consolidating flows.

Discussion

Eurostat thanked the French statistical authorities for the table provided.

Eurostat indicated that the '*solde des budget annexes*' was not being reported in the table, thus preventing the exercise to be fully consistent, noting however the overall quality of the information reported.

Moreover, concerning SNCF Réseau, Eurostat noted to have previously understood that following the debt assumption by the State, causing the relevant positive B.9 of SNCF Réseau in 2020, negative loan liabilities transactions would be observed. Instead, the table details, in the financial accounts of SNCF Réseau, such a positive B.9f impact via transactions in loans assets. INSEE indicated that this was probably just due to a clerical mistake in that table, and informed it would further investigate the issue. ⁽²⁸⁾

Finally, Eurostat noted a few small inconsistencies in the table, notably when compared to the Government Finance Statistics reporting.

Findings and conclusions

Eurostat took note of the information and clarification provided by the French statistical authorities. INSEE took note of Eurostat's observations and agreed to verify these and report back.

4.1.5. Government and the financial sector: sector classification and rerouted operations

Dexia

²⁵ Note sent in October 2023. Action Point completed.

²⁶ Note sent in October 2023. Action Point completed.

²⁷ Information sent in December 2022. Action Point completed.

²⁸ After investigating the subject, INSEE informed that this is due to the mechanism used to assume the debt. The State has not substituted itself for SNCF Réseau vis-à-vis its creditors. It has instead set up a 'mirror debt' vis-à-vis SNCF Réseau, i.e., a debt imitating the characteristics of SNCF Réseau's liabilities vis-à-vis its creditors. In this way, SNCF Réseau's liabilities are not reduced, but its assets mirror its indebtedness.

Introduction

Following the serious refinancing difficulties encountered by Dexia in autumn 2011, the European Commission approved the revised Dexia Group's orderly resolution plan, of which Dexia Crédit Local (DCL) is now the only operating subsidiary (all the activities previously carried out in Belgium or Luxembourg have been either disposed-off or combined there).

In order to avoid bankruptcy, the Belgian, French and Luxembourg governments intervened at the end of 2011 by providing a remunerated guarantee to DCL (up to €85 billion over a 10-year period, which has neither been fully used nor been called so far), thus enabling it to continue to finance itself at moderate rates. The Belgian and French governments also recapitalized the group at the end of 2012, for €5.5 billion (which impacted the B.9 of both Member States).

DCL is no longer carrying out new activities, the loan portfolio is managed in run-off mode, until the maturity of the outstanding loans, even if the large majority of these are not NPLs.

DCL manages its assets in extinction. It refinances itself on the markets, as the maturity of its assets is longer than that of its liabilities. DCL has a positive net banking income either and its net result is positive. To date, DCL, which still has a banking license and is included on the ECB list of Monetary and Financial Institutions (MFIs), is classified into the S.122 sector ⁽²⁹⁾.

Concerning the Dexia group, the French (44,4%) and Belgian (50,02%) governments are the main shareholders. Following the 2019 SDV, the French Statistical Authorities are reporting the guarantees provided to Dexia/DCL in questionnaire table 9 (EUR 30 billion end-2018).

Discussion

Concerning the Dexia holding, Eurostat considered that conceptually a split between the French and Belgium general government sectors seemed more appropriate than a full reclassification in Belgium. The French statistical authorities agreed but pointed to technical difficulties in splitting the entity between two Member States and in this context wondered whether this issue did not deserve a broader discussion ⁽³⁰⁾, as well as a trilateral discussion with the Belgian statistical authorities.

Concerning DCL, Eurostat recalled that whereas this entity did not lose its banking license, it seemed like an entity on run-off mode, thus perhaps a defeasance structure. At the same time, Eurostat also noted that DCL is not insolvent or illiquid, nor does it have negative own funds.

Banque de France considered that DCL is a borderline case in that indeed is a wind-down entity that does not take on new activity but that, on the other hand, does not have major non-performing loans, it is solvent and liquid and equipped to internally cover its risks and rewards, despite the government guarantee. INSEE added that indeed DCL holds mostly performing assets and has balanced net assets. INSEE thus did not see the need to reanalyse the decision taken in 2013, which led to recording the capital injection of the Belgian and French States as capital transfer expenditures, thus pointing to the fact that a reclassification of DCL as a defeasance structure would also have immaterial impact on the net borrowing/net lending, as the losses were all well covered by that capital injection.

Eurostat recalled that in 2013 the concern was mostly focused on the capital injection character, rather than in the sector classification of DCL, given that this entity had a balanced net asset and that its problems were of a liquidity, not solvency, nature. Eurostat however noted that the

²⁹ In January 2024, DCL was withdrawn its banking license, at its own request.

³⁰ In the meanwhile, an EDPS WG item on joint undertakings had its first discussion in the December 2022 EDPS WG and a following discussion in the 2023 EDPS WG.

situation had evolved since then, and that whereas DCL did not run solvency difficulties, it was a wind-down entity, with no new activity, controlled by the State. In this context, Eurostat fully agreed with the French statistical authorities that this is a borderline case.

Findings and conclusions

Action Point 13: In relation to Dexia, Eurostat will organise a meeting with the French and Belgian statistical authorities to discuss the status and the sector classification of both Dexia Holding and DCL.

Deadline: June 2023

CIF

Introduction

Crédit Immobilier de France (CIF) was a specialised mortgage lender to low-income households in France, which used to finance itself almost exclusively on the wholesale market, through covered bonds. In 2011 and 2012, CIF faced serious liquidity difficulties, triggering the intervention of the State, which put CIF in run-off mode from 2013 and provided CIF with a remunerated guarantee. It is expected that the loan portfolio will be held to maturity until 2030 and then CIF will cease its operations. The guarantee provided by the State, with a stock of circa EUR 6 billion end-2018, has a very specific structure: 5 basis points (bp) a year plus 145 bp if the solvability ratio of CIF group remains above 12%. Since the latter condition has always been met, payments to the State were significant and amounted to EUR 855 million until 2018. When the additional guarantee fee is not paid (to protect the solvability of the CIF group), the amounts are nonetheless still due upon liquidation of CIF.

Discussion

Eurostat thanked the Banque de France for the very comprehensive note provided prior to the meeting. Eurostat and the French statistical authorities reviewed the status of CIF. Banque de France considers that whereas public control is established, CIF undertakes financial intermediation, and thus cannot be assimilated to a defeasance structure. Moreover, Banque de France considered that the State does not assume risks and rewards on this Group. Eurostat noted that, in fact, the French State is capturing a considerable share of the rewards of the wind-down of CIF, through considerably high guarantee fees. However, Eurostat agreed that this entity does not have the necessary features to be considered a defeasance structure.

Findings and conclusions

Eurostat took note of the information provided by the French statistical authorities.

CGLLS (Caisse de Garantie du Logement Locatif Social)

Introduction

Social housing operators are legally obliged to obtain a public guarantee for the loans they take out, either by the local government or, only if local government refuses, by CGLLS. In the past the market/ non-market nature of the CGLLS was discussed with the French statistical authorities.

Discussion

Eurostat enquired on whether an analysis of the sector classification of this unit was undertaken since the 2019 SDV. INSEE informed that this unit will be reclassified with the next benchmark revision. In its view, whereas the entity has autonomy of decision, its resources mostly come from two contributions legally set, considered as taxes in National accounts and it provides

assistance and grants/loans to the social housing entities who encounter financial difficulties, with no expectation of return. Moreover, the guarantees it provides are free of charge for the loans “*Prêt Locatif Aidé d’Intégration*” and “*Prêt Locatif pour le logement d’Urgence*” considering the social goals pursued by the housing concerned. Last but not least, the French State also has ability to draw on the own funds of the CGLLS.

Findings and conclusions

Eurostat took note of the information provided, and asked INSEE to provide an indication of the balance sheet size of CGLLS.

Agence France Locale (AFL)

Introduction

The AFL group is composed of two entities: AFL-ST⁽³¹⁾, classified in S.13, and AFL⁽³²⁾, which has a banking license, borrows on the market and lends only to the local authorities that are shareholders of AFL-ST. AFL liabilities are guaranteed by AFL-ST and also by each local government (double guarantee), which allows AFL to raise funds competitively. The sectorisation of the AFL was discussed in the previous EDP dialogue visit.

Discussion

Eurostat thanked for the document provided prior to the SDV, where INSEE considers that AFL is to be classified inside S.12, as it performs financial intermediation. Eurostat recalled that the issue is more a question of principle than of material impact, and that it is a borderline case with some differences among Member States.

In the view of Eurostat, AFL can be seen as a mutualistic treasury agency of local government, only lending to local government units, and guaranteed by local government units. In this sense, AFL can eventually be seen as an ancillary unit in accordance with ESA 2010 paragraph 20.24.

In the view of the French Statistical Authorities, AFL services are not limited to a list of clients, since any local authority can potentially become a shareholder if it wants to borrow. AFL works as a cooperative, similarly to other financial institutions. This specific feature does not prevent classification inside the financial corporations’ sector, as reflected in ESA 2010 paragraph 2.65 (b). Moreover, the French Statistical Authorities considered that, on the assets side, AFL is in competition with many other financial corporations, public or private.

Eurostat and the French Statistical Authorities noted that the issue is currently being discussed at the CMFB Task Force on public banks, such that it would be relevant to wait for its conclusion to further analyse the issue.

Findings and conclusions

Action Point 14: INSEE will produce a note revisiting the sector classification of AFL.

Deadline: June 2023.

BPI

Introduction

Created at the end of 2012, *La Banque Publique d’Investissement* (BPI) aims at supporting the financing of small and medium-sized enterprises. BpiFrance intervenes with companies of all

³¹ Agence France Locale - Société Territoriale

³² Agence France Locale (Société Financière)

sizes, mainly small and medium-sized businesses, SMEs and larger companies, when they have a strategic importance for the national economy, territories or employment.

The limited holding company BPI Groupe SA (S.13112) is held at 50%-50% by *Caisse des Dépôts et Consignations* (CDC) and by the State through the EPIC (*Établissement public industriel et commercial*) named BPI Groupe (classified also in S.13112).

Discussion

Eurostat took note that the BPI Group was reorganised and asked the French Statistical Authorities to recall the sector classification of each branch/subsidiary.

The French Statistical Authorities informed that EPIC BPI France, BPI France Assurance Export, BPI France Participations and BPI France Investissement were currently classified in the general government sector, while FSI PME Portefeuille, a holding company, will be reclassified to the general government sector in the benchmark revision. On the other hand, BPI France Financement, BPI France Regions and BPI France Courtage are classified in the financial corporations' sector. Finally, the French Statistical Authorities were not entirely certain of the sector classification of BPI France International Capital and committed to clarify this subsequently.

Eurostat enquired on the nature of *Fonds de garanties publiques*. The French statistical authorities explained that this is a guarantee scheme managed by BPI Financement on behalf of the State. These guarantees are granted to a large number of entities, for small amounts, since several years. INSEE thus considered that *Fonds de garanties publiques* fulfills the conditions to be considered a standardised guarantee scheme, clarifying also that it will proceed to the rerouting of its transactions to the general government accounts.

Eurostat enquired also on the BPI Financement activities undertaken on behalf of government, taking note that the requested document was not provided prior to the SDV. Eurostat recalled the past discussions on the sector classification of BPI Financement, whose final conclusion is still pending from comprehensive information on the share of activities of BPI France Financement on behalf of the State and the support it receives from and sales it makes to the State.

Finally, Eurostat noted that in the document provided by INSEE prior to the SDV, a dividend per share of 1.28€ is reported for 2021, while the result per share reported in the Annual Accounts is of 1.05€, such that one would perhaps expect a superdividend, and asked INSEE to investigate further.

Findings and conclusions

Action Point 15: In relation to BPI, INSEE will:

- a. Clarify the current sector classification of BPI France International Capital. ⁽³³⁾

Deadline: April 2023 EDP Notification

- b. Analyse the 2021 distributed dividend per share, not reported in Questionnaire table 10, which is above the result per share, such that a superdividend may be present. ⁽³⁴⁾

³³ Action point completed on 31 March 2023. INSEE is considering including this entity (along with FSI PME portefeuille), subsidiaries of Bpifrance Participations (already classified in S.13), in S.13, for the 2024 benchmark revision. These sector reclassifications might lead to a marginal downward revision to S.13 debt due to consolidation.

³⁴ Action point partially completed during the April 2023 EDP Notification. After dialogue, INSEE and Eurostat reached the conclusion that revisions are required, to reclassify dividend revenue to withdrawals of equity in 2021 (EUR 91 million) and 2022 (EUR 94 million). Revisions of general government accounts in this regard were undertaken in the 2023 October EDP Notification.

Deadline: April 2023 EDP Notification

- c. Send to Eurostat a note, produced in cooperation with Banque de France, detailing how the estimated default rates were calculated for the PGE, and in that context explain why the French Statistical Authorities consider this as not being a reliable estimate. Furthermore, the French Statistical Authorities shall reassess the PGE recording, as a standardised guarantee, in the context of the proposed revised MGDD chapter on guarantees.

Deadline: end-2023

- d. Report the detail of BPI Financement activities over 2018-2021 on behalf of the State; the respective impact in BPI Financement balance sheet and flows involved from and to the State. In this context, INSEE will explain in detail all flows from the State to BPI Financement in years 2018-2021, as well as all guarantees provided by the State covering BPI Financement activity.

Deadline: end-2023

CDC

Introduction

Caisse des dépôts et consignations (CDC) is a French public financial institution created in 1816 which, under the direct supervision of a supervisory committee reporting to Parliament, carries out activities of general interest on behalf of the State and of local authorities as well as commercial/competitive activities. CDC has a dual status: it is both a special agency (*établissement special*) entrusted with mandates to act in various areas of national interest, and a financial institution classified in S.122 in national accounts.

Discussion

Eurostat thanked for the information provided prior to the SDV on several of the funds and activities managed by CDC on behalf of the State. Taking note that the organization of those funds and activities is diverse, with some of those funds being reported in the balance sheet of CDC, while others are already being reported in CGE, Eurostat asked for further detail, by fund/activity, on their current recording in the general government accounts. In this context, Eurostat expressed its view that when such funds/activities are reported in the CDC accounts a rerouting/recognition of principal party would apply, while in cases where funds/activities are not in CDC accounts a sector classification needed to be envisaged.

In this context, Eurostat wondered whether *Fonds d'Épargne* were or not integrated in the consolidated accounts of CDC. Eurostat recalled that *Fonds d'Épargne* benefit from guarantees by general government units on both the asset and the liability sides, through social housing guarantees and through guarantees on 'Livret A'. Eurostat thought that this situation was rather different from EU-regulated guarantees on deposits, or from the backup role of the central bank, given that *Fonds d'Épargne* benefitted of guarantees on assets for the majority of its balance sheet, such that, de facto, government was acting as a lender-of-first resort, and not as a lender-of-last-resort or guarantor of deposits upon liquidation. At the same time, the *Fonds d'Épargne* could, as any normal bank, be subject to a bank run on its deposits.

Furthermore, Eurostat noted that PIA is not reported in EDP Questionnaire table 13, contrary to its expectations, as it had understood in the past that these funds/investments are rerouted through the general government accounts. The PIA (*Programme d'Investissements d'Avenir*) was established in 2009 and aimed at increasing France's growth potential by investing in higher education and training, research, industry and SMEs, sustainable development and digitalisation. The PIA funds are managed and implemented by CDC on behalf of the French State.

Findings and conclusions

Action Point 16: In relation to CDC activities:

- a. INSEE will provide a note explaining how funds managed by CDC on behalf of the State are organised and elaborate on the ESA recording of the respective flows.

Deadline: May 2023.

- b. The French statistical authorities will verify whether Livret A/Fonds d'Épargne are integrated in the consolidated accounts of CDC. ⁽³⁵⁾

Deadline: May 2023.

- c. The French statistical authorities will recall the treatment of PIA and 'fonds CDC' in S.13 accounts and in EDP Table 2A. ⁽³⁶⁾

Deadline: April 2023 EDP Notification.

AFD

Introduction

The French Development Agency (*Agence française de développement*, AFD) implements the development aid policy defined by the French Government. Through grants, loans, guarantee funds or debt reduction and development contracts, AFD finances projects in the economic and social field in many countries, as a pivotal operator of the French system of public development assistance, and ensures the promotion of the economy of France overseas.

Discussion

Eurostat asked the French statistical authorities on the capital injection provided by the State to AFD in 2021, in the amount of EUR 500 million as observed in Questionnaire table 10.2. Following on the information from CGE 2021, Eurostat understood that the French State has de facto provided a capital injection of EUR 1420 million to AFD, of which EUR 920 million were immediately repaid; hence the EUR 500 million observed in questionnaire tables. However, on the other hand, Eurostat noted that in its annual report that AFD records instead to have repaid EUR 920 million of RCS ('*Ressources à conditions spéciales* ') loans (rather than the provided equity). Eurostat recalled in this context that the RCS have in the past been reclassified from loans to capital transfer expenditure by the State.

Eurostat then enquired on the recording of '*bonifications d'interets*', which are reported in CGE as a provision to cover for AFD loans, rising to EUR 3.1 billion end-2021. Eurostat pointed out that these 'bonifications' de facto concern an exposure of that State to AFD lending operations, which would give strength to reroute this AFD activity on behalf of the State. Eurostat thus requested a detail on what loans are concerned by these 'bonifications'.

Eurostat recalled that AFD sovereign loans are guaranteed by the government of the receiving country and seemed also to benefit from some support from the French government through the

³⁵ Action point completed. During the discussions in the April 2023 EDP Notification, INSEE informed Eurostat that Fonds d'Épargne are not within the consolidated accounts of CDC, although Fonds d'Épargne accounts are reported within the same publication as CDC consolidated accounts. Moreover, the capital surplus of the Fonds d'Épargne is levied yearly by the French State, presumably as a remuneration of the guarantee provided by the latter to CDC.

³⁶ Action point completed. During the discussions in the April EDP Notification, INSEE clarified that the positive entry reported in line 'other adjustments', in EDP Table 2A, concerning PIA, referred to the 1:1 rebalancing of an outflow from the State to CDC, to endow the PIA funds managed by the latter, that is not considered an expenditure in National Accounts. The entry "*Solde des fonds CDC (...)*", in the other accounts receivable in EDP Table 2A, is then recording the effective expenditure undertaken by CDC/PIA funds on behalf of the State.

‘*compte de reserve*’. To Eurostat, ‘*compte de reserve*’ thus seems a mechanism providing de facto a government guarantee on these sovereign loans. According to INSEE, the ‘*compte de reserve*’ is used to provision losses in case of default on a sovereign loan, being provisioned mainly in two ways: 1) a fraction of the total bonification paid by the State at the time of the grant, through which the State subsidises the risk premium of the loan, which is made at the time of the granting of the loan and not when the default of payment occurs; and 2) a contribution on loans granted to large emerging countries, paid by the AFD, but which is determined jointly by AFD and the State. Eurostat enquired on what would happen in case ‘*compte de reserve*’ would become depleted, and wondered on the statistical conclusions to take in case the State has an obligation to step in to replenish it in such cases.

Finally, Eurostat briefly recalled that AFD has been the subject of long discussions since the 2017, considering it an issue that needs constant bilateral follow-up, most notably due to the potential for rerouting of several of its operations through government accounts. In this context, Eurostat asked the French statistical authorities to update of the notes previously provided, concerning the activities that AFD undertakes on behalf of the State, as well as all the financial flows existing between AFD and the French State.

Findings and conclusions

Action Point 17: In relation to AFD:

- a. The French statistical authorities will clarify the capital injection into AFD in 2021, notably considering that CGE reports an immediate repayment of part of this injection, while AFD records a repayment of loans. ⁽³⁷⁾

Deadline: April 2023 EDP Notification

- b. The French Statistical Authorities will report the detail of AFD activities over 2018-2021 on behalf of the State, and the respective impact in its balance sheet, as well as all guarantees provided by the State covering AFD.

Deadline: end-2023

- c. The French statistical authorities will clarify the functioning of ‘bonifications d’interets’, reported in CGE as a provision to cover for AFD loans, detailing which (type of) loans are covered.

Deadline: end-2023

- d. The French statistical authorities will update, for years 2019 to 2021, the necessary detail to link the budget presentation of the flows from the State to AFD with the AFD financial statement and key figures.

Deadline: end-2023

- e. Concerning the *compte de reserve*, the French statistical authorities will clarify what happens in case this reserve account becomes depleted, notably whether the State has to step in to replenish it.

Deadline: end-2023

³⁷ Action point completed. During the 2023 EDP Notification, INSEE clarified that the State decided to rise equity capital of AFD to provide a better financial basis regarding own funds. To this end, the French State provided EUR 1420 million to AFD, of which EUR 500 million were used to reinforce the capital of AFD and EUR 920 million were immediately returned with the objective of repaying the State for the “*Ressources à conditions spéciales*” (RCS). The RCS had been previously reclassified from loans to capital transfer expenditure by the State, such that the 2021 injection aimed at repaying the RCS helps to sustain, in Eurostat’s view, the earlier interpretation that these were not, effectively, loans.

4.2. Implementation of the accrual principle

4.2.1. Military Expenditure

Introduction

For the compilation of military equipment expenditure, data concerning payments (in cash) are taken from public accounting and are transmitted by DGFIP, while data concerning deliveries and payments for heavy equipment are provided by the Ministry of Defence.

In the 2017 and 2019 SDVs, several issues concerning Military expenditure, and Rafale in specific, were discussed. In the 2019 SDV, representatives of the French Ministry of Defence were present, in order to discuss and understand a number of issues, notably concerning the so-called ‘specific programmes’.

Discussion

Eurostat thanked for the information received in advance of the SDV, concerning the projects under development and/or research (or planned projects), detailing amounts involved and programmed deliveries as well as a table showing the comparison between the GFCF of the military budget, the 2021 GFCF expenditure reported under COFOG 02.1 (Military defence), and the deliveries as shown in Questionnaire Table 7.

Eurostat enquired on the mismatch observed, in the information provided by INSEE, between effective deliveries and payments, on the one hand, and deliveries and payments as reported in EDP questionnaire table 7.

Eurostat enquired also the French statistical authorities on the figures in CGE showing EUR 2 671 million in development costs outstanding as of December 31, 2020, which are put into service in 2021. As the Questionnaire Table shows slightly lower amounts of military deliveries in 2021, Eurostat wondered whether these R&D enter GFS expenditure at time of cash expense.

Furthermore, Eurostat wondered to what the economic event is underlying ‘sorties de l’actif’ mentioned in CGE, concerning the M51 and Tigre programmes for almost EUR 7 billion in 2021.

Finally, Eurostat asked INSEE to investigate whether the relevant stock of other accounts receivable reported in EDP Questionnaire Table 7 was of a long-term character, asking the French statistical authorities to reclassify those into long-term loan assets when indeed the condition is verified.

Findings and conclusions

Action Point 18: In relation to Military transactions:

- a. Concerning the Rafale sold to Greece and Croatia, the French Statistical Authorities will revise the F.81 liability into a long-term loan liability. ⁽³⁸⁾

Deadline: April 2023 EDP Notification.

- b. The French Statistical authorities will verify the recording of expenditure related to the ‘development costs’ amounting to €2.7 billion in 2021, as reported in CGE.

³⁸ Action point completed during the April 2023 EDP Notification.

- c. The French Statistical Authorities will verify the recording of expenditure related to ‘sorties de l’actif’ amounting to over €7 billion in 2021, as reported in CGE.

Deadline: July 2023

- d. The French Statistical Authorities will send a note explaining the mismatch observed between effective deliveries and payments, on the one hand, and deliveries and payments as reported in EDP questionnaire table 7, on the other hand. ⁽³⁹⁾

Deadline: May 2023

- e. The French Statistical Authorities will analyse the possibility and scope to reclassify the relevant stock of other accounts receivable into long-term loan assets, when indeed these are long-term receivables.

Deadline: July 2023

4.2.2. Taxes and social contributions

Recording of taxes

Introduction

The method of recording corporate income tax (*impôt sur les sociétés*, CIT) is cash. Even if prepayments are due in March, June, September and December N, the French administration is informed of the exact amount to be paid by each company for year N only in May N+1, when the final settlement is paid. Because of this very late information, a recording of tax refunds when the liability is determined by government is accepted by the MGDD – that is to say, in the French case, in N+1. The main adjustment made by National accountants correspond to the tax credit adjustments: withdrawing the negative impact of the payable tax credits refunds on the working balance (to record in D.39 the corresponding claim).

Since 2019, personal income tax (PIT) is retained at source (*‘prelevement a la source’*). Personal income tax is recorded following an adapted time-adjusted cash of 1 month. That is, aside from moving the cash collected by one month backwards, the French Statistical Authorities proceed to an adjustment of the refunds concerning the final assessments.

Valued Added Tax (VAT) is recorded following a time-adjusted cash method of 1 month. Moreover, a deficit-neutral adjustment is made by the national accountants, which consists in withdrawing the *‘recettes d’ordre’* recorded as revenues in the VAT: when the public accountant considers that VAT will not be recovered, a revenue of *‘recette d’ordre’* of VAT and an expenditure of a *‘dépense d’ordre’*, in an expenditure item where several expenditures are merged, are recorded. National accountants withdraw all these *“ecettes et dépenses d’ordre”*.

Discussion

Eurostat thanked for the comprehensive information data provided by the French statistical authorities prior to the SDV. Eurostat presented the results of the calculations it undertook in attempting to reconcile, following the recording rules adopted by the French statistical authorities, the information on cash collected with the GFS tax revenue recording.

³⁹ Action point partially completed during the April 2023 EDP Notification. All years of this table were revised, increasing both payments and deliveries by the same amount, and thus with no impact on the B.9, to align with *“deliveries and payments as provided by the Ministry of Armies”*. A note explaining the initial mismatch is to be provided.

According to INSEE, the differences existing between the recording in the CGE and the recording in National Accounts create, *a priori*, some discrepancies between the other accounts payable/receivable recorded in financial accounts (coming from the CGE) and the accrual adjustments recorded in non-financial accounts.

Regarding the CIT, the reconciliation exercise developed by Eurostat resulted in very small inconsistencies. Eurostat judged that, however, no inconsistencies or differences would be expected given that CIT is recorded on a pure cash basis. In this context, Eurostat wondered whether the perimeter of its exercise was fitting. Moreover, Eurostat speculated whether court cases could have any impact to the exercise, i.e., whether if for example a court decision for the State to refund CIT would in budgetary data be observed as ‘negative’ cash collected, whereas in GFS a capital transfer expenditure should instead be recorded.

Concerning the PIT, Eurostat acknowledged that the theoretical issues were well explained, discussed and analysed in the past. Regarding its reconciliation attempts, Eurostat explained that comparison between the cash information and the GFS data is not easy or straightforward. This is mainly due to the shift to ‘*prelevement a la source*’ in 2019, which somewhat results in a break in time series, due to the inclusion of ‘*autres impots d’etat*’ (besides ‘*impot sur le revenu*’), as well as due to the treatment of refunds (‘*Remboursements et dégrèvements*’).

Finally, concerning the VAT, some reconciliation difficulties were also encountered by Eurostat, which concerned mostly the exact adjustment of refunds. Moreover, Eurostat noted that these differences peaked in 2015 and 2020, enquiring INSEE on further explanations on these.

In the context of the issues identified when reconciling all the valuable information provided, Eurostat asked for further support of the French statistical authorities, so that a perfect bridging of all data sources could be accomplished and provided after the SDV.

Findings and conclusions

Action Point 19: In relation to the recording of Taxes:

- a. The French Statistical Authorities will follow up on the conclusions of the GFS Task Force as regards the subsector allocation of taxes, undertaking the required changes if any. Notwithstanding the results of their analysis, the French Statistical Authorities will allocate the other accounts receivable/payable and the D.995 adjustments to the subsector in which the tax revenue is allocated.

Deadline: end-2023

- b. INSEE will analyse and correct, complete or clarify the differences between the VAT recorded in the ESA Table 9/NTL and the reconciliation exercise undertaken by Eurostat, based on the cash information provided by INSEE.

Deadline: end-2023

- c. INSEE will analyse and correct, complete or clarify the differences between the Corporate Income Tax recorded in the ESA Table 9/NTL and the reconciliation exercise undertaken by Eurostat, based on the cash information provided by INSEE.

Deadline: end-2023

- d. INSEE will analyse and correct, complete or clarify the differences between the Personal Income Tax recorded in the ESA Table 9/NTL and the reconciliation exercise undertaken by Eurostat, based on the cash information provided by INSEE.

Deadline: end-2023

- e. INSEE will change the presentation of taxes in the table 5 of the Questionnaire related to the EDP notification tables, namely by reporting, for all subsectors of general government, the effective cash-to-ESA accounts accrual adjustments.

Deadline: end-2023

Social contributions

Introduction

Social contributions payable are directly observable in the social security data sources and the D.995 is calculated by INSEE using information from DGFIP on ‘*admissions en non valeur*’. Social security funds published accounts are thus on an accrual basis, following a well-documented chart of accounts. Social security funds also use, for their own needs, a cash-based accounting.

Discussion

Eurostat thanked for the cash information provided by the French statistical authorities prior to the SDV.

Taking note that social contributions are compiled by the French statistical authorities using the social security funds’ accrual data, and not the cash data, Eurostat wondered whether in the medium/long-run the cash collected should differ greatly from the social contributions’ revenue recorded in GFS.

INSEE pointed out that the cash register data provided prior to the mission was based on monitoring carried out by ACOSS⁽⁴⁰⁾. It should therefore be noted that these data do not cover the entire field of social security administrations.

Findings and conclusions

Eurostat thanked for and took note of the information and the clarifications provided by the French statistical authorities.

Questionnaire table 5

Introduction

EDP Questionnaire Table 5 is meant to monitor the reconciliation from cash to ESA accrual, for the recording of taxes and social contributions, for control purposes. This ‘accrual adjustment’ is thus also the amount that should in principle be reported in the financial accounts.

At this stage, the French State financial accounts on taxes are compiled independently from the non-financial accounts, which results in other accounts payable and other accounts receivable in the financial accounts different from the ‘accrual adjustments’ in the non-financial accounts. However, this fact should not pollute EDP Questionnaire Table 5.

Discussion

Eurostat recalled the possibilities for the filling of EDP questionnaire table 5 are:

- (i) booking the CGE adjustments to taxes,
- (ii) reflecting fully all ESA table 27/financial accounts entries related to taxes and social contributions, which entails a comprehensive cash to ESA accrual reconciliation related to taxes and social contributions is to be reported in questionnaire table 5, or

⁴⁰ Agence Centrale des Organismes de Sécurité Sociale

(iii) reflecting the time-adjusted cash/accrual adjustments present in EDP Tables 2A, 2C and 2D.

INSEE explained that approach (iii) is the one currently used. Eurostat explained that approach (iii) is not informative of the cash-to-national accounts adjustments undertaken by the French statistical authorities, which is the main purpose of EDP Questionnaire Table 5. Indeed, it is the financial accounts that will ultimately need to reflect the cash-to-national accounts recording in the non-financial accounts, so to eliminate the discrepancies eventually existing in this regard.

Regarding approach (i), Eurostat explained that CGE information should a priori not be used for taxes to the same extent it can/should be used for the accrual of expenditure (and other revenue), if at all, given that the principle for the B.9 and CGE recording of taxes may differ. Moreover, the liabilities related to taxes recorded in the CGE refer also to tax credits, notably to CICE.

Eurostat explained that approach (ii) is the most appropriate, as the one fulfilling the objective of EDP Questionnaire Table 5, i.e., to describe the ‘passage’ from the cash collection of taxes to the revenue from taxes in Government Finance Statistics. Eurostat has encouraged to move towards this approach. Concomitantly, the financial accounts reported in EDP Table 3 (and ESA table 27) and EDP questionnaire table 4.1 should also be revised and use the time-adjustment reported in EDP questionnaire table 5.

INSEE explained that the operation of questionnaire table 5, like that of questionnaire table 4.1 previously, was designed for statisticians using budgetary data, which is not the case in France. As INSEE uses general accounting data, the accounts payable and receivable relating to taxes and contributions are not all isolated in the source accounts (they are sometimes mixed with more general account headings). Nevertheless, INSEE takes note of Eurostat's request and will henceforth complete annex 5 according to the logic requested by Eurostat, within the limits of the information available in the source accounts.

Findings and conclusions

(See Action Point 19e)

Subsector allocation of taxes

Introduction

During the April 2019 EDP Notification, Eurostat and INSEE have discussed the recording of some taxes which, although being imposed, collected and their rate being defined by the State are recorded directly as revenue of local government.

Discussion

In the view of Eurostat, and in the light of ESA 2010 paragraph 1.78, the national accounts should in principle, pending all relevant information that could point at the contrary, be recorded as tax revenue of S.1311, subsequently transferred, via current transfers, to S.1313.

INSEE argues that their practice seems to be in line with ESA 4.118 that “*the tax receipts destined for the other government agency are shown as if they were collected directly by that agency and not as a current transfer within general government*”.

Eurostat however considers that ESA 4.118 is not deviating from ESA 1.78 and has to be read in the light of the latter: “*A tax is attributed to the government unit that exercises the authority to impose the tax (either as a principal or through the delegated authority of the principal) and has final discretion to set and vary the rate of the tax.*” In view of Eurostat, the reference to ESA

4.118 thus applies especially when additional rates are superimposed on taxes levied by central government, however at the discretion of the government level that is the recipient of those amounts. What seems crucial is the ability to impose and to set the rates.

INSEE explained that local government and social security funds have some powers to vary the rates. For Eurostat, a question is to what extent social security funds was genuinely independent from Central government for this determination of tax rates, if the social security funds case is negotiated between the Ministry of Budget and the Ministry of Social Solidarity.

Similarly, CVAE , a 1.5% tax on value added allocated to local government hosting the taxpayer (presumably calculated by local-KAU, thus separately from VAT returns), should mainly be recorded as central government revenue, the tax and the rate being imposed by central government, even though the cash flows do not enter the State working balance (e.g. of EDP Table 2A), or the CGE profit and loss (the flows being reported as receivable/payable in the CGE general ledger).

INSEE did not share the interpretation of Eurostat, considering that ESA 2010 paragraph 4.118 clearly recommends recording earmarked taxes as revenue of the beneficiary units. Moreover, INSEE considered that paragraph 1.78 on partitioning did not fit the examples given by Eurostat, which in its view go in the opposite sense, being examples of cases where the tax is collected by one unit for the benefit of another, for which thus ESA 2010 paragraph 4.118 straightforwardly applies.

In addition, INSEE pointed out, in the debate that took place within the TF GFS the notion of the ability to impose and to set the rates was in some cases not easy to clearly associate with a sub-sector: the allocation of taxes is always a matter of negotiated compromise.

Furthermore, INSEE defended that the fact that the local government and the social security funds are fully exposed to the performance of those taxes, i.e., if there is a reduced tax collection their budget is de facto affected, instead of tax revenue being replaced by other transfers from the State, points to a sort of true economic ownership of the tax.

One question is also on what basis the amounts passed are calculated and who is exposed to the risk that a certain taxpayer fails to pay its tax. This question is relevant given that EDP Table 2C does not show any amounts assessed unlikely to be collected (D.995) adjustments, despite the working balance being on an accrual basis, which could suggest that the fiscal revenue is recorded on the basis of cash received. In contrast, social security funds follow ‘*droits constatés*’ (accrual/assessment), leading to D.995.

In this context, Eurostat noted that the accrual adjustment and the D.995 for taxes finally recorded in S.1313 and S.1314 is allocated to central government, expressing the view that this is not ideal as giving rise to some distortions of the sub-sector allocation of fiscal receivable/payable. Moreover, this practice could also lead do discrepancies between subsectors (depending on which tax revenue is routed to other subsectors). That is, Eurostat expressed the view that if indeed the referred taxes are to be recorded in the local government and the social security subsectors, then the related payables/receivables and amounts assessed unlikely to be collected must consistently be as well recorded in those subsectors.

Findings and conclusions

Eurostat took note of the relevant points raised by the French Statistical Authorities.

(See Action Point 19a)

Tax credits

Introduction

The treatment of tax credits is specified in ESA 2010 in chapter 20 (paragraph 20.168). The time of recording of the different expenditure categories is determined in chapter 4 (ESA 2010 paragraph 4.39 for subsidies, 4.106 for social benefits, etc.). However, the time of recording of tax credits has not been fully specified in ESA 2010. In the Financial Accounts Working Group (FAWG) meeting of June 2013, Eurostat presented a document proposing some options for the recording of tax credits under ESA 2010. Discussions are being undertaken at the EDPS WG level to revise the MGDD guidance on the classification and recording of tax credits. ⁽⁴¹⁾

Service à la personne is a payable tax credit, created in 2005, which benefits households that employ domestic services and households that employ a childcare employee, paid through the PIT. It accounts for circa EUR 5 billion a year since 2018. It is currently paid (and recorded) in N+1, so a year after the ‘customer’ paid for the service. However, the time of payment is now moving slowly to a system where the ‘customer’ gets the payment (tax reduction, basically you pay no social contribution) in N.

Before the meeting, INSEE provided a list of tax credits, quantifying their amounts for years 2019-2021, and referring whether they are treated as payable or non-payable tax credits.

Discussion

Eurostat briefly enquired on some issues regarding the document provided by INSEE prior to the meeting. INSEE explained that two tax credits ⁽⁴²⁾, for non-material amounts, that had previously escaped the radar of the French Statistical Authorities, will be classified as payable tax credits in the context of the 2024 benchmark revision. Moreover, INSEE informed that a new payable tax credit was identified from 2022 - ‘*Premier abonnement a un titre de presse*’-, also concerning small amounts.

INSEE enquired Eurostat on what actions it could take to tackle the changes in the *Service à la personne*. The first question raised by INSEE concerned whether this tax credit should be recorded as a subsidy (as currently) or as social benefit (as it can now compensate also inactive ‘consumers’ and simultaneously by the fact that the extension of this tax credit aims at financing social protection expenditure). Eurostat considered that continuing to record this tax credit as a subsidy on products seemed appropriate, as an “*inactive consumer*” is still a ‘resident producer’, in the ESA 2010 context, when employing household services.

The second issue tackled, more importantly, concerned the time of recording of *Service a la personne*: in 2022, whereas some recipients are still receiving this tax credit from government in N+1 (with their personal income tax declarations) others are already receiving in N (via a direct tax reduction on social contributions). As INSEE was recording this tax credit on a cash basis, the changes in the payment schedules will lead to some double count of the tax credit in 2022, which INSEE estimated at EUR 0.3 billion.

Eurostat recalled the discussions held at the level of the EDPS WG, which will result in a revision of the MGDD advocating that payable tax credits are to be recorded at the time the triggering event takes place, i.e., in this case, at year N, when the housing or childcare service is provided.

⁴¹ The new MGDD 2023 version in line with ESA 2010, finalized after this visit, introduces several guidance and clarification in this respect in its chapter II. Notably, it establishes the principle that the recording of the payable tax credit should be independent of the time of the use of the tax credit.

⁴² *Outre-Mer productif* and *Outre-Mer Logement*

INSEE acknowledged this development and agreed to revise the recording of *Service a la personne*, to year N, for the 2024 benchmark revision. In the meanwhile, for year 2022, INSEE and Eurostat acknowledged that the EUR 0.3 billion of double count was difficult to avoid.

Findings and conclusions

Eurostat took note of the points raised and of the recording changes to be implemented, notably concerning *Service a la personne*.

INSEE informed Eurostat that the recording of *Crédit d'impôt pour la compétitivité et l'emploi* (CICE) will be revised for the 2024 benchmark revision. Notably, the time of recording of the CICE tax credits will change from T+1 to T, thus avoiding a double impact in the net lending/net borrowing of the 2019 general government accounts. ⁽⁴³⁾

4.2.3. Interest

Introduction

For the *State*, data for interest expenditure in the non-financial account are calculated using cash-based accounting. An adjustment is then made to obtain the amount of interest on an accrual basis (located within the so-called *Real Treasury Transactions* sub-sub-sector – S.131114). For *Other sub-sectors*, public accounting data are recorded using the accrual method.

As regard the interest revenue, for the *State*, the source data are the budget accounting (cash-based) and the general ledger (accrual-based). For *Other sub-sectors*, information obtained on local government comes from public accounting, and is accrual based. The same is true for the ODAC and the social security funds.

Prior to the visit, INSEE provided to Eurostat the filled-in *Questionnaire on the recording of interest for the period 2018-2021* ('interest table').

As this subject could not be discussed during the two-day visit or during the additional videoconference due to lack of time, it was the subject of follow-up questions sent in writing.

Discussion

Noting that the debt reported in the interest table is higher than that of S.1311, but lower than that of S.13, Eurostat asked INSEE for clarification on its coverage, as no comparison was possible with EDP Tables 3. INSEE explained that the coverage of the table is S.1311 although amounts are not consolidated; specially, amounts are not consolidated within S.1311. In response to the follow-up questions, INSEE clarified the amount of consolidation in question.

⁴³ The CICE is a payroll tax credit set up by government to encourage employment, since 2013. Whereas the CICE does not affect the social security contributions received by the social security authorities, a parallel can be drawn between CICE and a reduction of social security contributions payable by employers delivered in the form of a payable tax credit on (corporate) income tax. The accounting issue under discussion in the past was whether the conversion of the CICE into a plain reduction of social contributions, implemented by the French government in 2019, would imply a double impact on the net lending/net borrowing of government for that year. This double impact arose because of the way the French Statistical Authorities recorded the new 'transformed CICE' and the way in which it has been recording the CICE so far, based on a Eurostat advice dated 19 August 2013.

See Final Findings of 2019 SDV for an in-depth description of the issue.

Following up on action point 27 of the 2019 SDV, Eurostat enquired whether the discounted interest on BTF⁽⁴⁴⁾ are recorded within discounts and premium in the interest table and within difference between interest accrued and paid in EDP Table 3A. INSEE explained that discounted interest on BTF are recorded within discounts and premiums in the interest table, while in EDP Tables 3 discounted interest on BTF is considered as a coupon paid and (appropriately) recorded in the difference between interest accrued and paid. Eurostat asked the French Statistical Authorities to report the interest table aligned with EDP Table 3B, so to allow comparisons.

Eurostat enquired also on some differences observed between the value of the stocks of premiums and discounts in CGE⁽⁴⁵⁾ and in the interest table. INSEE explained that the observed differences are mostly due to the unconsolidated character of the table on interest provided prior to the meeting as well as to the differing classifications of discounts and premia on t-bills. Eurostat indicated that it would reflect on the more appropriate reporting in EDP Tables 3 of discounts/premiums in short-term bonds (t-bills).

Findings and conclusions

Action Point 20 (former Action Point 21): INSEE will revise the Annex table on interest provided prior to the SDV, presenting consolidated S.1311 figures and aligning the recording of discounts/premiums on treasury bills at issuance with the practice followed in EDP Table 3B.

Deadline: October 2023

4.2.4. EU flows

Introduction

The French State is responsible for the management and distribution of most EU flows, while since 2014 regions are responsible of the management of ERDF and part of ESF.

The payments received from the EU related to the European Agricultural Guarantee Fund - EAGF, the European Agricultural Fund for Rural Development - EAFRD and the European Fisheries fund - EFF are recorded in the accounts of the Services and Payment Agency *Agence de services de paiements* – ASP (classified as an ODAC – S.13112).

In the face of an incomplete filling of EDP questionnaire table 6, which does not allow for a fully clear analysis of EU flows in the French national accounts, Eurostat and INSEE frequently bilaterally discuss the recording of these flows.

In this context, in the 2019 SDV Eurostat and the French Statistical Authorities discussed this issue with some detail.

Most importantly, in that meeting Eurostat reflected that the recording of the different EU flows in National Accounts follows a number of rules that require a certain amount of information, and that without such minimum information, one cannot presume that EU flows are correctly recorded in the National Accounts.

In this context, the French Statistical Authorities confirmed that several, even if not all, of the funds transit via government units, but that no specific adjustments are being made in EDP Table 2A. They indicated that net lending/net borrowing neutrality was assured by the fact that

⁴⁴ *Bons du Trésor à taux fixe et à intérêts précomptés*, i.e., fixed-rate short-term discount Treasury bills issued by the French debt agency Agence France Trésor (AFT); t-bills.

⁴⁵ See CGE 2022, page 67, *Primes et décotes*

EU flows benefiting non-government beneficiaries are recorded as third-party accounts (*'comptes de tiers'*) in the financial accounts (in public accounting and in National Accounts).

Notwithstanding, Eurostat noted that the existence of a single account at the DGFIP database where the heterogeneity of EU-related inflows and outflows is included, and both for funds where government is and is not the final beneficiary, may imply that these are recorded in National Accounts as cash or at least approximately to cash.

As regards funds transiting via local government and social security funds, whether the final beneficiary is a government unit or not, the French statistical authorities indicated that, by definition, the fact that the working balance of these subsectors is accrual-based should assure a correct neutralization of B.9.

As a conclusion, in the 2019 SDV Eurostat requested a number of Action Points, none of which was completed. ⁽⁴⁶⁾

As this subject could not be discussed during the two-day visit or during the additional videoconference due to lack of time, it was the subject of follow-up questions sent in writing.

Discussion

Eurostat recalled that the missing action points from the 2019 SDV, as well as the missing document on an annex on EU flows requested by Eurostat prior to this meeting, prevented some specific discussions on EU flows.

Concerning the flows from the French State contributions (VAT, GNI, etc.) to the EU, Eurostat noted that on the taxes (cash) information provided prior to the meeting, the item *'prelevements sur revenue'* corresponding to payables to the EU and was perfectly aligned with the amounts recorded in National Accounts. INSEE explained to have no information on a discrepancy between the amounts paid and the amounts due to the EU, such that indeed the recording was on a pure cash basis.

Eurostat explained that, concerning customs duties, the Member States Customs Office monthly recorded on the so-called 'A accounts' the customs duties payables to the EU, such that only a comparative analysis of the 'A accounts' with *'prelevements sur revenue'* could effectively prove an appropriate recording.

Moreover, Eurostat explained that it is rather frequent that Amending Budgets are done by the EU either in the end of a year T or in early year T+1, concerning GNI contributions for year T. It is thus clear in such cases also that an accrual adjustment is required. Eurostat agreed, however, that in this regard it is more accessible and practical for Eurostat itself to collect the information and share with the Member States. INSEE welcomed this proposal.

Concerning the flows provided by the EU to France, INSEE recalled that when the government is not the final beneficiary of these funds they are recorded in third-party accounts which are outside the working balance/Budget de l'Etat and then accordingly no adjustment is made in government finance statistics, reason for which no entry is observed in EDP Table 2A. Eurostat agreed with INSEE that from a non-financial accounts point of view the current recording seemed 'automatically' appropriate. However, Eurostat wondered whether the financial accounts of the general government were entirely correct, as time-lags in flows from the EU and to final beneficiaries should imply the recording of other accounts payable/receivable in the system. Noting that such information is indeed reported in CGE, Eurostat asked the French Statistical

⁴⁶ Those Action Points are now reinstated as Action Points 22a, 22b, 22c and 22d of this 2022 SDV.

Authorities to verify whether these payables/receivables are currently recorded in the general government accounts and to improve and correct the system if and where appropriate. ⁽⁴⁷⁾

When instead government is the final beneficiary, INSEE explained that revenue from the EU is recorded in so-called *fonds de concours* in the State budget. However, Eurostat wondered whether the recording of such *fonds de concours* was or not perfectly aligned with the recording of expenditure, thus also requiring the recording of payables/receivables (and consequent adjustments to ‘revenue’) in general government accounts. ⁽⁴⁸⁾

In the cases where ODAC or local government are the final beneficiaries, INSEE explained that flows do not transit the Budget de l’Etat, i.e., no expenditure nor *fonds de concours* are in the working balance.

Concerning the RRF recording, Eurostat firstly congratulated for its complete, coherent, clear and timely reporting of the RRF table, along with the EDP Notifications.

INSEE presented a technical implementation issue for which it sought the opinion of Eurostat. The background of the problem is that, on the one hand, the French RRP submitted to the Commission consists of a list of measures, with a specific total cost estimated for each of the measures. On the other hand, the French RRP is included within a wider, national, recovery plan, the *France Relance*, which itself contains estimated costs.

In this context, as an example, INSEE referred to a certain measure within the *France Relance* program with a cost of 100 that would be financed at 95% by the RRF. What the French Statistical Authorities can observe is the cost implementation of the ‘wider’ *France Relance* program, not specifically of the RRP. The issue is thus how to apply the principle of neutrality year by year in the context of measures whose total cost is slightly adjusted over time. That is, considering the example, what amount of revenue should the French Statistical Authorities impute if the final actual cost of that measure is 90, and what if it is 110.

INSEE and Eurostat agreed that the most appropriate and pragmatic solution would be, first, to follow-up the implementation of *France Relance* and apply its original RRF rate of financing to the observed expenditure. Yet, the revenue to record should be capped to the estimates. That is, following the example, if the final cost is 90, INSEE should impute 85.5 (=95%*90) of revenue, but if the final cost is 110 INSEE should cap revenue to 95 (=95%*100), rather than recording 104.5 (=95%*110). By the end of the *France Relance* and French RRP implementation it is thus possible that the cumulated revenue imputed is below the total revenue earned by the French State. In that case, a final adjustment will need to be made, imputing the ‘remaining’ revenue in the last year of the RRF implementation.

Finally, Eurostat enquired the French Statistical Authorities concerning the difference between the French State receivable against the EU concerning the RRF as reported in CGE (EUR 7.4 billion) and as reported in government finance statistics (EUR 8.6 billion). The French Statistical Authorities explained that the CGE records not a receivable following the expenditure undertaken at national level (like in National Accounts), but instead a receivable in relation to the payment to be received following the Milestones and Targets achieved.

Findings and conclusions

⁴⁷ INSEE later on clarified that indeed these are recorded in the financial account. INSEE informed also that it is exploring further and in detail these data in the context of the work to update EDP Questionnaire Table 6, for which INSEE is kindly cooperating with Eurostat.

⁴⁸ In response to the follow-up questions posed by Eurostat, INSEE stated that it had indeed no specific information on accounting discrepancies linked to these *fonds de concours*, pointing out that, however in previous years the amounts involved were extremely small (EUR 5 million in 2021, for example).

Action Point 21 (former Action Point 22): Concerning EU flows:

- a. The French Statistical Authorities will enquire on the amounts of payable and receivable in the CGE (*fonds de concours*) and consider adjusting the B.9 of S.1311 according to requirements, in relation to EU grants benefiting government (possibly for small amounts) and adapt accordingly EDP Tables as well as table 6 of the Questionnaire related to the EDP notification tables. ⁽⁴⁹⁾
- b. The French Statistical Authorities will adapt Questionnaire Table 6 to reflect the accrual adjustments, currently included in the French National Accounts, relating to EU financed expenditure of the other units: ODAC, local governments and social security funds. ⁽⁵⁰⁾
- c. The French Statistical Authorities will send a note summarizing the French practice in relation to EU flows management, as well as its recording in public accounts and in national accounts. In doing so, they will also explain the recording of disallowances, as well as of so-called EU-financial instruments. ⁽⁵¹⁾
- d. The French Statistical Authorities will enquire with the French Customs Office (Direction Générale des Douanes et Droits Indirects) for information on the so-called ‘A accounts’ ⁽⁵²⁾.
- e. The French Statistical Authorities will fill in and send the Annex table on EU flows asked under document 30a prior to the SDV.
- f. The French Statistical Authorities will send a note explaining whether the third-party accounts – outside *Budget de l’État* - through which EU flows are channelled when the government is not the final beneficiary should nonetheless imply the recording of OAP/OAR in relation to the EU.

Deadline: October 2023 EDP Notification

4.3. Recording of specific government transactions

4.3.1. COVID measures

Introduction

Several specific measures have been introduced by the French State in the context of the Covid-19 pandemic.

In 2020, French companies were authorised to defer their social security contribution deadlines and, if they were experiencing financial difficulties due to the crisis, to postpone their direct tax deadlines (excluding VAT and withholding tax), while self-employed workers benefited from an automatic postponement of deadlines. The (temporary) impact of tax and contributions deferral it was of approximately EUR 18.6 billion in 2020. This measure does not, however, have an impact in the net lending/net borrowing of the French general government accounts.

⁴⁹ This is a pending action point of the 2019 SDV.

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Monthly statements in which the Member States communicate the established Traditional own resources (TOR) entitlements.

Also on the revenue side, the French State set an exceptional contribution by health insurance companies to the coverage of crisis expenses, which entailed the payment of tax by these companies of EUR 1.0 billion in 2020 and EUR 0.5 billion in 2021.

One of the most relevant of the ‘expenditure’ measures was the *Allocations exceptionnelles d'activité partielle*, a furlough scheme allowing companies to apply for a partial activity allowance for one or more employees who are unable to work due to certain predetermined reasons. This scheme, which INSEE recorded as a social assistance cash benefit, accounted for an expenditure of EUR 25.8 billion and EUR 9.4 billion in 2020 and 2021, respectively.

Moreover, the French State granted subsidies aimed at helping businesses particularly affected by the consequences of the Covid-19 epidemic and the containment measures (*fonds de solidarité*), amounting to EUR 16.3 billion in 2020, EUR 23.3 billion in 2021 and EUR 1.1 billion in 2022.

Other subsidies were granted by the French State, in the form of exemptions from social security contributions, and by the social security funds, in the form of a support for self-employed people undergoing a total administrative closure, a support to liberal health professionals whose activity has fallen during the crisis and a compensation for loss of activity paid to market hospitals (*garantie de financement*). Together these accounted for broadly EUR 10 billion in 2020 and EUR 3.5 billion in 2021.

An exceptional solidarity aid was granted to households in 2020, amounting to EUR 2.5 billion. Likewise, in 2021 an allowance was provided to intermittent workers, to an amount of EUR 1.3 billion.

Furthermore, and apart from the financial support specifically provided to the Air France-KLM Group, the French State has provided capital injections and loans to specifically affected public corporations (notably airport operators), while *Ile de France Mobilités* (classified also in the general government sector) has provided financial support, of around EUR 1.0 to 1.5 billion in 2020 and 2021, to public transport entities.

Finally, the French State set up a guarantee scheme - *Prêts garantis par l'Etat* (PGE) - amounting to a stock of guarantees of EUR 144.3 billion by May 2023 (see sections 4.1.5 and 4.3.8).

Discussion, findings, and conclusions

INSEE sent a note prior to the meeting recalling all the COVID-related measures, as well as the impact of some automatic stabilisers, consistent with the discussions held during the previous EDP Notifications. Eurostat took note and thanked INSEE for this information.

4.3.2. Inflation measures

Introduction

In the context of the Russia-Ukraine conflict, and of the subsequent energy crisis, the French State, as several other EU Member States, implemented measures aimed at alleviating the ensuing price inflation.

The main measures implemented targeted the prices of energy, notably gas and electricity.

In this context, the French State implemented *Bouclier tarifaire* (tariff shields) measures aimed at mitigating the negative effects on households of the sharp rise in energy prices, mainly applying to regulated gas and electricity tariffs, frozen in the case of gas at their October 2021 level and until the end of 2022, contained in that of electricity at +4% increase between February 2022 and January 2023.

The State intervenes in the financing of these measures in a differentiated way in the case of gas and electricity.

In the case of gas, the law provides for full coverage by the State, i.e., in the first period the operators are forced to charge a capped price, making a loss, and then, in a second period, the operators are allowed to charge an higher than the market price to recover their losses. If the first loss is higher than the later gains, the State will compensate in cash.

In the case of electricity, the same principles apply for private suppliers.

In addition, the public company EDF is called upon from two points of view: on the one hand because of the shortfall on the blue tariffs and, on the other hand, because the company is forced to sell electricity at low prices to alternative suppliers (i.e., an extension of the ARENH⁽⁵³⁾ mechanism; ARENH+) and to buy the same quantity of electricity from these same distributors (as Eurostat understood it) at a much higher price.

The ARENH scheme for regulated access to historic nuclear power, set up in 2011, allows alternative suppliers to purchase electricity from EDF to supply their final customers, after signing a framework agreement, at a regulated price for set quantities determined under the provisions of the French Energy Code. This scheme is also open to network operators to cover their energy losses. The ARENH price, determined by the Ministers for Energy and the Economy following a proposal by the CRE, has been fixed at €42/MWh since January 2012. This includes delivery of the electricity and has incorporated the associated capacity guarantees since 2017. The maximum total volume that can be sold under the ARENH scheme to suppliers who apply to the scheme to cover the needs of their final customers was set at 100TWh per year.

The Energy and Climate law of 8 November 2019 introduced new measures. It raised the initial 100TWh ceiling for ARENH sales to 150TWh from 1 January 2020, allowing the French government to raise the maximum total volume of ARENH deliveries above 100TWh by ministerial order, and to revise the ARENH price by ministerial order during a transition period.

In the decision 2021-339 of 8 November 2021, as required by the Energy Code, the Commission for the Regulation of Energy (*Commission de régulation de l'énergie*, CRE) set out the method for allocating ARENH volumes if applications exceed the maximum total volume defined for 2022.

The ARENH applications during the November 2021 session for delivery in 2022 totalled 160.36TWh (excluding applications from EDF subsidiaries and network operators). The CRE scaled down certain applications, bringing the total application volumes validated by the CRE to 160.33TWh, and curtailed each supplier's application. Further volumes were also sold by EDF to its subsidiaries through contracts that replicate the ARENH scheme, and to compensate for network electricity losses (26.4TWh).

Discussion

Concerning the *Bouclier tarifaire* in the case of gas, the French statistical authorities and Eurostat agreed that, in national accounts, the State's commitment for a cash compensation results in a subsidy expenditure, corresponding to the difference between the "spontaneous" price and the fixed price, degrading the public deficit at the time when the shield applies. Since the financing of the measure initially involves a cash effort, granted by the suppliers, which the State commits to compensate, it is reflected in parallel by the recording of a liability of the State vis-à-vis the suppliers. This liability will be settled during the phase of a possible catch-up or on

⁵³ Accès Régulé à l'Électricité Nucléaire Historique

the occasion of the compensation, provided for by law. During the catch-up period, the public balance would improve.

Likewise, concerning the *Bouclier tarifaire* in the case of electricity, for private suppliers, the French statistical authorities and Eurostat agreed that the difference between the price provided for in the contracts and the price actually charged, multiplied by the volumes consumed, corresponds to a subsidy on products affecting the public deficit when the energy is consumed, against an other account payable. The recovery later on is a tax.

These reversible caps on the price of electricity, together, have an estimated impact of EUR 2 billion.

Concerning EDF, Eurostat and the French statistical authorities agreed that ARENH+ would be recorded as well as subsidies on products, for an estimated amount of EUR 8 billion. However, EDF being a public company, EDF's losses could perhaps be reflected in the State's financial situation, EDF's contribution being one method of financing among others, used by the State to reduce the energy bill of households. In this context, the French statistical authorities and Eurostat agreed that the counterpart of the subsidy be, in this case, a withdrawal of EDF's capital, for the part which will ultimately be borne by the public electrician.

Furthermore, Eurostat enquired on what would justify recording the pre-existing ARENH mechanism differently, i.e., not to also impute a subsidy expenditure by the French State, with a simultaneous tax revenue, for a neutral impact in the net lending/net borrowing, in this regard, for year 2022. Eurostat suggested in the meeting that, perhaps, either ARENH or the regulated prices may imply a further subsidy, because the ARENH fixed price (or the regulated price) could as well be analysed by reference to the 'cost of sales', instead of 'cost of production'.

In this context, Eurostat can accept that government predefines fixed volumes at fixed price (to be delivered by a market producer) if the fixed price is not loss making, e.g., the fixed price is set by reference to 'cost of sales'. In contrast, by setting the price by reference to average cost of (nuclear) 'production', the ARENH could legitimately be assimilated as containing a subsidy element in 2022, similarly to ARENH+, without having to record a subsidy for previous years (where cost of sales and production costs align). A similar analysis could be held for regulated prices (not set by the average cost of sales).

INSEE explained that the regulated access to historical nuclear electricity (ARENH) system was set up in 2011 in application of the law on the new organisation of the electricity market (NOME). It allows so-called 'alternative' suppliers to access the electricity produced by EDF's nuclear power plants (historical, i.e., in service at the time of the NOME law's promulgation). It aims to encourage competition in the electricity supply market while ensuring that EDF is remunerated to cover its production costs.

Finally, Eurostat took note of the information provided by INSEE on other measures, agreeing with the proposed recording. Namely, the French State has implemented the 'remise carburant' measure, which concerns an 18-euro cents discount per litre, recorded as a subsidy, estimated to cost EUR 7.6 billion in 2022. The 'indemnité inflation', an exceptional and individual aid of a single amount of 100€, paid to 38 million French people between December 2021 and February 2022, recorded as a social assistance benefit in cash by the State to households, for an amount of EUR 3.8 billion in 2021, i.e., at the time the benefit is established. Food vouchers, expected to cost EUR 1.1 billion in 2022, being an income-tested cash benefit, planned to be recorded as social assistance benefits in cash. Among other measures.

Findings and conclusions

Action Point 22 (former Action Point 20): In relation to ARENH and ARENH+:

- a. The French Statistical Authorities will provide a note explaining to what extent, in the year 2022, ARENH differs from ARENH+, to justify that a subsidy/tax scheme recording would not be conceptually justified for the part covered by ARENH. ⁽⁵⁴⁾

Deadline: April 2023 EDP Notification

- b. INSEE will provide an input to explain why recording an other account payable as the counterpart of the subsidy in the first period(s) of ARENH+ would not be an appropriate solution, and hence why recording a decrease in equity is considered a better one. Alternatively, INSEE will follow the recording suggested by Eurostat, i.e., to record the other account payable in the first period (being then decreased in the following ‘compensation’ periods), and to record an equity withdrawal only for the amount of ‘uncompensated’ subsidy.

Deadline: no later than the time allocated for comments to the draft Guidance Note to be proposed by Eurostat in February 2023 ⁽⁵⁵⁾

4.3.3. Court Decisions

Introduction

Several Court cases were discussed in the past with the French Statistical Authorities. Before this EDP dialogue visit, only for the case concerning *Contribution au service public de l'électricité* (CSPE) the final conclusion was not yet reached.

Contribution au service public de l'électricité (CSPE) is a tax that existed from 2003 until 2015, with the objective of financing the public service of energy. In 2016, the French State created a *Compte Affectation Spéciale – Transition Énergétique* (CAS TE), which is financed by other taxes, thus leading to the dissolution of CSPE. CSPE has been judged as incompatible with the European excise directive, which requires excise duties to be linked to a specific purpose in the EU Member States. The Court of Justice of the European Unions (CJEU) has made a decision on 25 July 2018 and the *Conseil d'Etat* on 3 December 2018.

Discussion

Before the meeting, INSEE provided a note on recent and pending cases under judicial or administrative dispute. Thanking for the provision of this document, Eurostat took note of the fact that in several instances the French Statistical Authorities were not able to estimate the impact of a given Court Decision at a time it took place, such that in National Accounts the penalty payments by the State are often effectively recorded on a cash basis.

⁵⁴ Action point completed. INSEE provided a note on 28 February 2023, in advance of the bilateral meeting held on this issue, as well as concerning other operations concerning EDF, on 1 March 2023. In this note, INSEE considers that “*the ARENH is interpreted in the current regime as a device for regulating energy prices and competition, and does not give rise to a "rearrangement of operations". It is part of the regulation of the activity of a monopolistic company, whose aim is to share the economic surplus linked to this position.*”

⁵⁵ Action point completed. INSEE initially explained the reasoning why an equity recording should be followed, given the French State’s major shareholder position on EDF and the fact that the ARENH+ imputed subsidies are not recoverable. Eurostat considered that whereas the general rule should be the recording of an other account payable, the specific French case merited an exception in favour of an equity recording.

However, later on, INSEE was informed that EDF was going to be compensated for the freeze in regulated tariffs, and has hence accordingly adapted the financial account (recording an other account payable instead of a reduction in equity).

Regarding CSPE, it was recalled that only the part of the CSPE allocated to ecological purposes would be considered as complying with the excise directive. According to the French statistical authorities, complex calculations must thus be established to determine, for each firm, the part allocated to ecological purpose and to check that the CSPE financing other policies than this ecological purpose had not been passed on prices.

According to INSEE, the estimate however remains quite uncertain because it is difficult to estimate, for each firm, the part allocated to ecological purpose and to check that the CSPE financing other policies than this ecological purpose had not been passed on prices. At the same time, according to information available to INSEE, the expenditure amounts are estimated as relatively low. Hence, the amount being negligible, INSEE has decided not to record provisions recognized in the CGE in the net lending/net borrowing. INSEE had informed that an estimated EUR 100 million would be recorded in the 2020 accounts (as a revision of the October 2021 EDP Notification). INSEE explained that budgetary flows of EUR 80 million were received by the State in 2021, subsequent to the final administrative decision. *Findings and conclusions*

Findings and conclusions

Eurostat took note of the explanations.

4.3.4. Capital injections in public corporations, dividends, privatisations

Introduction

Information on capital injections in cash comes from public accounts, more specifically the special account “Financial portfolio of the State” provided by DGFIP.

The capital injection test is carried out for the State every year when the provisional account is prepared (March T+1). If the profit and loss of the company benefiting from the injection for year T is not yet known, the test is applied to the profit and loss of the previous years. The case is then re-examined when the semi-definitive accounts are presented (March T+2). Capital injections provided in the legal form of loans are often also analysed in the context of the capital injections test.

Discussion

Eurostat thanked for the information provided prior to the meeting, namely a detailed list of capital injections provided by general government entities in 2019-2022.

Eurostat enquired on the reasoning for the successive capital injections into *Imprimerie Nationale* in 2019 and 2020, notably considering that the entity is profit-making, and has a considerably positive sales ratio. INSEE explained that the capital injections have supported *Imprimerie Nationale Groupe* (IN Groupe) to acquire Surys and Nexus, thus allowing the IN Groupe to reinforce its position as a leading player in the security market for identity and bank and fiduciary payments. INSEE contended that indeed the positive financial situation of the IN Groupe seemed to raise no questions on the recording of these capital injections as equity acquisitions. Eurostat agreed with INSEE’s assessment.

Eurostat enquired also on the loans to *Laboratoire Francais de fractionnement et biotechnologies*, in 2020 and 2021, reclassified as capital transfers, considering the entity is reported as fulfilling the market/non-market test. The French Statistical Authorities explained that whereas indeed the *Laboratoire Francais de fractionnement et biotechnologies* fulfills the market criterion as a group, some of its subsidiaries generated losses in those years. Given that the interpretation of the French Statistical Authorities was that the support of the French State was aimed at covering those losses, the loans were recorded as capital transfers.

Eurostat took note that ‘*Prêts et avances remboursables sous conditions, dont autorités organisatrices de la mobilité (AOM)*’ are loans granted to public administration units that are only paid under the condition that the financed project is successful. Eurostat reasoned that these thus seemed to fulfill the conditions of income contingent loans, even if not granted on a ‘standardised’ basis ⁽⁵⁶⁾. Indeed, INSEE recalled that out of the EUR 3.5 billion stock of these loans, EUR 2.2 billion concern loans to Airbus and Safran, accounted for as expenditure.

Prior to the meeting, an explanatory note on government claims, in the form of loans granted and long-term trade credits and advances, was provided by the French Statistical Authorities. Eurostat thanked for the quality and completeness of this document, as well as for its coherence with EDP Questionnaire table 8.

Aside the dividend from BPI (see section 4.1.5), Eurostat and INSEE reviewed some dividend-related issues. Eurostat took note that EUR 350 million (super)dividends recorded as a withdrawal of equity in 2021 concerning *Caisse de Retraite du Personnel Navigant de l’Aviation civile (CRPN)* follows from the fact that the very positive results of CRPN in 2020, on which it then pays dividends, are due to a sale of assets that is not to be considered as distributable income in the context of the superdividend test. Furthermore, Eurostat asked INSEE to report the dividends paid by Engie in EDP Questionnaire Table 10.2, as these are often above the 0.01% of GDP threshold. ⁽⁵⁷⁾

Finally, Eurostat took note that according to the French Statistical Authorities, no privatisations are planned in the close future.

Findings and conclusions

Eurostat took good note of the explanations provided during the meeting.

EDF

Introduction

Électricité de France S.A. (EDF) is a French multinational electric utility company, largely owned by the French state. Following privatization, problems leading to the temporary close of several nuclear plants and the measures implemented to frustrate the 2021–2022 global energy crisis (notably the ARENH mechanism; see section 4.3.2), EDF entered in financial difficulties, sustaining a consolidated loss of EUR 18.2 billion in 2022.

In this context, in April 2022 EDF has undertaken a recapitalisation for an amount of EUR 3.16 billion, representing 498 257 960 new shares, thus for a price of 6.35€/share. The French State has subscribed to the Capital Increase for EUR 2.7 billion, i.e., approximately 83.88% of the Capital Increase and holds 83.88% of the Company's share capital after completion of the Capital Increase.

In July 2022, the French State has launched an OPA (*Offre publique d’achat*), seeking to buy all remaining (16% of) EDF shares, for a price of 12.00€/share; it is thus expected that the State will spend EUR 7.6 billion. Moreover, the French State also offered to acquire the convertible bonds (OCEANes), at a price of 15.52€/bond, to an amount of EUR 2.1 billion.

Overall, thus, the French State was expected to spend approximately EUR 12.4 billion euro in these operations, of which only one fourth would end up in EDF.

⁵⁶ See also section 4.3.9.

⁵⁷ This information is currently being reported by INSEE in the notification tables.

Discussion, findings, and conclusions

The French Statistical Authorities and Eurostat reviewed the interventions of the French State in this context, notably the timeline, as well as the background against which they occurred. However, due to lack of time and the relevance of the subject, INSEE and Eurostat agreed that a further meeting would be needed to specifically discuss the capital increase and nationalisation operations of EDF. ⁽⁵⁸⁾

Air France

Introduction

In year 2020, the Air France-KLM Group benefited from two emergency measures from the French government (which has a minority stake in the Group), both to be used by the Air France branch: a 4-year (extendable to 6 years) direct subordinated loan from the French State of 3 billion EUR, and a guarantee on a 1-year (extendable to 3 years) loan of 4 billion EUR from private banks, guaranteed by the French State (90% of the principal, interests and fees)

In early 2021, Eurostat and INSEE bilaterally discussed this intervention.

At the time, the Air France-KLM Group had considerably negative own funds end-2020, its cash generating abilities were severely limited in the short-term due to the uncertainties caused by the Covid-19 pandemic, it had not shown in the recent past the ability to generate profits/cash that would allow it to repay, grosso modo, 7 billion EUR of loans in 6 years, there were no private shareholders investing, and it appeared likely that the loan granted by the French State would be converted into equity during 2021.

In this context, Eurostat considered in March 2021 that the direct loan provided by the French State to the Air France-KLM Group could be recorded as a capital injection to be expensed, i.e., a capital transfer at inception. Moreover, considering the information at hand, Eurostat considered that the guarantee provided by the French State to the Air France-KLM Group could be recorded as if called at inception and the related debt could preferably be recognized as government debt.

Later on in 2021, as per the new State Aid decision, the loan granted by the French State to Air France was converted into a Hybrid Instrument, for the same amount. Moreover, the French State participated in a share capital increase, up to 1 billion euro.

⁵⁸ This meeting took place on 1 March 2023.

In the April 2023 EDP Notification [press release](#), Eurostat expressed a reservation on the quality of data reported by France for the year 2022, namely with the objective to clarify the recording of the capital increase by the State into the public energy company EDF (Électricité de France).

Replying to a [request for advice](#) by INSEE, Eurostat provided an [advice](#), on 19 of July 2023, concluding that the EUR 2.7 billion participation of the French State in the recapitalisation of EDF is to be recorded as a capital transfer impacting the net lending/net borrowing of the French general government accounts. To Eurostat, this is because the capital injection is below the ‘remaining losses’ of EUR 8 billion for 2022, in the absence of considering AREHN to be containing a (significant) subsidy in the year 2022. Moreover, Eurostat considered that the similarity of conditions of the private participation in the capital increase is not met, notably considering its brief character and quick dilution of private participation following the OPA, such that it does not serve as a sufficiently strong indicator to judge the operation as an equity injection. Furthermore, the MGDD rules indicate that quoted shares do not prevail over the observed losses, while ESA 2010 paragraph 20.200 implies that such is not methodologically sound as an indicator for the capital injection test.

During the October 2023 EDP Notification, the French Statistical Authorities have revised the general government accounts, recording the capital increase by the French State as a capital transfer expenditure.

When discussing, in February 2022, the conversion of a loan to Air France (in 2020) into a hybrid debt instrument (in 2021), the lack of information on whether Air France would be in a position to repay the hybrid debt instrument to the French State lead INSEE and Eurostat to preliminarily consider that the operation should be recorded in the non-financial accounts. Hence, in the data transmitted with the April 2022 EDP Notification, INSEE recorded a capital transfer, for EUR 3.0 billion, in the year 2021.

Later, in June 2022, Air France carried out a broad-based capital increase (with both public and private investors), for an amount of EUR 2.2 billion, of which it used EUR 1.7 billion to (partially) repay the hybrid debt instrument. Moreover, this capital increase was announced as the first step in the EUR 4 billion plan to reinforce Air France's balance sheet.

In the context of this and the foreseen reinforcements of Air France's capital, Eurostat and INSEE agreed to reclassify the conversion of the loan into a hybrid debt instrument as a purely financial transaction, for the full EUR 3 billion, in the 2021 account. This revision was undertaken in this October 2022 EDP Notification, thus improving the net borrowing of the French general government accounts by that amount.

Discussion, findings, and conclusions

Eurostat and INSEE merely recalled the points and discussion above, for the record.

4.3.5. Public-Private Partnerships, Concessions and EPCs

In France, there have been PPPs in the form of long-term administrative leases since 1988 and partnership contracts since 2004. Their number is steadily increasing. The distinction between PPP, concessions and operating lease is straightforward because they correspond to different legal objects in France.

PPP

Introduction

PPPs, in the sense of community law, correspond in France to partnership contracts and equivalents (CPE). They include partnership contracts, long-term administrative leases (BEA), long-term hospital leases (BEH), temporary occupation permits (AOT). This last modality may or may not be accompanied by a rental agreement with a purchase option.

Accounting data on these PPPs are available for all sub-sectors of general government.

Analysis of the contracts and assessment of the risks are not carried out systematically by INSEE. In fact, the decision as to whether or not to include the assets in the balance sheet of general government is not based solely on a risk criterion, but also depends on the nature of the financial commitment made by the administrative body.

Discussion, findings, and conclusions

INSEE has confirmed that all PPPs in France are recorded on-balance sheet.

Concessions

Introduction

A few concessions exist in France. Aéroport de Paris is classified outside S.13, albeit being majority owned by the French State (to whom it pays dividends).

The concessions regarding the tunnels under Mont Blanc and Fréjus are also classified outside S.13, albeit being majority owned by the French State. Nonetheless, the totality of their debt is included in the Maastricht Debt, as being issued by Caisse Nationale des Autoroutes (CNA).

Motorways were built by the French State and given in concession, gradually until 2006, to private concessionaires. The proceeds of those concession sales were considered as indirect sales of non-financial assets and recorded as equity acquisitions. Extension of the maturity of these concessions has been granted against investment commitment by the concessionaires.

TELT, a concession of a new railway tunnel between Lyon and Turin, under construction, is classified in equal terms in both the general government accounts of France and Italy.

Discussion

It was not possible for the French Statistical Authorities to provide the requested overview on the existing contracts that started in the period 2019-2022, as well as a description on how concession contracts are being monitored prior to the meeting. The Action Point asking to provide this information was agreed.

Findings and conclusions

Action Point 23: INSEE will provide a short note explaining how the concession contracts undertaken by government are being monitored for statistical purposes, in particular the existing contracts which started in the period 2019-2022, analysing their treatment followed in national accounts (including cases of sale of concession assets) and providing information on government counterparts.

Deadline: November 2023

EPCs

Introduction

In France it is not possible to isolate automatically in CGE accounts the amounts related to EPCs, but only through a costly screening of the PPP list. Although such an exercise cannot be run frequently, 5 EPCs have already been identified in the past by the French Statistical Authorities.

Discussion, findings, and conclusions

Eurostat thanked the information provided prior to the meeting and took note that no significant status changes occurred since the 2019 dialogue visit.

4.3.6. ETS and electricity subsidy/tax

Introduction

Eurostat and INSEE discussed the recording of Emission Trade Schemes (ETS) in the past. The treatment by INSEE is clear – with cash, received by Agence nationale pour l'amélioration de l'habitat (ANAH) and/or the State, moved by one year. ANAH (recorded in the general government sector) collects cash related to ETS, but the flows are routed through the State with a transfer to ANAH and an other account payable/receivable recorded in the State account. Thus, the ANAH net lending/net borrowing equals the cash collected, and the State net lending/net borrowing equals the tax recorded minus the cash collected. The flow from the State to ANAH is a current transfer.

Discussion

Eurostat thanked for the complete and coherent information provided prior to the meeting. No questions were raised.

Findings and conclusions

Eurostat took note of the information provided by the French Statistical Authorities.

4.3.7. Financial derivatives

Introduction

The derivatives used by the State are swaps. Since 2002, no swap renegotiations and no occurrences of off-market swaps (IRS, currency, or other) have taken place in France. The interest rate swap portfolio matured in 2021. The payments resulting from swaps are neutralized in other financial transactions / net settlements under swap contracts in EDP Table 2A. Amounts are cash based as in the budget.

In the local government, the derivative contracts (toxic debt) were broadly discussed in the past.

In S.1314, CADES (Caisse d'amortissement de la dette sociale) trades instruments on the derivatives markets with the aim of managing its interest rate risk and neutralizing foreign exchange risk (interest rate swaps, currency swaps and asset swaps). The Pension Reserve Fund (FRR) also uses derivatives: forward foreign exchange contracts, foreign exchange futures, stock market rates and indices, commodity swaps.

Discussion

It was recalled that, as explained in the note provided by INSEE prior to the meeting, *Agence France Trésor* (AFT) negotiates forward purchase contracts for currencies and purchases price swaps on petroleum products. These contracts make it possible to reduce the exposure of budget execution to fluctuations in exchange parities and oil prices, by fixing in advance the amounts spent in euros. The nominal/fair value of these forward financial instruments as of December 31, 2021, is of EUR 1.3 billion.

Eurostat enquired on some perceived incongruences on the annex table on derivatives provided by the French Statistical Authorities prior to the meeting, notably some misalignment with ESA table 27.

INSEE explained that its current recording of derivatives allows for the correct measurement of the deficit and debt in the Maastricht sense. However, in the government financial accounts, i.e., in ESA Table T27, due to the lack of information allowing for a rigorous quantification, no change in the volume of derivatives in the revaluation account is currently recorded. Until 2009, end-of-period stocks were zero because valuation flows cancelled out transactions related to interest payments. Since 2009, these valuation flows have disappeared and no longer cancel the outstanding transactions. In this context, INSEE agreed to work further in order to use the information available by the benchmark revision.

Findings and conclusions

Action Point 24: INSEE will provide a note describing the existing source data and the recording approach to financial derivatives (and hedged debt) in both EDP tables as well as in the financial accounts (ESA Table 27).

Deadline: October 2023

4.3.8. Guarantees

Introduction

Guarantees on borrowing are provided by central and local governments mainly to public (financial) corporations, SMEs and exporters. Prior the visit, the French statistical authorities provided a table reporting stocks and flows of one-off guarantees for the period 2018-2021.

The PGE (*Prêts Garantis par l'État*) is a scheme set up by the French State in 2020, in the context of the COVID-19 pandemic, it is managed by BPI. This guarantee scheme aims at incentivising financial institutions to finance corporations, while reducing their risk of exposure in the context of the Covid-19 crisis. It covers 70-80% of the loans towards big enterprises, and 90% of the loans granted to small enterprises, covering the principal, interest and accessory costs. In the past exchanges, Eurostat thought that PGE can be seen as a standardised guarantee scheme. INSEE, instead, considered PGE not to be a standardised guarantee scheme on the basis that no accurate estimates of the future calls were available at inception.

Discussion

Eurostat thanked for the information provided reporting stocks and flows concerning one-off guarantees for years 2018-2021, to which it had no further question.

During the meeting, Eurostat recalled its opinion concerning the nature of PGE. Eurostat considered PGE to be a standardised guarantee scheme, on the basis that it fulfils the conditions set out in paragraph 5.197 of ESA 2010. That is, PGE is “(a) *characterised by often repeated transactions with similar features and pooling of risks; and (b) guarantors are able to estimate the average loss based on available statistics*”.

Likewise, Eurostat reasoned that PGE seems to fulfil the conditions and description set out in paragraphs 20.254 and 5.190 of ESA 2010, and paragraph 5 of chapter 7.4 of the 2019 MGDD version. In this context, it considered that PGE concerns guarantees “*issued in large number, usually for fairly small amounts, among identical lines*”, “*for the benefit of several financial institutions granting credits under a precise framework; related to the assets of the benefiting financial institutions (...); granted in the context of public interest policy.*” Moreover, Eurostat considered that PGE “*cover[s] similar types of credit risk for a large number of cases*”, and that whereas “*it is not possible to estimate precisely the risk of any one loan being in default, (...) it is possible to estimate how many, out of a large number of such loans, will default*”.

In this context, Eurostat recalled that BPI and Banque de France had developed a study on the estimates of the default risks on the guaranteed loans - and consequently gross losses for the State in the form of guarantee calls – concerning the PGE as of 15 January 2021. That analysis sustained an estimated loss of between EUR 5 billion and EUR 9 billion. In turn, the French State Accountant recorded in the CGE 2020 (published in mid-April 2020), a provision (*‘Provision pour engagements’*) of EUR 6.2 billion regarding the PGE end-2020, “*(...) valued on the basis of the application to the actual loan amounts (interest and costs included) of a loss rate based on the rating of the Banque de France*”⁵⁹). Eurostat thus considered that these estimates undertaken BPI and Banque de France and, in a way, endorsed by the CGE accountants to be a reliable estimate of average losses based on available information.

INSEE reiterated its fundamental disagreement on Eurostat’s interpretation of PGE in national accounts. According to INSEE, PGE are a typically ‘one-off’ scheme. They do not apply to “*often repeated transactions*”, but are implemented on an ad-hoc, emergency basis in an unprecedented crisis situation. Furthermore, INSEE considered that the guarantors were not

⁵⁹ See note 13.1.1 of CGE 2020.

“(…) able to estimate the average loss based on available statistics”, as required. For INSEE, at the creation of the PGE, there are not ‘available statistics’, which in its view can only exist after some empirical evidence. Moreover, INSEE reflected that there is no past data which could be helpful to estimate defaults, given that the COVID-19 pandemic was an emergency and unexpected event, not comparable with the recent evidence on loan defaults. For INSEE, in such an environment of increased uncertainty, the question was not whether the estimate was reliable, but whether it was accurate.

Eurostat considered tenuous the argument of INSEE that an estimate in line with paragraph 5.197 b) of ESA 2010 does not exist because the PGE scheme is new – and hence there are no ‘available statistics’ on it – and it is implemented under an unforeseen and uncertain context. Eurostat considered that, taken to the extreme, no guarantee scheme would ever be considered of a ‘standardised’ nature at inception, because at the moment of creation there are no ‘available statistics’ on that specific scheme. In fact, however, as Eurostat reflected, the PGE is a guarantee on loans granted by commercial banks to non-financial corporations, for which statistics on default rates are produced and published by Banque de France for a long time series, thus capturing different phases of the economic cycle (notably that of the 2007-2008 Financial Crisis).

Eurostat considered that given the existence of such data, an estimate targeting the PGE produced by Banque de France and BPI needed to be considered a reliable estimate to be used for general government accounts. In this context, Eurostat recalled that the MGDD 2019 version paragraph 52 on chapter 7.4.3 recommends: “*The recording of the liability AF.66 is, in 2008 SNA paragraph 17.223, conditional on recognition of a provision in the own accounts of the government units (based on an accounting framework different from national accounts). National accountants should record this liability on the basis of the estimates made by government. As a principle, national accountants should not diverge from this estimate, as it is doubtful that they could themselves be in a better position to make reliable estimates of expected losses.*”

INSEE considered however that MGDD 2019 version paragraph 52 on chapter 7.4.3 states that if national accountants consider that a scheme corresponds to a standard guarantee scheme and that there is a provision for this in the public accounts, then the national accountants must rely on this estimate. For INSEE, this however does not mean that the existence of a provision in the public accounts is sufficient to consider that a scheme is a standard guarantee scheme. Such an interpretation would make the national accountant entirely dependent on the choices made by the public accounting system, which is yet based, as recalled, on an accounting framework different from national accounts.

Furthermore, according to INSEE, the choice of treatment promoted by Eurostat poses risk to the quality of public finance data: it causes expenditure on exceptional guarantee schemes to be booked entirely at the time of the crisis, at times when it is very difficult to estimate their total amount (which is only known years later), and at times when deficit rules are often suspended. Concomitantly, INSEE considered that the approach of recording estimated defaults in the context of great uncertainty has also forced the introduction of rules for managing initial estimation errors.

Findings and conclusions

(see Action Point 15 c) concerning PGE, under section 4.1.5)

Since INSEE has treated PGEs as one-off guarantees since they were introduced, it will continue to do so in order to be consistent with the initial choice and to avoid any windfall effects in terms of deficit measurement (in effect, recording them as standardised guarantees would lead to a deficit not yet fully taken into account being carried forward to a previous year).

4.3.9. Income contingent loans

Introduction

In the information provided prior to the 2022 meeting, INSEE confirmed that no change to this status took place.

Discussion

During the meeting, INSEE and Eurostat briefly discussed on the scope of ‘income contingent loans’. Notably, the main issue being the perception of whether an income contingent loan is referring only to cases of a repeated and broader nature (as in student loans), as it seemed to be the reading of the MGDD, or also to one-off loans with a contingency on their repayment.

Findings and conclusions

Eurostat took note of the relevant point raised by INSEE and committed to further investigate, discuss, and clarify the issue.

4.3.10. Debt assumptions, debt cancellations and write-offs

Introduction

Loans and advances granted by central government are recorded in dedicated special Treasury accounts and thus easily identifiable.

Debt cancellations and remissions are classified in the central government sub-sub-sector “Real Treasury transactions” as D.991 expenditure in the non-financial accounts. This leads to a counterpart recording in financial transactions (F.4). Information on debt cancellations is communicated by the “Financial fixed assets” department of the CBCM (Budgetary Control and Ministerial Accounting department), which is part of the DGFIP, and is then incorporated into the public accounts. Write-offs are usually available from public accounts within the framework of accounting data collection. They are associated to selected account numbers and given titles such as “non-recoverable claims”. The information is available for all sub-sectors.

Discussion

Eurostat thanked the information provided by INSEE prior to the meeting, listing all debt assumptions, debt cancellations and debt write-offs for the period 2018-2021.

Findings and conclusions

Eurostat took note of the information provided by the French Statistical Authorities.

4.3.11. Mobile phone licenses – UMTS and LTE

Introduction

Prior to the visit, INSEE has provided to Eurostat a short note on UMTS and/or LTE contracts, most notably concerning the 5G auctions, and the treatment implemented in government accounts.

Discussion

Eurostat enquired on the conditions, timespan and recording of the 5G auctions in France. INSEE explained that rights of use of 5G spectrum have been granted for a period of 15 years

from 18 November 2020, with revenue being recorded on a pro rata basis, to an amount of 186 million euro per year. INSEE further clarified that larger lump-sums are paid in the first four years of the contracts, until year 2023, such that general government accounts will record an increasing payable in those years, which will then be gradually reversed until year 2035.

Findings and conclusions

Eurostat took note of the explanations provided by the French Statistical Authorities.

4.3.12. Nuclear decommissioning and nuclear waste management

Introduction

‘Provisions pour charges’ (provisions ‘pour remise en état’ and ‘pour démantèlement’) in CGE include broad estimates of provisions for future decommissioning costs of nuclear facilities and equipment, regarding both civil (CEA) and military purposes.

Among others, these include specific provisions for the closure of the Fessenheim power station. The decree on the closure of the Fessenheim power station was signed by the French Environment Minister and published in the Journal Officiel de la République Française on 9 of April 2017. According to the decree, the Fessenheim plant will close once the new reactor being built at Flamanville on the Normandy coast enters into service.

Discussion

Eurostat thanked the French Statistical Authorities for the information provided in advance of the SDV.

In this context, INSEE confirmed that 370 million euro concerning the future decommissioning of the Fessenheim power station was paid (to EDF) and recorded as D.759 in year 2020.

INSEE also clarified that, every year, an amount of approximately 700 million euro is transferred by the State to CEA (which is also classified in the general government sector) to provision for the continuous decommissioning of the nuclear material of some military equipment of the French Armed Forces. Nonetheless, the transfer from the State to the CEA is insufficient to cover the estimated increase in future decommissioning costs of CEA, reason for which the related provision is gradually rising, as well as to take into account the change in the discount rate and inflation assumptions.

Findings and conclusions

Eurostat took note of the explanations provided by the French Statistical Authorities.

4.3.13. Others

Eurostat took note that there are no sale and leaseback operations by government units in recent years in France. Eurostat took note that there is no new securitisation operation since the 2019 SDV.

Finally, Eurostat took note that there is no large government transaction in 2022 that is not covered by the agenda.

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