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FINAL FINDINGS

EDP dialogue visit to France

10-11 September 2012

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Executive summary

Eurostat undertook an EDP dialogue visit to France on 10-11 September 2012. This EDP dialogue visit was carried out in order to review the implementation of ESA95 methodology and to ensure that provisions of the ESA95 Eurostat Manual on Government Deficit and Debt and Eurostat decisions are correctly implemented in the French EDP and Government Finance Statistics data. The main aims of the dialogue visit were: (1) to discuss data sources and the estimation process for the social security subsector for year N-1, (2) to discuss the revision policy in the EDP context, (3) to discuss the classification and debt of Réseau Ferré de France (RFF), (4) to review the progress on the obtention of information on Public-Private Partnerships (PPPs) at local government level, (5) to discuss the plans for the restructuring of Dexia Crédit Local, (6) to clarify the issues relating to EDP tables raised in the context of previous notifications and (7) to review the treatment of specific government transactions.

Eurostat discussed with the French statistical authorities the division of responsibilities for the compilation of EDP statistics and government accounts and the improvements undertaken since the last EDP dialogue visit, which took place in November 2010. INSEE is responsible for the EDP notification in France. Using the input data from the *Direction Générale des Finances Publiques* (DGFIP, integrated in the MoF) and the *Banque de France*, INSEE compiles the general government account (financial and non-financial) and the actual data for the EDP notification. Forecast data (data for the current year) are provided by the *Direction Générale du Trésor* (DGTrésor, also integrated in the MoF). The existence of formal agreements between the institutions involved in the compilation of EDP statistics was also discussed. It was revealed that formal agreements currently exist between INSEE and DGFIP on the one hand and between INSEE and the *Banque de France* on the other hand.

The sources and estimation process for social security data for year N-1 were described in detail by the French authorities. At the time of the April EDP notification of year N, provisional non-certified public accounts for year N-1 of a number of social security units plus all public hospitals are available and translated into National Accounts by DGFIP. This information is completed by estimations carried out by DGTrésor for units for which information is incomplete and for units for which no data are available at that stage. The accounts for all social security units for year N-1 are available by the end of June of year N.

INSEE communicated some changes in the revision policy in the EDP context. Starting from the October 2012 EDP Notification, INSEE will take into account the most recent data for social security units and for ODAC (*Organismes Divers d'Administration Centrale*) in each October notification. This will entail that data provided in April will be revised in October, and that revisions concerning these units between October and April will be mostly minor.

The status of implementation of the action points agreed during the EDP dialogue visit of November 2010 was also discussed. Out of 28 action points agreed, 20 had been entirely completed before the EDP dialogue visit of September 2012. Eurostat recommended INSEE to further improve the breakdown of other accounts receivable/payable (F.79) in EDP table 3 and identify the discrepancy elements, currently included in F.79. Eurostat took note that a reform is foreseen in France concerning EU flows and INSEE will provide a note on its potential implications in the recording, including the cases of Corsica and Alsace. Eurostat underlined that, in future notifications, forecast data should be sent in accordance with Regulation (EC) No 479/2009. Finally, Eurostat took note of the action points of the previous EDP dialogue visit which remain unfulfilled and encouraged INSEE to implement them as soon as possible.

Eurostat made an overview of the April 2012 EDP reporting. Both Eurostat and INSEE

agreed on having full cooperation for the future, in particular during the clarification process in EDP notifications. Concerning the EDP notification tables, Eurostat focused mainly on the breakdown of other accounts receivable and payable in EDP table 3 and the reconciliation, amounts and composition of stock of liabilities of trade credits (AF.71) reported in EDP table 4. Concerning EDP table 2C, it was revealed that DGFIP had stopped publishing the working balance for provisional data for local government. Therefore, the working balance for the April notification is now built by INSEE and DGFIP from National Accounts data. The working balance for local government for year N is currently published by DGFIP at the end of the year N+1 and is included in EDP table 2C only from the April notification of year N+2.

The classification of RFF (Réseau Ferré de France) and the recognition of its debt as government debt were discussed. According to Eurostat, there are strong arguments for considering RFF's debt, or at least part of it, as government debt. INSEE agreed that the current treatment of RFF's debt in National Accounts needs to be reconsidered and committed to analyse the case and provide its feedback, including alternatives to the current recording, before the April 2013 notification.

On Public Private Partnerships (PPPs), INSEE acknowledged the existence of gaps in the current information system for hospitals as well as at local government level. However, improvements are foreseen from 2012, when all PPPs, concerning both local government and hospitals, will be classified on the balance sheet of general government.

As concerns government operations related to the financial crisis, the restructuring of Dexia and the guarantees to be provided to *Crédit Immobilier de France*, were discussed during the dialogue visit. INSEE will follow the situation and report to Eurostat as soon new elements will be known.

Concerning derivatives, Eurostat inquired on the recording at the level of local government. According to DGFIP, complete information is not available at the local government level. DGFIP and the *Direction Générale des Collectivités Locales* (DGCL) will prepare a report for Parliament containing information on the subject and INSEE will provide a note to Eurostat based on this report.

The Court decisions concerning "précompte mobilier" and OPCVM, still open and with a potential impact around 9.2 € billion on EDP data, were also discussed. The proposal of INSEE in both cases entails a minor impact in year 2012 and an important impact on 2013 or even in 2014 in the case of OPCVM. Eurostat has recently discussed the time of recording of some transactions in the framework of the FAWG and will review with INSEE the treatment of the Court decision concerning OPCVM.

As regards claw-back clauses, no specific treatment in national accounts is currently applied to sales carried out by Agence France Domaine. Eurostat is dealing with this issue in the FAWG and will provide a proposal for recording.

The meeting was regarded as constructive and Eurostat welcomed the explanations given by the French statistical authorities. Eurostat also appreciated the cooperation demonstrated and the documentation provided by the French authorities prior to the dialogue visit.

Final findings

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009 (as amended by Council Regulation (EC) No 679/2010) 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 10-11 September 2012. The previous Eurostat EDP dialogue visit to France had taken place on 29 November 2010.

The delegation of Eurostat was headed by Mr François Lequiller, Director of Government Finance Statistics (GFS). Eurostat was also represented by Ms Lena Frej Ohlsson, Head of Unit of Excessive deficit procedure (EDP) 1, Mr Denis Besnard, Ms Lourdes Prado and Mr Graham Lock. Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and of the European Central Bank (ECB) also participated in the meeting as observers.

The French statistical authorities were represented by the French Statistical Institute (INSEE), the Ministry of Finance (DGFIP and DGTrésor) and the Banque de France.

Eurostat appreciates the amount and quality of the information provided by the French statistical authorities prior to the mission and considers that the discussions were transparent and constructive.

Before opening the discussions foreseen in the agenda, both Eurostat and INSEE agreed on the need for a close cooperation between the two institutions as regards EDP and in particular during the notification period. In June 2012, Eurostat sent to INSEE a background note clarifying the general procedure which is followed by Eurostat for each Member State in order to assess the quality of the data transmitted in the EDP notifications. This letter was discussed during the meeting.

Findings and conclusions

Action point 1: Eurostat and INSEE agree on full cooperation for the future, in particular during the clarification process in EDP notifications.

1. Statistical capacity issues

1.1 Institutional responsibilities in the framework of the compilation and reporting of EDP and government finance statistics

- **Specification and documentation of responsibilities**

Introduction

INSEE provided a document describing the organisation of work between the different institutions as regards the compilation of EDP data. In France, INSEE (in particular the National Accounts unit) is the main responsible for the EDP notification process.

Four institutions are involved in the compilation of the general government accounts:

- INSEE, which is responsible for methodology and for final validation of the general government accounts (financial and non-financial);
- Banque de France, which takes part in the compilation of the financial accounts;

- La Direction Générale des Finances Publiques (DGFIP), which is part of the MoF; it provides upstream data and translates public accounts data into national accounts;
- La Direction Générale du Trésor (DGTrésor), also part of the MoF, which is in charge of the synthesis of the provisional account for general government (forecast data).

Using input data from DGFIP and Banque de France, INSEE compiles the general government accounts (both, financial and non-financial) and the actual data (data for previous years) for the EDP notification. Forecast data (data for current year) are provided by DGTrésor.

Discussion and methodological analysis

Eurostat inquired on the existence of written agreements between the different institutions involved in the EDP compilation process. Currently, written agreements exist between INSEE and DGFIP on the one hand and between INSEE and Banque de France on the other hand. No formal agreements exist so far with DGTrésor and the CoA.

Concerning normal cooperation activities, meetings are held on a regular basis between INSEE and DGFIP. Decisions are taken in these meetings and written conclusions and action points are drafted at the end. Other bilateral meetings and meetings in which all the four institutions participate also take place, in this case outside a formally established framework. The meetings are normally chaired by INSEE.

Findings and conclusions

Action point 2¹: Eurostat welcomes the current formal agreements between INSEE and DGFIP on the one hand and INSEE and Banque de France on the other hand and encourages INSEE to enter into formal service level agreements with DGTrésor and the Court of Auditors (CoA). INSEE agrees to send the existing formal agreements to Eurostat. Deadline: EDP notification October 2012

- **Provision of planned data (forecast) to Eurostat**

Introduction

Following action point 1² of the past EDP dialogue visit, planned data were included in the EDP tables and transmitted by INSEE together with the actual data in the April 2011 EDP notification. However, this was not the case in the April 2012 EDP notification, when planned data were transmitted separately and a few days after the deadline.

Discussion and methodological analysis

Eurostat is aware that the legislation is normally respected in the October transmission and that the problem only concerns the April notification. As in previous visits, the French authorities explained that the reason for this is mostly due to confidentiality reasons; the MoF (DGTrésor, which is in charge of forecasts) receives the data compiled by INSEE only shortly before the end of March and has some difficulties in preparing the forecast for each line of the EDP tables 1 and 2A before the 1st of April.

¹ The existing formal agreements were sent to Eurostat within the deadline. Also, a newly signed cooperation agreement between INSEE and the CoA has been provided to Eurostat.

² *Action point 1 – November 2010: In order to avoid two different data submissions, the Ministry of Finance will provide to INSEE the planned (forecast) data requested in EDP tables 1 and 2A as soon as they are available. INSEE will include the planned (forecast) data in the EDP tables, for all subsequent transmissions.*

Eurostat recalled that all the other Member States produce a combined set of reporting tables even if the forecast and the data for previous years are compiled by different authorities, respecting the legal deadlines.

Eurostat suggested improving the planning of the work between the different institutions involved and between the different data providers so that the EDP tables could be sent according to the deadline requested by European legislation (before the 1st of April and before the 1st of October, including the forecast data).

Findings and conclusions

Action point 5³: Eurostat expects that, in future EDP notifications, the forecast data will be sent in accordance with Regulation (EC) No 479/2009.

1.2 Data sources and revision policy

• EDP inventory

Introduction

A new EDP Inventory format was approved by the CMFB in June 2012.

The new Inventories are to be published by end of 2013 and the indicative planning is the following:

1. Availability of a first draft: July 2012-February 2013
2. Bilateral discussions between Eurostat Desk Officer (DO) and MS: September 2012-September 2013
3. Final complete draft: November 2013
4. Publication: December 2013

The current EDP Inventory for France dates back to year 2007 and no updates have been received since then.

Discussion and methodological analysis

INSEE was already working on the new Inventory at the time of the dialogue visit and had provided some parts of it before the mission.

Eurostat suggested that, before publication, bilateral communications between the MS and the Desk Officer should take place in order to clarify possible issues and in order to assess whether all information and details requested in the guidelines are covered by the national descriptions.

As regards the timing, INSEE could not commit to have a final version of the Inventory by February 2013. However, INSEE agreed to provide a draft version at that time and to prepare a work plan with the Eurostat DO on a "step-by-step delivery" approach.

³ This was not the case for the April 2013 EDP notification.

The possibility to provide the new Inventory in English was also discussed and INSEE agreed to consider its feasibility.

Findings and conclusions

Action point 3⁴: INSEE will provide a draft version of the new EDP inventory and a work plan in order to have a complete version of the inventory ready to be published in November 2013. INSEE will also consider providing the inventory in English in addition to the original version in French. Deadline: February 2013

• Data sources for the social security subsector and estimation process for year N-1

Introduction

The complexity of the social security system in France, the diversity of data sources involved and the absence of complete and updated background information (the old EDP Inventory version dates from 2007), led to a number of questions related to the amounts reported for this subsector in the April 2012 EDP notification and to a further discussion during the EDP dialogue visit.

The social security subsector (S.1314) in France is composed by social insurance schemes on the one hand (S.13141) and by units depending on the social security funds on the other hand (S.13142, ODASS).

In France, social insurance schemes (S.13141) include the following categories:

- General social security scheme (régime général de la sécurité sociale), which is integrated by CNAM (Caisse nationale d'assurance maladie), CNAF (Caisse nationale des allocations familiales), CNAV (Caisse nationale d'assurance vieillesse), ACOSS (Agence centrale des organismes de sécurité sociale), etc ;
- Special funds;
- Other funds;
- Unemployment schemes;
- Complementary schemes;
- CADES (Caisse d'amortissement de la dette sociale) and FRR (Fonds de réserve pour les retraites), previously classified in the central government subsector and reclassified in the social security sector since the April 2011 EDP notification.

Units depending on the social security funds (S.13142) include mainly hospitals (public hospitals and also private hospitals financed by government).

The accounting plans to be implemented by the different units integrating the social security subsector were updated and harmonised in 1998 by the MIRCROSS (mission interministérielle de refonte de la comptabilité des organismes de sécurité sociale). In a second step, in 2008, the accounting plans to be followed by all general government subsectors were harmonised by the "Loi de finances rectificative". This law broadened the coverage of the "Conseil de normalisation des comptes publics" (CNOCP) from the State to the rest of subsectors integrated in general government. As a consequence, social security units followed from this moment onwards a set of accounting standards coherent for all levels of general government.

⁴ A first draft version of the new EDP inventory, not yet complete, was provided in February 2013. INSEE will complete the inventory in the coming months. The draft version has been provided in French and will be translated to English once it is final.

Before the EDP mission, INSEE provided documents describing the sources and the compilation process for the provisional account of the social security subsector as well as the amounts per social security unit, as regards B.9 and Maastricht debt.

Discussion and methodological analysis

Compilation of the provisional account for the social security subsector

The compilation of the provisional account for the social security subsector for year N-1 is led by INSEE and is made in March of year N in cooperation with both the Direction Générale des Finances Publiques (DGFIP, in charge of translating public accounts into national accounts) and the Direction Générale du Trésor (DGTrésor, in charge of estimating missing data). At this stage, accounting data are not yet fully available for the whole set of units integrating the social security subsector and those data which are already available are still provisional and not yet certified.

According to the availability of data for year N-1, social security units can be divided in 2 groups, for which different procedures are followed in the estimation of the provisional account:

- Units for which some data are available by March of year N;
- Units for which no data are available at that stage

For units for which some data are available by March of year N, data are translated into National Accounts by DGFIP and the information is then sent to DGTrésor, which estimates the missing data. Two cases may be distinguished also in this category:

- Units for which the available accounts are almost complete (with the exception of F.7, other accounts receivable and payable, which may be missing). Public hospitals and 12 social security units integrating the general scheme are in this group⁵.
- Units for which the available accounting balances are incomplete (information on F.7, taxes, social security benefits and/or contributions missing). This is the case for another 11 social security units⁶.

What does DGTrésor do with the information received from DGFIP?

In the first case, for the compilation of the provisional account, DGTrésor uses directly the data translated into national accounts that have been provided by DGFIP.

In the second case, the national accounts data provided by DGFIP can be either completed/corrected by DGTrésor using other sources available, or used just for comparison purposes, as DGTrésor can leave aside the accounting data provided by DGFIP, and use its own forecasts instead, for estimating the provisional accounts for some units. Cases of notable differences between the two sources (accounting data and forecasts) are analysed in detail by INSEE and DGFIP and whenever forecasts for expenditure are lower than accounting data, the latter are used.

For those units for which no data are available at this stage, DGTrésor makes a provisional estimation using different sources (short-term macroeconomic data that allow to estimate revenue and expenditure of the different units, estimations of social security benefits and contributions made by social security units in the autumn of year N-1, "finance law" of social

⁵ CNAMTS, CNAF, CNAVTS, RSI, CNBF, CRPCEN, FSV, CNMSS, CCMSA, CANSSM, CAVIMAC and CNAVPL.

⁶ ONIAM, CNSA, FRR, CADES, UNEDIC, IRCANTEC, ERAFP, ENIM, ANGDM, ATIH and Pôle emploi.

security...). Big units are estimated one by one, whereas small units are estimated all together in one block.

Accounts of year N for all social security units are available by the end of June of year N+1. This information is not fully available for the compilation of the provisional account in March at the time of the April EDP notification.

Status of the data

The provisional account for social security for year N, which is the basis for the April EDP notification of year N+1, is compiled in March using the accounting information available at that stage. This information, which is not complete, is completed by DGTrésor (see above). According to INSEE, this provisional account may be revised marginally in April by integrating new accounting information available for the accounts which INSEE publishes in May. The half-finalised account for social security for year N is compiled in October of year N+1 using complete information for social security units, available by the end of June. So far, this half-finalised account for year N was not taken into account for the October EDP notification of year N+1, but only for the April EDP notification of year N+2.

The account for social security for year N is considered to be final in September of year N+2. According to INSEE, changes as compared to the half-finalised account are expected to be minor (just errors and omissions).

As regards data for hospitals, a first version of the data is available by the end of January N+1.

This version is completed by the end of February and is then used for estimating the provisional account in March N+1. Accounts for hospitals are considered to be final by the end of April N+1. The differences between accounts for hospitals by the end of February and the final accounts in April are usually minor and the final accounts for hospitals are not taken into account until the April EDP notification of year N+2.

Data assessment and control

During the EDP visit, Eurostat asked about the assessment of accounts for social security units. The accounts of all social security units are audited. However for the moment not all of them are certified.

Accounts of all units integrating the general social security scheme are audited and certified by the CoA by the end of June of the year N+1.

The rest of social security units are also audited by the end of June N+1 (mainly by private auditors). In this case, feedback is provided to INSEE and DGFIP, but the results are not publicly available and the accounts are not certified.

According to INSEE, the mechanisms for internal control and verification are currently being generalized for public units and in particular for social security units.

Eurostat underlined that, according to the Directive, all accounts should be audited and certified and asked INSEE to provide a note in coordination with the CoA explaining the current situation in this respect of all general government accounts.

Findings and conclusions

Action point 4⁷: INSEE and DGTrésor will provide a note on the quality of forecast data for the main units of social security in the April notification as compared to the data reported in subsequent notifications. In addition, INSEE will provide the list of "large" Organismes Divers d'Administration Centrale (ODAC) which are estimated one by one. Deadline: December 2012

Action point 7⁸: INSEE will draft an extensive note in cooperation with the CoA describing the auditing and certification of the accounts for all general government units. Deadline: December 2012

In addition, INSEE agreed to provide a table detailing the availability of the accounts, their timing and the assessment process carried out for each of the social security units.

Deadline: December 2012

• Revision policy in the EDP context

Introduction

INSEE provided, prior to the mission, a document on the "Revision policy used for annual GFS", as requested in the new EDP Inventory.

According to this document, national accounts in France are revised every year in May. In May of year N, the following information is published:

- Final account for year N-3
- Half-final account for year N-2
- Provisional account for year N-1

Data for years prior to N-3 are not revised.

All the years are potentially revised when there is a change of base/benchmark revision.

Deficit revisions are normally due to data sources and not to methodological changes, which are implemented only in benchmark revisions.

In general, data reported in March of year N for the April EDP notification are coherent with those data published in May.

The biggest revisions in B.9 take place between the provisional account and the half-finalised account. On the other hand, revisions between half-final and final accounts are negligible, as upstream data do not normally change much.

In practice, experience shows that, in France, data remain practically unchanged between the April and the October EDP notifications of year N+1 and also, that revisions are only undertaken for year N in the notifications of year N+2. This issue has been already discussed with INSEE in the past.

⁷ The agreed documents were provided to Eurostat within the deadline.

⁸ The note describing the auditing and certification of the accounts for all general government units was provided to Eurostat within the deadline.

Discussion and methodological analysis

The discussion focused on the possibility of revising EDP data in the October notification.

Social security data for year N, transmitted in the April EDP notification of year N+1 (provisional account), are mainly based on estimates (see previous section). On the other hand, accounts for all social security units are available by the end of June of year N+1. Up to now, INSEE took into account this information only when work started on the half-finalised account for year N, that is, by October/November of year N+1. Therefore, revisions were not reported in the October EDP notification of year N+1, but only on the April EDP notification of year N+2 instead. The situation was identical for ODAC.

INSEE agreed to change the system and revise data for social security units and ODAC for the October EDP notification, starting from 2012. Therefore, the provisional accounts based on estimates provided by the end of March will now be updated by the end of September with the accounts available in June for some units. However, only noticeable revisions affecting B.9 will be taken into account for the October notification of year N+1 and subsequently, the remaining revisions (if any) will be implemented only at the time of the April notification of year N+2.

For the other general government subsectors, INSEE explained that the figures reported for year N in the April notification of year N+1 rely on complete sets of data, so no revisions are to be foreseen.

In particular, for local government, the data availability is the same as for hospitals (see previous section). A first version is available by the end of January. These data are then completed with other information and a second version is available by the end of February, which is then used for the EDP data transmission in April. These data are revised and considered final by the end of April. The coverage for local government is of 99% by the end of February and no big differences occur between the versions of February (used for the April EDP notification) and April (final data). The only problem for local government is the ODAL, for which no information is available until the end of June. In any case, the importance of ODAL within the local government subsector is small and the revisions that take place once their accounts are available are not relevant.

Findings and conclusions

Action point 6: Eurostat welcomes the fact that the most recent data for social security units and ODAL (which are final for most units) will be taken into account for the October EDP notification from now onwards. This will entail that data provided in April will be revised in October and that revisions concerning these units between October and April will be mostly minor. Deadline: EDP notification October 2012⁹.

⁹ In the October 2012 EDP notification, 15 social security units and 3 ODAC were revised for year N-1 (2011) as compared to the data for the same year reported in April 2012. For social security units, although the global impact was small, individual revisions were important in some cases. For the ODAC, the units checked entailed only very minor revisions. Data reported in April 2013 for the ODAC are in line with the revisions carried out in October 2012. However, for social security, the revisions in April 2013 have been larger than foreseen. INSEE has provided an explanatory note for these revisions and plans to implement some changes that will minimise the revisions for year n between October n+1 and April n+2.

2. Follow-up of the previous EDP dialogue visit

Introduction

The previous EDP dialogue visit to France took place on 29 November 2010. At the time of the dialogue visit, out of 28 action points agreed, 19 had been entirely completed, 3 needed further discussion¹⁰ and 6 remained unfulfilled. Prior to the mission, Eurostat received INSEE's input concerning the acquisitions of shares by local governments, the sale of Polish debt in the early 90's, a table on interest by instrument, information on sub-sector delimitation of local government and a document on PPPs, fulfilling respectively action points 4, 8, 15, 20 and 24 (partly) of November 2010.

Action point 1 – November 2010: Inclusion of planned data in the EDP tables by INSEE to avoid two different data submissions. This issue was discussed in agenda point 1.1 (see point 1.1 of this document and Action point 5 of September 2012).

Action point 3:– November 2010: Reporting of separate amounts of increase and reduction of net shares (F5) for local government in EDP table 3D. INSEE reported difficulties to fulfill this action point, but committed to implement it by April 2013.

Findings and conclusions

Action point 8¹¹: INSEE will fulfil action point 3 of the previous EDP dialogue visit (reporting of separate amounts of increase and reduction of net shares for local government in EDP table 3D). Deadline: EDP notification April 2013.

Action point 4 – November 2010: Systematical transmission by DGFIP to INSEE of local government operations on acquisitions of shares above 50 € million.

Findings and conclusions

Prior to the EDP mission, INSEE provided a document prepared by DGFIP detailing the shares owned by local government. The total amount of shares owned by the APUL (Administrations Publiques Locales) adds up to 1.8 € billion and the shares are mainly held by the *communes*. The *communes* hold 1 € billion (57% of the total) roughly broken down in the following way: one third is held by the city of Paris, another third is held by the rest of big *communes* and the last third is held by the small and medium *communes*. The *départements* hold 413 € million in shares, of which 64 € million refer to the département de Vienne, holder of Futuroscope of Poitiers. Finally, 321 € million shares are held by regions.

The document gave as well some information on the dividends received by the APUL, which is around 70 € million each year. The *communes* receive around 43% of the total.

This information is available from DGFIP, which should share it with INSEE in the context of the EDP collaboration. In this sense, Eurostat can consider action point 4 from the previous mission to be fulfilled.

Action point 6 – November 2010: Step up efforts to improve the breakdown in payables/receivables (F.7). This point is still not implemented and was discussed in the context of the analysis of EDP tables (see point 3 of this document).

Action point 7 – November 2010: INSEE should check that Eurostat's guidance for EU flows

¹⁰ Notably, action points related to RFF, claw-back clauses and précompte mobilier.

¹¹ In March 2013, INSEE informed Eurostat that it would not be possible to provide the requested breakdown for the April 2013 notification.

is followed for recording special support received from the EU by the region of Corsica

Findings and conclusions

This action point has not yet been implemented. During the mission, INSEE informed Eurostat that a new system for the EU flows will be adopted in France in 2013. The existing data will be revised and apparently the case of Corsica will become the common case for all regions.

Action point 9¹²: INSEE will provide a note on the recording of EU flows, describing the reform foreseen for 2013 and its potential implication on the procedure and the amounts reported. The note will include the cases of Corsica and Alsace. Deadline: EDP notification of April 2013.

Action point 8 – November 2010: INSEE should report to Eurostat on how the sale of Polish debt to the financial markets in the early 90's has been recorded in national accounts and EDP tables.

Findings and conclusions

Prior to the mission, INSEE provided a document explaining the treatment of the Polish debt. In 1998 the Polish State recognized a debt towards the French State. This debt (800 € million) was securitized by the Coface, an insurance company which operates with guarantees from the State. The payments done by the Polish State to the Coface are recoveries and therefore they are treated as negative compensations. These payments have financed the service of the debt resulting from the securitization (payment of interest and principal). The payments of the Polish State stopped in 2009.

As regards the treatment in national accounts, the debt of the State has not been affected by this transaction. This is due to the fact that the guarantee had not been called. On the other hand, the deficit of the state has been affected by the impact of the recovery; nevertheless, no precise amounts have been identified in this respect

Action point 15 – November 2010: Tables on interests by instruments provided prior to the 2010 EDP mission should be sent corrected and completed by instruments.

Findings and conclusions

INSEE provided, prior to the mission, the tables on interest recording by instrument for the period 2008-2011, fulfilling action point 15 of the previous mission.

Action point 17 – November 2010: INSEE agreed to check if interest in table 2D is calculated on an accrual basis and to provide accounts receivable/payable for year n-1 in the EDP tables of October year n.

Findings and conclusions

Prior to the mission, INSEE confirmed that interest in table 2D is calculated on an accrual basis. As regards accounts receivable/payable for year N-1 in the October EDP transmission of year N, INSEE reported not having the information in the accounting system at that time. However, from the discussion on the estimation of social security data for year N-1, Eurostat understood that the accounts of all social security units are available by the end of June of year N.

¹² INSEE has postponed this action point to July 2013.

Although the figures are not final, the accounts of social security units are available by the end of June. Eurostat's recommendation would be to step up efforts in order to complete the year N-1 in table 2D for the October EDP notification of year N. This part of the action point is still not implemented.

Action point 20 – November 2010: A note on sub-sector delimitation of local government to be provided to Eurostat (including an explanation on the market/non-market distinction and the super-dividend test for local government entities).

Findings and conclusions

Prior to the mission, INSEE provided a note prepared by DGFIP on the implementation of the market/non-market test for the APUL (Administration Publique Local). According to this note, the test was carried out for the *syndicats intercommunaux*¹³ (16 357 units) and for the *régies communales*¹⁴ (591 units).

All the *régies* are classified in S.11, as non-financial corporations, except for one: the Office of transport of Corse, classified as APUL (S.1313). On the other hand, most of the *syndicats intercommunaux* (12 343) are classified as APUL. The main activities of units classified inside general government include transport, production and distribution of energy, collecting and treatment of garbage, environment protection, scholar activities, etc. Only *syndicats intercommunaux* related to four activities are classified in the market sector (S.11). These activities are treatment and distribution of water, agricultural and forestry activities, funeral services and slaughterhouses and they group together 4 014 units.

No information has been provided as regards the super-dividend test for local government entities. Eurostat understands that the test is not carried out due to the fact that the dividends received by the APUL are not significant (around 70 € million per year for the total of APUL, see above).

Action point 21 – November 2010: The possible reclassification of RFF or of its debt was discussed under methodological issues (see point 4.1.2 of this document).

Action point 24 – November 2010: Information on the availability of data on PPPs for the local government sub-sector. This point was discussed under methodological issues (see point 4.3.4 of this document).

Action point 26 – November 2010: Investigation on the possibility to report the information on receivables for D.611 for year N-1 in table 5 of the Questionnaire relating to the EDP notification.

Findings and conclusions

INSEE confirmed that it is not possible to provide this information for the year N-1 before the April notification of year N+1.

Action point 27 – November 2010: Discussion is still open on the “clause d’intéressement” in case of “cessions de biens immobiliers de prestige par France Domaine”. Relevant classification and possible reclassification of the transactions.

Findings and conclusions

This issue was discussed by email in March 2012. Eurostat contacted INSEE in this respect, which explained that transfers from Agence France Domaine have, in most cases, an incentive

¹³ Associations of communes.

¹⁴ In France, *régies communales* are public units responsible for the management of public services.

clause for resale of variable duration (not exceeding 15 years). No specific adjustment is currently done in national accounts in this respect. According to INSEE, the sale marks a transfer of economic ownership and after the sale the risks are still borne by the new owner. In addition, none of these options has so far resulted in additional revenue to the sale. The issue of claw-back clauses was discussed in section 4.3.8 of this document. See section 4.3.8 and Action point 25.

Action point 28 – November 2010: Impact of the “précompte mobilier” for 2010 provisions. This issue was discussed under the recording of specific government transactions (see point 4.3.7 of this document).

Findings and conclusions

Action point 10¹⁵: Eurostat takes note of the action points of the previous EDP dialogue visit which remain unfulfilled and encourages INSEE to implement them as soon as possible.

3. Analysis of EDP tables. Follow-up of the April 2012 EDP reporting

Introduction

Eurostat received data for the April 2012 notification on the 30th of March 2012. Although the deadline for actual data was respected, this was not the case for the forecast data, which were transmitted on the 6th of April of 2012 in a second transmission.

Discussion and methodological analysis

Table 1

The GDP sent in the EDP tables in April 2012 was not in line with the GDP previously sent to the Eurostat unit C2. This created an inconsistency in Eurostat's database at the time of the EDP press release. Eurostat asked INSEE to send the new GDP data to unit C2 at the time of the EDP notification. Apparently, it is not feasible for INSEE to provide unit C2 with the new GDP data before the 15 of May.

Findings and conclusions

Action point 11¹⁶: Eurostat recommends that the GDP figures transmitted by the French authorities for the April EDP notification are published by INSEE, before the Eurostat EDP press release. Deadline: EDP notification April 2013.

Table 2A (central government)

During the clarification round, Eurostat asked INSEE to provide further detail on the amounts reported under "other" or "unexplained residual" in tables 2, 3 and 4 of the questionnaire related to the EDP notification tables. Eurostat thanked INSEE for the additional detail provided and recalled that efforts should be stepped up in order to have as much detail as

¹⁵ By March 2013, most action points from the EDP dialogue visit of November 2010 had been implemented. The pending action points should be implemented by the forthcoming April 2013 EDP notification. As regards action point 26 (D.611 for year N-1 in table 5 of the questionnaire), INSEE reported that it was not possible to provide this information before April of year N+1, so the action point cannot be implemented.

¹⁶ In March 2013, INSEE informed Eurostat that GDP figures would probably not be published nationally for the April 2013 EDP notification.

possible and that recording amounts under such items should be avoided.

As regards table 3 of the EDP questionnaire, there was some discussion related to the ODAC. See point 1.2.

INSEE explained that for the provisional account (April EDP notification) only the accounts of the sizeable ODAC are available and that a global estimation is carried out for the rest. The list of sizeable ODAC is fixed by INSEE and DGFIP. Eurostat asked for this list¹⁷ and it was agreed that INSEE would provide it (see action point 4).

Table 2C (local government)

In 2009 and especially in 2010, there were significant revisions in the working balance¹⁸ for local government and in the line of non-financial transactions not included in the working balance. INSEE explained during the clarification round that the first information available allows the direct estimation of B.9 (which does not change much later), but it does not allow to obtain a precise separation between the working balance and non-financial transactions not included in the working balance, so such revisions should be considered as normal.

During the mission, Eurostat found out that DGFIP had stopped to publish the working balance for the local government obtained from the provisional accounts available in March. Instead, the working balance for year N provided in both notifications of year N+1 is now built by INSEE and DGFIP from national accounts. The working balance for year N is published at the end of the year N+1 and is taken into account only for the April EDP notification of year N+2, due to the reason for the revisions mentioned above.

Eurostat stated that building the working balance from national accounts is not in the spirit of EDP table 2 and underlined that it seemed unusual to have 99% of local government data available by March and not to have the working balance published until December.

Findings and conclusions

Eurostat suggests that the working balance for local government obtained from the provisional accounts available in March is published again and taken into account for the EDP notifications of April and October of year N+1.

Table 2D (social security funds)

See point 1.2.

EDP Table 3 (A, B, D and E)

Questions on these tables were mainly related to the lack of information concerning F.7 and to the fact that the line for statistical discrepancy between B.9 and B.9f is zero, which entails that the discrepancy is probably being included in F.7.

Eurostat asked for some breakdown of the amounts for payables and receivables reported in tables 4.1.1 and 4.1.2 of the questionnaire as well as for some clarification on the revision of these items. The issue of providing more detailed information for F.7 in these tables is one of the pending action points from previous missions and it had already been discussed in the past.

According to the replies of INSEE to the EDP clarification round, and to the pending action points from the previous mission, it would not be feasible to implement this in the short term.

¹⁷ The list of sizeable ODAC was provided in December 2012. It is composed by 38 units.

¹⁸ It should be noted that in France the working balance for the local government is provided on an accrual basis.

However, Eurostat underlined the importance of having more detailed information on F.7 as well as the need to report under F.7 only other accounts receivable/payable and not amounts which should be included under the statistical discrepancy.

Findings and conclusions

During the mission, INSEE confirmed that the statistical discrepancy is included in F.79 (other accounts receivable/payable, other) and that it does not affect F.71.

Action point 13¹⁹: INSEE will provide a note on other accounts receivable/payable (F.79), analysing in depth whether a breakdown could be provided and the discrepancy elements clearly identified. Deadline: December 2012.

Table 4

Eurostat underlined the increasing importance of trade credits in the context of EDP. In this respect, data on trade credits (AF.71L) will be published from October 2012 together with the EDP press release, based on the figures provided in EDP Table 4.

In the clarification round, INSEE provided the following breakdown for trade credits by subsector:

	2 008	2 009	2 010	2 011
S1311	11 185	7 058	8 189	9 197
S1313	11 157	11 720	10 861	10 521
S1314	39 714	47 159	47 114	47 313
Total	62 056	65 937	66 164	67 031

According to the breakdown by sub-sector provided by INSEE, social security accounts for around 70% of the total trade credits provided in table 4. Eurostat asked the French authorities to further elaborate the information provided on trade credits. INSEE reported problems in reconciling accounting data with flows.

Findings and conclusions

Action point 12²⁰: Eurostat recommends that INSEE further investigates the possibility of reconciling transactions in trade credits (F.71) in tables 4.1.1 and 4.2.1 of the related questionnaire with stocks in F.71 as reported in EDP table 4. Deadline: EDP notification October 2012.

Action point 14²¹: INSEE will provide a short explanatory note on the amount and the composition of F.71 for social security, notably for hospitals. Deadline: EDP notification October 2012.

Questionnaire related to the EDP notification tables

Several questions in the clarification round were due to the revision of the different tables in

¹⁹ In October 2012, a working group was been set between INSEE, DGFIP and Banque de France with the aim of analysing the split between F.71 and F.79 on the one hand and identifying and isolating the discrepancy between B.9 and B.9f on the other hand. In December 2012 INSEE provided a note presenting the preliminary work of this working group.

²⁰ Action point 12 should be implemented once INSEE provides feedback on F.71 for the total of general government in the framework of the working group created to analyse F.7. Currently work is in progress.

²¹ Action point implemented within the deadline. Results to be followed-up.

the questionnaire. Some of the revisions were caused by the use of new data sources that were not available previously. Some revisions were due to errors that were corrected during the clarification round.

Eurostat welcomes the reporting of voluntary issues in some of the EDP tables (5, 9). Eurostat inquired about the possibility to obtain the figures for loss-making public corporations for the year 2011, as, at this stage, the accounts for 2011 of most companies should be publicly available. INSEE answered that the information is obtained from the report of the APE (Agence des participations de l'État), which is only available in October of year N+1.

Eurostat inquired on the new guarantees provided by government in 2011 totalling 16 billion €. Of this amount, 7.9 billion € were given to Dexia and the other 5.2 billion € were associated with the EFSF. The discussion concerning Dexia guarantees is treated in section 4.3, related to the recording of specific government transactions.

In 2011 there was only one guarantee call reported in table 9.3. The payment accounted for 28 million € and it was given to the AFD (Agence Française de Développement), which is an ODAC.

No superdividends were reported for 2011 in table 10.2. INSEE confirmed that the superdividend test had been carried out correctly.

4. Methodological issues and recording of specific government transactions

4.1 Delimitation of general government, application of market/non-market rule in NA

- **Changes in sectorisation since the last EDP dialogue visit**

Introduction

Prior to the mission, INSEE, which is the entity responsible for the sector classification of units, provided a document on the practical aspects of sector delimitation. From the April 2011 EDP notification onwards, CADES (Caisse d'amortissement de la dette sociale) and FRR (Fonds de Réserve pour les Retraites) were reclassified from central government to the social security sub-sector.

According to the document provided, the usual criteria considered for the classification of a unit are the following:

- Control
- Market/non-market
- The tasks carried out by the unit
- The level of autonomy of decision

Units are currently classified as follows:

- NPIS can be classified in all sectors
- Infrastructure companies are in general classified as non-financial corporations (S.11). This is the case for trains (SNCF, RFF), roads (private motorways, although managed by general government), ports, airports and metro (RATP). STIF (Syndicat des transports d'Île de France) constitutes an exception, as it is classified in S.1313.
- Gas and electricity companies are classified in S.11. Water managing companies can be classified in S.11 or in S.13. Municipal cleaning and supply services are normally

classified in S.13.

- Public primary and secondary schools are classified in S.1313. Public universities are classified as ODAC in S.1311 and écoles de niveau supérieur either as ODAC or in S.11
- Public TV and radio are classified in S.11
- Public hospitals are classified in S.1314
- Defeasance structures set up by the State are classified in S.13. SPPE (Société de prise de participation de l'État), FSI (Fond Stratégique d'Investissement) and the agence française de développement are all classified in S.13 as well. On the other hand, SFEF (Société de financement de l'économie Française) and Coface (Compagnie Française s'Assurance du Commerce Extérieur) are classified as financial corporations.

INSEE provided a document describing the register of units controlled by the State. Regulation 84-966 of 22/10/1984 set up the RECME (Repertoire des Entreprises Contrôlées Majoritairement par l'État) and defined INSEE as responsible for its compilation.

The source for this register is an annual survey and results for year n are published in November of year n+1.

INSEE considers as public companies those where the State can have a direct or indirect control, either by financial participation or property.

The sample is composed of companies meeting the following criteria:

- mainly controlled by the State
- above 19 employees in the previous year
- at least with one subsidiary in the previous year
- a parent company of a public group the previous year

Around 600 public companies were included in the sample in 2009. They were mainly EPIC (Établissements Publics Industriels et Commerciaux), nationalised companies and mixed companies where the State is the main shareholder. Some of these units are classified in S.1311 as ODAC. Other can be classified in S.11.

Discussion and methodological analysis

INSEE reported some changes among the ODAC from May 2012, when new units were included in S.13.

INSEE confirmed that there are no market producers among the units included in S.13 and that the market activity of non-market units in the general government sector is around 5%.

Findings and conclusions

Eurostat would like to receive the detail of the changes carried out in the sector classification of ODAC in May 2012²².

²² In May 2012, some units previously classified in ODAC were reclassified to the non-financial corporations sector (S.11).

- **Classification and debt of RFF**

Introduction

Eurostat has expressed doubts since a long time on the classification of RFF in French National Accounts. At present, the classification of RFF outside government is not consistent with similar cases in other MS (as for instance, Italy, Austria and Romania).

The institutional classification of *Réseau Ferré de France (RFF)* and the recognition of part of its debt as public debt were discussed during the EDP dialogue visits of 2008 and 2010. Based on the evolution of the economic/financial situation of the company up to year 2009 (which led to doubts on the capacity of RFF to reimburse its debt) and a thematic report of the French Court of Auditors ("*Le réseau ferroviaire: une réforme inachevée, une stratégie incertaine*"), Eurostat recommended either the reclassification of RFF in the government sector as a non-market corporation (taking into account permanent losses) or the inclusion of its debt (or at least part of it) into the government debt.

At that stage, INSEE argued that the new "*Contrat de performance entre l'État et RFF*", signed in 2008 for the period 2008-2012, would allow RFF to repay its debt without additional help from government and pointed out an improvement in the economic and financial situation of RFF in 2009. INSEE also stressed some uncertainty on how to estimate the exact amounts which might be classified as government debt and recognised that the issue of infrastructure companies deserved further reflection.

After analysing additional elements and documents related to RFF²³, Eurostat came back on this issue, and sent a letter to INSEE on the 27 April 2012 proposing a revision of the current classification of RFF, or alternatively, of its debt. Eurostat's view was backed up by several facts, which provided evidence that RFF was not able to carry out its ordinary activity and meet its financial obligations, without permanent support from the State.

INSEE provided an answer to this letter on the 2 July 2012 disagreeing with Eurostat's proposal and basing their opinion mainly on the fact that RFF is a market producer. However INSEE admitted that several targets relative to the P&L account mentioned in the "*Contrat de performance*" had clearly not been met in 2010 and 2011 and that this had led to discussions about the sustainability of the RFF economic model. INSEE suggested that a further revision of the economic model, entailing a significant increase in fees could enable RFF to carry out its ordinary activity and meet its financial obligations, without permanent support from the State.

Discussion and methodological analysis

Eurostat considers that there are strong elements to conclude that RFF's debt, or part of it, should be considered as government debt. The discussion was based on the following points:

- It was agreed that the *rédevance d'accès* is not linked to volume. Therefore, it is a subsidy on production, which should not be considered for the market/non-market test. The result of such test, without taking the *rédevance d'accès* into account, stands at around 53%-54% for year 2010, so the company would still be marginally a market producer. However, the fact that it is a market producer does not imply that both the company and its debt are to be classified outside S.13.

²³ Annual reports for 2010 and 2011, RFF Investors presentation for 2011, documents on the reform of the pricing of railway infrastructure, publications of the commission "*Les assises du ferroviaire*" and different releases both from RFF médiathèque and from the press.

- According to Eurostat, RFF will most likely never be in a position to redeem the whole debt. And in this context, as stated in chapter 20 of new ESA10, the key point is who will repay the debt. If the debt is clearly to be paid by government, then RFF should be classified in S.13 or the debt should be considered as government debt.
- Eurostat underlined as well the non-fulfilment of the conditions set in the new economic model established in 2008, the fact that RFF continues to receive a strong support from the State and the fact that rating agencies are convinced that government will repay RFF's debt in the worst case and therefore the consideration on RFF debt as government debt.

INSEE agreed that the current treatment is not satisfactory. As in the past, they reported having no model for the moment to estimate the part of the debt to be reclassified and they asked Eurostat to give more precise guidelines on this issue. INSEE is analysing the different possibilities and no decision has been reached at this stage. The option of making a debt assumption of part of the debt was also openly discussed.

In addition, the issue of the negative own funds was raised by Eurostat, as there seem to be no agreement on this point. According to INSEE, RFF does not have negative own funds. However, Eurostat's view is that, in NA, investment grants are not considered part of the equity, so they cannot be considered as permanent own funds.

Findings and conclusions

Action point 16²⁴: Concerning RFF, the French authorities confirmed that they do not consider the redevance d'accès as a sale for the purposes of the market/non-market test and are of the opinion that the current treatment of RFF debt in National Accounts needs to be reconsidered. INSEE will provide its own analysis including alternatives to the current recording and a draft version will be sent to Eurostat for comments. Deadline: EDP notification of April 2013.

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

Introduction

Prior to the meeting, INSEE provided a document dealing with the practical aspects for the sector delimitation, which is part of the new EDP Inventory.

The market / non-market test is carried out every time there is a change of base (benchmark revision). Apart from that time, only newly created units are examined. There is one exception: units included in S.1311 are tested every year. In general, units are tested on an individual basis except for the "syndicats", where tests are applied on a collective basis according to the type of activity.

The formula used for the market test calculation includes output (P11 and P13_PP, i.e., market and other non-market output) in the numerator as own revenue and different operating costs in the denominator (P2, D1, D29 and amortisation).

In addition, as follow up of the previous EDP dialogue visit (part of action point 20 of previous mission), INSEE provided a note on the implementation of the market/non-market test for the local government units and on the results obtained.

Discussion and methodological analysis

Concerning the classification of new units, INSEE confirmed that all units are considered

²⁴ INSEE has postponed this action point to June 2013.

non-market at the beginning and that the practical implementation of the market test relies in general on the availability of data of new companies by DGFIP.

- **Government controlled entities classified outside general government (public corporations)**

Introduction

The compulsory questionnaire on government controlled units should be provided to Eurostat by December 2012. This implies having an exhaustive list of entities, including their total liabilities.

This list was not provided prior to the mission, as it was still under elaboration.

Discussion and methodological analysis

INSEE reported difficulties in fulfilling the deadline of December 2012 set for providing the questionnaire on public corporations. The sources used for completing this questionnaire for the State subsector are business statistics and the RECME (repertoire des entreprises contrôlées majoritairement par l'État, see point 4.1.1 above), both under the responsibility of INSEE. The RECME provides information on units controlled by the State, but no such information exists at other subsector level. For local government, public accounts will be combined with the business register. Nevertheless the situation is complex, as for local government no RECME is available and from the business register it is difficult to obtain the notion of government control.

Findings and conclusions

Action point 15²⁵: INSEE will provide a preliminary version of the questionnaire for government controlled entities for the State subsector before the end of 2012. An update will be provided in April together with a list of already identified local government units and a note on further plans to make this list more exhaustive. Deadline: December 2012 for the State and April 2013 for an updated version including local government.

- **List of ODAL**

Introduction

Prior to the mission, INSEE provided a set of detailed excel files covering the following items:

- Complete list of ODAC (Organismes Divers d'Administration Centrale, in S.1311)
- Complete list of Hospitals (S.1314)
- Partial list of ODAL (Organismes Divers d'Administration Locale, in S.1313)

The ODAC (part of S.1311) cover more than 700 units with different legal status. Units integrated in ODAC often cover managing tasks and the State has attributed to them a specialised task at national level.

²⁵ A preliminary version of the questionnaire including the entities for the State subsector was provided within the deadline. Eurostat will follow-up on the questionnaire for the rest of subsectors. In March 2013, INSEE informed Eurostat that the inclusion of entities controlled by local government cannot be achieved before the full implementation of ESA10.

According to the information provided, there are 1,350 public hospitals (as well as 2,777 related budget annexes in addition). There are also 405 private hospitals participating in the hospital public service.

The local government sub-sector (APUL, S.1313) is composed by the "collectivités locales" (S.13131) and the ODAL (S.13132). INSEE provided an overview of the number of units classified in local government by type of unit. Local government is composed by more than 80.000 units in total.

The "collectivités locales" gather territorial communities (communes, départements and regions) and their groupings. The number of units included in the "collectivités locales" is over 50,000 (there are in addition also another 50.000 related budget annexes).

On the other hand, the ODAL gather around 32,000 different units at local level such as:

- Non-profit units at local level (social assistance units at local level, "caisses des écoles", fire and security services, etc.);
- National public units with local responsibilities (mainly water managing companies);
- EPLE (Établissement Publics Locaux d'Enseignement, i.e., schools, high schools, etc);
- Cultural associations financed by local governments (municipal theatres, etc.)
- Consular agencies (such as chambers of commerce and chambers of industry, of agriculture, of trade, etc.)

INSEE provided the detail of units classified as EPLE (and EPLFPA) which are around 8,500 and also the list of consular agencies and other units, which add up to around 500 entities.

Discussion and methodological analysis

Eurostat thanked INSEE for the detailed information provided in the tables, underlined the big number of budget annexes and welcomed the fact that 99% of local government units (with the exception of some ODAL) are covered for the provisional accounts compiled by the end of March of year N+1.

4.2 Implementation of the accrual principle

- **Accrual taxes and social contributions**

Changes since last EDP dialogue visit

INSEE provided the questionnaire on the methods and sources used for recording taxes and social contributions in 2010. No updates were reported in 2011²⁶. On the other hand, as discussed in the follow-up of the previous dialogue visit, INSEE made clear that the implementation of action point 26, on the reporting of D.611 (actual social contributions) for year n-1 in table 5 of the EDP questionnaire, would not be possible in the short run.

Before the mission, INSEE filled in the part on taxes and social contributions to be included in the new EDP Inventory. According to this information, the recording of taxes can be resumed as follows:

- Method B (assessments and declarations, with the amount of taxes unlikely to be collected recorded as capital transfers) is used in most cases;

²⁶ A new version of the questionnaire for year 2012 was provided in January 2013, after the mission.

- Method A (assessed amounts adjusted by a coefficient) is not used;
- Method C (time adjusted cash method) is used in some cases (for VAT for instance).

For the recording of social contributions, method C (time adjusted cash method) is used.

For both taxes and social contributions, final data for year N are available at year N+3. DGFIP is responsible for upstream data and INSEE is responsible for validating the data transmitted in the EDP framework. Also, as discussed in the previous EDP dialogue visit, the document states that interest, in the case of payment delays and penalties, is recorded as D.75.

Financial impact of Directive 2010/45/EU

Introduction

Directive 2010/45/EU should be implemented in all EU countries until the end of this year. The directive gives the possibility to the countries to apply a cash accounting scheme for the payment of VAT. This will allow to some companies (depending on their annual turnover) to pay VAT to the competent authority only when they receive payment for a supply. This optional scheme should have a positive effect on the cash flow of the small and medium companies (SMEs) and should be applied just for the period of economic and financial crisis.

In compliance with ESA 95 and MGDD, the time of recording for VAT should be when the economic value is created, transformed or extinguished, or when claims and obligations arise (see ESA95 1.57).

This optional scheme will allow companies to pay the VAT obligations at a later stage. If the countries are using the time adjusted cash method (e.g. t+60 days) and if the delay in the actual VAT payment is no longer than 60 days, this should not have an impact on the total budget revenues. However, there might be a quarterly effect in the sense that budget revenues for the first quarter of 2013 would be reduced.

Findings and conclusions

INSEE confirmed that the time adjusted cash-method with a time lag of 30 days is used in France for the recording of VAT for all companies.

Eurostat inquired on the implementation of this directive in France and on the possible implications on government revenues.

Action point 17²⁷: INSEE agree to report to Eurostat on the possible impact on government accounts of Directive 2010/45/EU on the budget revenues in 2013 and possibly in further years. INSEE will also confirm any changes to the last version of the questionnaire on taxes and social contributions and the exact delay in the VAT time-adjustment. Deadline: December 2012.

- **EU flows**

Introduction

No information on EU flows has been provided in the documentation sent prior to the mission or been provided in the current version of the EDP inventory (which dates back to 2007).

²⁷ INSEE provided a note on the issue within the deadline, confirming no impact on general government accounts, either in 2013 or in future years. The action point is considered as closed.

The latest information on EU flows was provided in the EU flow survey from 2008.

In addition, it should be recalled that action point 7 from previous EDP mission, concerning EU flows, has not been implemented, as discussed under agenda point 2 (Follow-up of the previous EDP dialogue visit).

Findings and conclusions

With the exceptions of Corsica and Alsace, data for all EU flows are currently centralised by an Agency (Agence unique de paiement, CNASEA). During the mission, INSEE explained that a reform concerning EU flows will be carried out in 2013 and that flows will then go straight to the regions, following the treatment for Corsica and Alsace and no longer being centralised by the Agency.

See point 2, Follow up of previous EDP dialogue visit.

Action point 9: INSEE will provide a note on the recording of EU flows, describing the reform foreseen for 2013 and its potential implication on the procedure and amounts reported. The note will include the cases of Corsica and Alsace. Deadline: EDP notification April 2013.

- **Military expenditure**

Introduction

Before the mission, INSEE provided the information on military expenditure to be included in the new EDP Inventory. According to this information, the types of contracts used for the procurement of military equipment are mainly sales agreed in advance with industrial suppliers. Data sources are related to cash payments from public accounts transmitted by DGFIP on the one hand and data on the delivery and payment of heavy equipment, provided by the Ministry of Defence, on the other hand.

For heavy equipment, both data sources are used. The working balance in public accounts is corrected by the difference between deliveries and cash payments related to these heavy materials. On the contrary, for light equipment, only cash payments provided by DGFIP are used, as it is supposed that there are no long gaps between payments and deliveries.

Findings and conclusions

During the meeting, INSEE confirmed the difference in the recording between heavy and light equipment. Advances are recorded for heavy equipment, whereas no advances are recorded for light equipment.

Eurostat asked whether the existence of arrangements within the government sector for long term contracts had stopped, as this type of contract was not reported in the last questionnaire received. INSEE confirmed the reclassification of one unit (DCN, Direction de Contractation Navale) from S.13 to S.11 in 2004 and therefore, the end of arrangements within the government sector.

INSEE confirmed that only receivables and no payables are recorded in table 7 of the questionnaire related to EDP.

- **GFCF**

Introduction

Eurostat inquired on the recording of GFCF to confirm that it is not done on a cash basis.

Before the mission, INSEE had provided a document describing the application of the accrual principle in the recording of GFCF. According to this document, GFCF is recorded at the time when the property of fixed assets is transferred. However, there are some exceptions (leasing, assets under production, PPP contracts, etc.)

Advances to purchase property are classified as trade credits and GFCF is evaluated at purchasers' prices.

In the document, INSEE also described the accounts related to GFCF in the Plan Comptable General (PCG) and the way in which GFCF is compiled from these accounts.

Findings and conclusions

In the meeting, INSEE confirmed that GFCF is recorded on an accrual basis in French National Accounts.

4.3 Recording of specific government transactions

- **Guarantees and guarantee fees**

Introduction

Before the mission, INSEE provided a table detailing by corporation the total debt guaranteed by government as well as new guarantees provided by government, for both public and private corporations.

Findings and conclusions

SFEF is the public corporation with the highest amount of debt guaranteed by government, adding up to 53.5 billion euro in 2011. Eurostat inquired whether there had been changes concerning guarantees to SFEF. INSEE confirmed that the guaranteed debt amount remains the same, and that no further amounts would be redeemed after 2014.

- **Debt assumptions, debt cancellations and debt write-offs**

Introduction

Prior to the meeting, INSEE provided the list of government claims and debt cancellations for the period 2008-2011.

Findings and conclusions

As regards the claims, the detail was provided for foreign claims and for loans to the car sector. Eurostat asked for some detail of the rest of claims, labelled as other claims in table 8 of the questionnaire related to EDP and accounting for an important proportion of the total claims.

Action point 18²⁸: INSEE agree to provide the breakdown of other claims in table 8 of the EDP related questionnaire. Deadline: EDP notification of April 2013.

- **Capital injections in public corporations, dividends and privatisations**

Introduction

Before the mission, INSEE provided a document on the implementation of the capital injection test informing that the test on capital injections done by the State is carried out every year in the context of the provisional account, in March N+1. If the accounts for the year N are not available at that stage, the test is done using the accounts of the previous year. The test is not repeated for the September notification, but is carried out once again in March of year N+2 for the half-finalised accounts.

The information used is the following:

- Capital injections carried out by the State, provided by DGFIP
- Financial reports from the companies as well as the report on "L'État actionnaire", provided by the APE (Agence des Participations de l'État)

For each company receiving capital injections above 50 € million, it is examined whether the company is bearing losses. If the company is judged non-profitable, the capital injection is treated as D.9. Otherwise, it is treated as F.5.

INSEE provided as well a document on the implementation of the superdividend test. The test for the dividends received by the State is carried out only once, for the provisional account in March of year N+1. It is not repeated, as all the information needed is available by March of year N+1.

The following information is used:

- Dividends by paying company, provided by DGFIP
- Different information in the report on "L'État actionnaire" (accounts for the companies for the year n-1 and participation of the State in the equity of the companies)

It is assumed that the dividend paid during the year N is linked to the profit/loss of year N-1.

The dividend received by the State is compared to the corresponding part of the company's results. If the result is below the dividend received by the State, further investigation is carried out, a split is done and the surplus part is recorded as F.5, while the remaining part is recorded as D.42. Otherwise the total amount of the dividend is recorded as D.42.

Findings and conclusions

INSEE confirmed that the capital injection test was carried out only for amounts over 50 € million and that the test was done for the last three/four consecutive years.

INSEE also confirmed that the amounts not checked in the framework of the capital injection test (capital injections below 50 € million and amounts injected in the local government subsector) were, in general, negligible.

Eurostat inquired whether the superdividend test had been implemented for EDF (Electricité de France). The report "L'État et le financement de l'économie", published in July 2012 by the Court de Comptes (CoA) stated that France Télécom and EDF had paid, in 2010,

²⁸ In March 2013, INSEE informed that this breakdown will not be provided for the April 2013 EDP notification.

dividends above their profits, the case of EDF being especially noticeable, as the amount paid was more than double of the profits obtained the year before. INSEE answered that the accounts of EDF had been reconstituted in order to disregard a holding loss. Such loss is not to be considered as part of the operating profit, as it is not linked to the normal activity of EDF.

- **PPPs**

Introduction

13 PPPs were reported in table 11 of the EDP questionnaire in the April 2012 EDP notification). All the PPPs reported by INSEE were recorded on balance sheet. Except for one hospital, for which the public partner was S.1314, all the rest were granted by central government and they concerned mainly the building of prisons. According to table 11, the amounts invested per year accounted for 439 € million in 2009, 124 € million in 2010 and 898 € million in 2011, which are not very significant compared to the French GDP.

Different sources suggest that France has become one of the most buoyant markets for government-pay PPPs. In addition, Eurostat is aware of the existence of many PPPs concerning local government and public corporations. Information concerning off-balance sheet PPPs and PPPs concerning local government is not currently provided in table 11.

Eurostat understands that all existing PPPs that are not reported in table 11 of the questionnaire (quite a big number, especially at local level) are currently being classified off-balance sheet.

In the documents provided prior to the mission, INSEE detailed the list of PPPs concerning the State (as in table 11) and described the data sources and availability concerning PPPs. PPPs signed by the State, are divided in two groups:

- PPPs included in the leasing survey carried out by INSEE. For these, no correction is needed
- Rest of PPPs. For these, budgetary sources allow to make the necessary adjustments for a correct recording in national accounts. The budgetary sources refer to the annual general account of the State.

According to INSEE, the availability of accounting sources for PPPs not involving the State is more complex. This is the case for PPPs concerning hospitals and local government units. However, INSEE reports on-going improvement that will soon facilitate:

- A correct recording of PPPs signed as "partner contracts" from 2011
- A correct recording of PPPs signed as "baux emphytéotiques hospitaliers" (BEH) concerning only hospitals and foreseen to start in 2012

This entails that information on PPPs concerning local government and hospitals will be available from 2011/2012 and a complete list will be available by then.

Furthermore, Eurostat is aware of the existence of MAPPP (Mission d'Appui aux PPP), task force in the framework of the Ministry of Finance, set up in 2005 for the support and regulation of PPP projects. MAPPP assesses and provides methodology for PPP projects before they are approved by the Ministry of Budget. All PPP projects at central government level should get the go-ahead of MAPPP before being approved. This is not compulsory for PPPs at local government level, but these projects may also benefit from MAPPP's technical support if they choose so.

Findings and conclusions

INSEE confirmed the complete availability of data for PPPs concerning central government and the subsequent recording as on balance sheet. However, INSEE admitted a gap in the information system as regards PPP done at local government level and hospitals.

INSEE explained that the situation is foreseen to improve. For the time being, corrections for large PPPs are done manually. One of these corrections is related to a public hospital in the region of Paris for the year 2011. Most projects were signed quite recently, after 2010 and until 2010 no big projects were signed, so no significant gap is expected. Problems would start from 2011, with an important numbers of new PPPs signed.

As regards PPPs signed where the public partner is a public corporation, in particular RFF, INSEE explained that the amounts are recorded off balance sheet as long as the public corporation is classified outside general government.

During the mission, INSEE informed about a project concerning football stadiums in 2012, related to the European Championship that will take place in 2016. Also, INSEE confirmed that a new system for the recording of local government and hospitals would be in place in 2012. All PPPs will be classified on-balance sheet. The data will include stocks of previous years and the debt will also be corrected.

Action point 19: All local government PPPs will be included on the balance sheet of local government starting in 2012, if possibly with an estimate of the PPPs implemented in previous years. INSEE will prepare a progress note on this implementation and on the first amounts estimated. Deadline: EDP notification of October 2013.

- **Government operations relating to the financial crisis**

a) Dexia

Introduction

The latest facts concerning Dexia up to September 2012 had been the following:

- On the 21st of December of 2011, the EC approved the tripartite guarantee agreement granted to the Dexia Group.

The EC approved the temporary guarantee agreement granted by the Belgium, France and Luxembourg to Dexia SA and Dexia Crédit Local. The agreement was effective as of 22 December 2011 and would enable the Dexia Group to rise guaranteed funding from the market since that date. The proportions for the countries would be 60.5% for Belgium, 36.5% for France and 3% for Luxembourg.

The temporary guarantee constituted the first step by the three countries towards meeting their commitment to provide a EUR 90 billion guarantee subject to a final decision by the European Commission.

At the countries' request, the Commission approved a temporary agreement enabling the guaranteed entities to rise funding up to a maximum of EUR 45 billion, by way of financing with maturities of up to 3 years.

This temporary agreement was set to expire on 31 May 2012; it could be extended if the three countries and the European Commission agreed to such an extension.

- On the 21/22nd of March 2012, an orderly resolution plan was submitted to the Commission

for its approval.

- On the 31st of May 2012, the Commission approved the extension, until the 30th September 2012, of the guarantee provided by the three countries which was approved in December 2011. - On the 6th of June 2012, the EC approved an increase of the guarantee, the ceiling of which was raised from EUR 45 billion to EUR 55 billion.

- On the 30 July 2012, the EC gave its "principe d'accord" on the restructuring of Dexia in France. However, this did not yet have a final green light at the time of the mission.

Guarantees related

Four guarantees concerning Dexia should be considered:

- a 45 € billion provisional guarantee approved in December 2011 and expiring in May 2012;
- a 55 € billion, provisional guarantee, approved in May and June 2012, which constitutes an extension and increase of the previous guarantee until September 2012;
- a 90 € billion guarantee, which will be an extension of the previous provisional guarantees;
- a 10 € billion guarantee concerning Dexia Municipal Agency.

The amounts corresponding to the first guarantee have been correctly recorded in the accounts of the year 2011 and they were reported in table 9.1 of the EDP related questionnaire in the April 2012 EDP notification. The 36.5% proportion of the 45 € billion constituted a ceiling of 16.3425 for the French State. By the 31st December 2011, 7.9 € billion were recorded (accounting for half of the maximum amount possible). The amounts corresponding to the rest of guarantees will impact the year 2012.

Restructuration process of Dexia Crédit Local

In December 2011, INSEE provided a note on the Dexia Group covering the rescue carried out in 2008 and a preliminary explanation of the restructuring foreseen in 2011.

Some press releases issued by Dexia in February 2012 provided updated information on the restructuring of the French branch of the group:

- The agreement in principle for the future financing of the French local public sector http://www.dexia.com/FR/Journaliste/communiqués_de_presse/Documents/2012-02-10-cp-fr.pdf
- Dexia's Financial Year 2011 results and an update on the Group's restructuring process http://www.dexia.com/FR/Journaliste/communiqués_de_presse/Documents/20120223_CP_FR.pdf

On the 28th of March 2012, Eurostat contacted INSEE asking for an update of the document provided in December 2011, including the new information available and also asking some questions related to the restructuration of Dexia Crédit Local.

INSEE was requested to reply by the end of May 2012. No answer was provided by the time of the mission. Eurostat understood that no final decision had been taken yet but would have still liked to have an idea of the state of play at that point.

The orderly resolution plan was submitted to the Commission in March 2012. According to it, the French government, the Caisse des Dépôts and Dexia Crédit Local would take over Dexia Municipal Agency (DMA) in a proportion of 31.7% each and the remaining 4.9% would be taken over by the Banque Postale. This plan however was not accepted by the Commission.

The fundamental reason was that, as beneficiary from public guarantees, Dexia Credit Local could not be a shareholder of DMA.

According to the Commission, there should be no link between DCL and DMA. Thus, a new proposal was submitted, based on the creation of a public bank for local entities, who will take over DCL (which will disappear), whereas DMA will continue to be held by the Caisse des Dépôts and the Banque Postale.

Discussion and methodological analysis

During the meeting, Eurostat mentioned the possibility of recording guarantee fees not as the payment for the service, but as current transfers, in the next edition of the MGDD. INSEE confirmed that they would not change the current treatment of guarantee fees for the time being.

INSEE reported having no particular issue with the recording of the guarantees provided by government.

As regards the restructuration plan, the sale of Dexia was still not effective by the end of 2011, so no impact was reported at that stage as concerns EDP data (only covering 2011 and previous years at that time). However, a loss of 1 billion € was recorded as a provision in Dexia accounts for 2011.

Eurostat inquired on the possibility of a future recapitalisation of DCL and a on a possible readjustment of the shares for the countries involved, implying a higher proportion for France. INSEE declared to be following the situation of Dexia and that they would send an updated note once new elements on the case would become available.

Findings and conclusions

Action point 20²⁹: INSEE will transmit an updated note to Eurostat concerning Dexia, as soon as new elements are known.

b) Guarantee provided to Crédit Immobilier de France

Introduction

According to a press release issued by the Ministry of Finance on 1 September 2012, the French government would provide a guarantee to Crédit Immobilier de France.

Crédit Immobilier de France manages real estate loans to households accounting for 34 € billion. Unable to face a 4.7 € billion gap in its treasury, on Friday 31 August 2012 the bank asked for the support of the French government.

This financial institution is fully private; it has a small market share (around 4%) and it was downgraded by Moody's on 28 August 2012.

It seems that government will provide a 20 € billion guarantee, which will be granted in the framework of the next law of finance. However, this support still needs to be validated by the EC³⁰.

²⁹ Different events concerning Dexia and involving France occurred in the last quarter of 2012 and the beginning of 2013. On 19 March 2013 Eurostat sent a letter to INSEE confirming that the capital injection into Dexia carried out by the French State should be recorded as a capital transfer, with an impact of 0.1% on the 2012 deficit.

³⁰ On the 21 February 2013, the Commission approved temporarily an 18 bn euro guarantee from the French

As for the conditions to be complied with by the bank in return, it seems that the current CEO should leave the post and that the bank is expected to stop granting new loans and just manage those already provided.

Findings and conclusions

The guarantee provided deals with refinancing. INSEE confirmed that the guarantee would be recorded in the accounts of year 2012 and agreed to send a note once further information would be available.

Action point 21: INSEE will provide Eurostat with a note on Cr dit Immobilier de France as soon as the details on the operation are known.

c) EFSF

Introduction

According to Eurostat decision of 27 January 2011, as regards EFSF guarantees, part of the amount is to be recorded as long term loans and the other is to be considered effectively as a guarantee and therefore reported in table 9 of the questionnaire related to EDP. The part to be recorded as a loan is communicated by Eurostat to each country.

Discussion and methodological analysis

Eurostat inquired on the recording of guarantees in the context of EFSF, in order to check that there was no double counting. Eurostat wanted in particular to know how the amount of guarantees provided for EFSF had been calculated during the previous EDP notifications.

Eurostat asked if the EFSF loans which had been rerouted and, thus, added to the French Maastricht debt, were taken into account and subtracted when filling in table 9 of the EDP related questionnaire. In this context, only the "over guarantee" (65% at the end of 2011) should be recorded in table 9 for guarantees.

Findings and conclusions

Action point 22³¹: INSEE will check whether the current recording of EFSF in National Accounts is correct, in order to confirm that there is no double counting, as far as guarantees amounts are concerned. Deadline: EDP notification October 2012.

Financial derivatives

Introduction

During the mission, INSEE provided a note explaining the accounting treatment of financial derivatives for the central government and Social Security. No information was provided for financial derivatives at local government level. In the April 2012 EDP clarification round, no such operations were reported either.

During the past EDP dialogue visit in November 2010, Eurostat took note of the lack of information available to the French statistical authorities and recommended to make some progress on the issue.

State to Cr dit Immobilier France. This issue will be followed-up.

³¹ INSEE implemented this action point within the deadline and in addition, corrected table 9 in the questionnaire related to EDP in the October 2012 EDP notification.

In the context of the so-called "toxic assets", it was reported that some local units had entered into specific contracts where swaps could be part of the structured loans.

Eurostat wanted to inquire on improvements on:

- Availability of information on possible "non-standard" swaps for local government;
- Availability of information on contractual revisions or amendments of "structured products"

Findings and conclusions

At the time of the mission, DGFIP reported not having complete information on financial derivatives at local government level. However, no problems are foreseen due to the small amounts involved.

DGFIP confirmed to meet regularly, on a quarterly basis, with AFT (Agence France Trésor).

In addition, INSEE confirmed that no off-market swaps were undertaken by government.

Action point 23³²: INSEE will send to Eurostat a note on derivatives for local government, including the nature of these instruments. The note will be based on the report to Parliament produced by DGFIP and DGCL and will also cover information on sale and lease back operations for local government. Deadline: December 2012.

- **Court decisions with possible impact on EDP data for France**

There are currently two open issues with a possible impact on the EDP data for France, the total potential impact being around 9.2 € billion (around 0.5% GDP). During the meeting, the French statistical authorities confirmed not to be aware of other similar open cases.

a) Impact of "précompte mobilier" on the French accounts

Introduction

The précompte mobilier was discussed during the last EDP dialogue visit. Later, in the clarification round of the April 2012 EDP notification, INSEE explained that there would be no impact in 2010 and 2011 and that the accounts would be affected only for the years 2012 and 2013. This had been confirmed in the paper provided by INSEE prior to the meeting.

This case relates to the different fiscal treatment of dividends paid by subsidiary companies according to their place of residence. Although the fiscal conditions applicable changed in 2005, several companies considered this treatment as discriminatory and against the free movement of capital, and have asked for a refund of amounts corresponding to previous years.

In September 2011, the European Court of Justice provided its judgement against France concerning two dossiers. The French State had already paid 1.1 € billion, but no amounts had been recorded in National Accounts so far, as the judgement was not considered as final.

According to INSEE, in national accounts the judgement of the European Court of Justice cannot be considered as the determinant fact, giving rise to the obligation to pay. In their view, the determinant fact would be the consequences drawn by the Council of the State (Conseil d'État).

³² A note on derivatives for local government was provided within the deadline. The information on sale and lease back operations for local government is still missing.

It is foreseen that the Conseil d'État would provide its judgement on the first two dossiers in the autumn of 2012. For the rest, it seems that a decision will arrive in 2013. The proposal of INSEE is to record the impact of the first two dossiers in 2012 (0.2 € billion) and the impact for the rest (4 € billion), once the final decision from the Conseil d'État would be taken, presumably in 2013.

Findings and conclusions

The amounts related to the précompte mobilier and the recording in the accounts will be followed-up by Eurostat once the corresponding decisions by the Conseil d'État will be taken.

b) Impact of the decision on UCITS (Undertakings for collective investments in transferable securities), or OPCVM in its French treatment, (maximum impact= 5 € billion)

Introduction

French UCITS (OPCVM) do not pay taxes on dividends received and redistributed, whereas those with residence abroad are subject to a tax of 25%, representing an amount of around 0.8 € billion each year. From 2008, European UCITS asked for the restitution of this levy.

On 10th of May 2012, a decision unfavourable to France invalidated the current regime and the request of France to limit its effect over time. The amounts claimed currently account for 4.2 € billion, but they could be increased to 5 € billion according to DGFIP, as the deadline for the requests is December 2014.

INSEE makes a difference between "dossier en phase juridictionnelle" and "dossier en phase administrative". The proposed recording would be the following:

- For the "dossiers en phase juridictionnelle", the determinant fact will be the decision of the Court of Montreuil, which would come in 2012. This would lead to a recording of 1.5 € billion in 2012.
- For the "dossiers en phase administrative", complaints may be filed until 2014. If there will be no related judgement, the expenditure in national accounts would be recorded once the decision will be taken by the fiscal services. This would lead to a recording of around 3.5 € billion between 2013 and 2014.

Discussion and methodological analysis

As the deadline for requests is December 2014, there is uncertainty as regards the amounts related to UCITS.

Eurostat and INSEE agreed on the recording foreseen for those files "en phase juridictionnelle", which are conditional on a decision of the Court de Montreuil.

However, Eurostat expressed some doubts for the recording of the files "en phase administrative". In this case, the payments are not conditional on a court decision, but on a decision taken by the fiscal services of the Public administration. Eurostat recalled that the accrual principle should always be applied. This means that the amounts should be recorded once the fiscal services take the decision to pay, and not once the cash is actually paid.

Eurostat asked INSEE to check whether any provisions for this had been recorded in public accounts.

Findings and conclusions

Action point 24³³: Eurostat is currently discussing the time of recording of some transactions in the framework of the FAWG. Once this issue has been clarified, Eurostat will review with INSEE the treatment of the Court decision concerning UCITS (OPCVM) and the time of recording. Deadline: The treatment agreed in the framework of the FAWG should be implemented by the EDP notification April 2013.

- **Others: sale and leaseback operations, carbon trading rights, UMTS, securitisations**

a) UMTS

In the documents provided before the mission, INSEE explained that two procedures for attributing UMTS licences had taken place in 2011, involving 936 and 2 639 million € respectively.

Such transactions have been recorded, as specified in the MGDD, as negative K2 (acquisitions less disposals of non-financial non produced assets) at the time the licences were authorised, namely 2011 and 2012 respectively. INSEE confirmed that no new similar operations were foreseen at that stage.

b) Carbon trading rights

Eurostat asked whether the French government had any intention to make options on carbon trading rights or whether they would still be provided for free. INSEE reported having no precise information on emission permits at that stage, but that the issue would be followed up.

c) Sale and leaseback operations

No sale and leaseback operations have been reported by the French authorities.

Eurostat inquired on the availability of information on sale and leaseback operations at local government level. DGFIP agreed to follow up on this point (see action point 23 above).

d) Securitisation

No securitisation operations have been reported by the French authorities.

e) Claw-back clauses

Introduction

The case of Agence France Domaine was discussed during the last EDP dialogue visit and it was followed-up with INSEE during 2012. Eurostat wondered whether in some cases of sale of prestige buildings owned by government, the "true sale" principle of National Accounts was respected.

INSEE provided the following information:

The disposals by Agence France Domain imply, in most cases, a claw-back clause of variable duration (not exceeding 15 years). No special treatment is currently followed in National

³³ Eurostat clarified the issue of the time of recording in the FAWG in December 2012. The recording of précompte mobilier and OPCVM will be followed-up in the coming April 2013 EDP notification.

Accounts in this respect. According to INSEE, the sale entails a transfer of the economic property: at the time of the sale, the risks linked to the building sold, are transferred to the new owner and, in addition, none of the options provides supplementary revenue to the sale.

In addition, a standard clause was provided by INSEE with the documents prior to the mission.

Findings and conclusions

Action point 25³⁴: *Eurostat is considering presenting a note on claw back clauses in the FAWP.*

5. Other issues

5.1 Task Force (TF) on the implications of Council Directive 2011/85 on the collection and dissemination of fiscal data. Implications for France

Introduction

The TF has met twice since June 2012. A third meeting is foreseen in order to draw final conclusions.

Eurostat asked for the plans of France on the following issues discussed in the framework of the TF:

- Publication of quarterly deficit and debt by Eurostat;
- National publication of monthly and quarterly fiscal data;
- Availability and publication of contingent liabilities and other indicators.

Discussion and methodological analysis

Eurostat recalled that quarterly data on debt are already published by Eurostat and informed INSEE about the coming plans to publish quarterly deficits as well. For EU aggregates, the quarterly deficit will be seasonally adjusted, whereas for individual countries Eurostat will publish the data transmitted by Member States.

The French quarterly financial accounts for general government reported to Eurostat are currently under embargo and Eurostat can only publish them in the fourth quarter of the reporting year. Although France reported improvements on quarterly deficit data, INSEE stated that no decision had been yet taken as regards when to publish the data. INSEE confirmed that the deadline for the Regulation will be respected and that data would be ready for the beginning of 2014. Concerning monthly and quarterly fiscal data, DGFIP is in charge. Currently, central government is covered. Problems were reported for the ODAC, as just quarterly and not monthly data are available. Local government is covered as well and, again, problems exist for the ODAL. Social security and hospitals will also be covered.

³⁴ In the FAWG of December 2012 Eurostat presented a proposal on claw-back clauses in the sales of assets by government units. On the 4th March 2013 Eurostat circulated a questionnaire on the issue and answers are expected until the end of April 2013. Member States will be expected to follow further guidance provided by Eurostat on this issue.

Eurostat informed the French statistical authorities that bridge tables for quarterly and monthly data have been abandoned, as they are not foreseen in the Directive.

5.2 Consistency between EDP tables and ESA95 tables

Introduction

Inconsistencies between EDP tables and ESA tables 2, 25 and 27 were found and discussed in the April 2012 EDP notification. All inconsistencies were corrected in further notifications of ESA tables. However, Eurostat recommends ensuring consistency between EDP data and ESA tables at the time the EDP data are transmitted.

Findings and conclusions

INSEE explained that, in France, EDP data and quarterly data are compiled separately. Part of the inconsistencies can be solved and can be corrected at the time of the EDP notification. However, some inconsistencies cannot be solved and can only be corrected in May, at the time of the publication of the annual accounts.

Action point 26³⁵: INSEE is committed to sending a note explaining the reasons for the remaining inconsistencies between EDP and ESA tables in the April EDP notification. Deadline: EDP notification April 2013.

5.3 Other issues related to ESA95 tables

Findings and conclusions

INSEE was encouraged to contribute regularly with comments to the quality reports addressed by Eurostat after each data transmission.

In addition, Eurostat raised several issues related to ESA tables 2 and 25 and inquired on the plans of INSEE concerning the provision of COFOG level II data.

Action point 27³⁶: Eurostat welcomes the initiative of INSEE of transmitting COFOG level II data. Deadline: December 2012.

5.4 Any other business

- **Implementation of ESA10**

Findings and conclusions

Eurostat inquired on the plans of France concerning the implementation of ESA10. INSEE confirmed that they would publish data nationally according to ESA10 for the first time in May 2014.

Eurostat recalled that data for the EDP notification should be transmitted according to ESA10 only from October 2014 and requires INSEE to send data for the April 2014 EDP notification still in ESA95 terms.

³⁵ In March 2013, INSEE has confirmed that consistency between EDP and all ESA tables is only achieved at the time of the annual national accounts publication, which takes place the 15 May every year. Therefore, inconsistencies should be expected every year in the April EDP notification until the publication at national level takes place.

³⁶ This action point was implemented within the deadline.

- **Pensions reform**

Findings and conclusions

Eurostat inquired on the existence of on-going/potential pension reforms in France. INSEE confirmed to have no information on possible pension reforms that might impact the deficit.

- **Île de Mayotte**

Introduction

The island of Mayotte, which used to have a special status in the past, became an overseas department from 31/03/2011. As the procedure to include this island as Outermost region had started, Eurostat contacted INSEE on 21 February 2012 in order to obtain information on the inclusion of Mayotte in the French GFS. Eurostat understood that data for Mayotte would be integrated in the accounts for 2011.

Findings and conclusions

INSEE confirmed that Mayotte had been taken into account for deficit and debt purposes, but not for GDP and that data for Mayotte are received and treated the same way as for the rest of regions.

ANNEX 1: LIST OF PARTICIPANTS

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