

**Inventory of the methods, procedures and sources  
used for the compilation of deficit and debt data and  
the underlying government sector accounts  
according to ESA2010**

*France*

**October 2016**

## Background

Compilation and publishing of the Inventory of the methods, procedures and sources used to compile actual deficit and debt data is foreseen by Council Regulation 479/2009, as amended.

According to Article 8.1: *“The Commission (Eurostat) shall regularly assess the quality both of actual data reported by Member States and of the underlying government sector accounts compiled according to ESA 95.... Quality of actual data means compliance with accounting rules, completeness, reliability, timeliness, and consistency of the statistical data. The assessment will focus on areas specified in the inventories of Member States such as the delimitation of the government sector, the classification of government transactions and liabilities, and the time of recording.”*

In line with the provisions of the Regulation set up in Article 9, *“Member States shall provide the Commission (Eurostat) with a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts. The inventories shall be prepared in accordance with guidelines adopted by the Commission (Eurostat) after consultation of CMFB. The inventories shall be updated following revisions in the methods, procedures and sources adopted by Member States to compile their statistical data”*.

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States. This version introduces references to the ESA2010 as well as some updates of the relevant topics mirroring the changes introduced by the ESA2010.

## Contents

<b>A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data .....</b>	<b>8</b>
<b>1. General Government.....</b>	<b>8</b>
1.1. Central government subsector (S.1311) .....	8
1.2. State government subsector (S.1312).....	11
1.3. Local government subsector (S.1313).....	11
1.4. Social security funds subsector (S.1314).....	12
<b>2. Institutional arrangements .....</b>	<b>15</b>
2.1. Institutional responsibilities for the compilation of general government deficit and debt data .....	15
2.1.1 Existence of an EDP unit/department.....	18
2.1.2 Availability of resources for the compilation of GFS data.....	18
2.2. Institutional arrangements relating to public accounts.....	19
2.2.1 Legal / institutional framework.....	19
2.2.2 Auditing of public accounts .....	25
2.2.2.1 General government units .....	25
2.2.2.2 Public units, not part of general government.....	28
2.3. Communication .....	29
2.3.1 Communication between actors involved in EDP .....	29
2.3.1.1 Agreement on co-operation .....	29
2.3.1.2 Access to data sources based on public accounts.....	30
2.3.2 Publication of deficit and debt statistics.....	31
2.3.2.1 Publication of EDP data.....	31
2.3.2.2 Publication of underlying government ESA2010 accounts.....	32
<b>3. EDP tables and data sources .....</b>	<b>33</b>
3.1. EDP table 1.....	33
3.1.1 Compilation of Maastricht debt.....	33
3.1.1.1 Specification of debt instruments.....	33
3.1.1.2 Data sources used for the compilation of Maastricht debt.....	34
3.1.1.3 Amendments to basic data sources.....	37
3.1.1.4 Consolidation of Maastricht debt .....	37
3.2. Central Government sub-sector, EDP table 2A and 3B.....	39
2.2.1 Data sources for main Central Government unit : “The State” .....	39
3.2.1.1 Details of the basic data sources.....	45
3.2.1.2 Statistical surveys used as a basic data source.....	48
3.2.1.3 Supplementary data sources and analytical information .....	49
3.2.1.3.1 Supplementary data sources used for the compilation of non-financial accounts .....	49
3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts .....	51
3.2.1.4 Extra-budgetary accounts (EBA) .....	51
3.2.2 Data sources for other Central Government units .....	53
3.2.2.1 Details of the basic data sources.....	56
3.2.2.2 Statistical surveys used as a basic data source.....	58
3.2.2.3 Supplementary data sources and analytical information .....	58
3.2.2.3.1 Supplementary data sources used for the compilation of non-financial accounts .....	58
3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts .....	59
3.2.3 EDP table 2A .....	59
3.2.3.1 Working balance - use for the compilation of national accounts.....	59
3.2.3.2 Legal basis of the working balance.....	59
3.2.3.3 Coverage of units in the working balance .....	60
3.2.3.3.1 Units to be classified outside the subsector, but reported in the WB .....	60

3.2.3.3.2	Units to be classified inside the subsector, but not reported in the WB .....	61
3.2.3.4	<b>Accounting basis of the working balance</b> .....	61
3.2.3.4.1	Accrual adjustment relating to interest D.41, as reported in EDP T2 .....	62
3.2.3.4.2	Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2 .....	63
3.2.3.4.3	Other accrual adjustments in EDP T2 .....	64
3.2.3.5	<b>Completeness of non-financial flows covered in the working balance</b> ...	64
3.2.3.6	<b>Financial transactions included in the working balance</b> .....	64
3.2.3.7	<b>Other adjustments reported in EDP T2</b> .....	65
3.2.3.8	<b>Net lending/net borrowing of central government</b> .....	65
3.2.4	<b>EDP table 3B</b> .....	66
3.2.4.1	Transactions in financial assets and liabilities .....	66
3.2.4.2	Other stock-flow adjustments .....	71
3.2.4.3	Balancing of non-financial and financial accounts, transactions in F.8 ...	72
3.3.	<b>State government sub-sector, EDP table 2B and 3C</b> .....	75
3.3.1	<b>Data sources for State Government unit</b> .....	75
3.3.1.1	Further specifications/comments to the table .....	75
3.3.1.2	Details of the basic data sources .....	76
3.3.1.3	Statistical surveys used as a basic data source .....	76
3.3.1.4	Supplementary data sources and analytical information .....	76
3.3.1.4.1	Supplementary data sources used for the compilation of non-financial accounts .....	76
3.3.1.4.2	Supplementary data sources used for the compilation of financial accounts .....	76
3.3.2	<b>Data sources for other State Government units</b> .....	76
3.3.2.1	Details of the basic data sources .....	77
3.3.2.2	Statistical surveys used as a basic data source .....	77
3.3.2.3	Supplementary data sources and analytical information .....	77
3.3.2.4	Extra-budgetary accounts .....	77
3.3.3	<b>EDP table 2B</b> .....	77
3.3.3.1	Working balance - use for the compilation of national accounts .....	77
3.3.3.2	Legal basis of the working balance .....	77
3.3.3.3	Coverage of units in the working balance .....	77
3.3.3.3.1	Units to be classified outside the subsector, but reported in the WB .....	77
3.3.3.3.2	Units to be classified inside the subsector, but not reported in the WB .....	77
3.3.3.4	<b>Accounting basis of the working balance</b> .....	77
3.3.3.4.1	Accrual adjustments relating to interest D.41, as reported in EP T2 .....	77
3.3.3.4.2	Accrual adjustments reported under other accounts receivable/payable F.8 in EP T2 .....	77
3.3.3.4.3	Other accrual adjustments in EDP T2 .....	77
3.3.3.5	<b>Completeness of non-financial flows covered in the working balance</b> ...	77
3.3.3.6	<b>Financial transactions included in the working balance</b> .....	77
3.3.3.7	<b>Other adjustments reported in EDP T2</b> .....	77
3.3.3.8	<b>Net lending/net borrowing of state government</b> .....	78
3.3.4	<b>EDP table 3C</b> .....	78
3.3.4.1	Transactions in financial assets and liabilities .....	78
3.3.4.2	Other stock-flow adjustments .....	78
3.4.	<b>Local government sub-sector, EDP table 2C and 3D</b> .....	79
3.4.1	<b>Data sources for Local Government main unit: xxx</b> .....	79
3.4.1.1	Details of the basic data sources .....	79
3.4.1.2	Statistical surveys used as a basic data source .....	80
3.4.1.3	Supplementary data sources and analytical information .....	80
3.4.1.3.1	Supplementary data sources used for the compilation of non-financial accounts .....	80
3.4.1.3.2	Supplementary data sources used for the compilation of financial accounts .....	80
3.4.2	<b>Data sources for other Local Government units</b> .....	80
3.4.2.1	Details of the basic data sources .....	82
3.4.2.2	Statistical surveys used as a basic data source .....	84

3.4.2.3	<i>Supplementary data sources and analytical information</i> .....	84
3.4.3	<i>EDP table 2C</i> .....	84
3.4.3.1	<i>Working balance - use for the compilation of national accounts</i> .....	84
3.4.3.2	<i>Legal basis of the working balance</i> .....	84
3.4.3.3	<i>Coverage of units in the working balance</i> .....	85
3.4.3.3.1	Units to be classified outside the subsector, but reported in the WB .....	85
3.4.3.3.2	Units to be classified inside the subsector, but not reported in the WB .....	85
3.4.3.4	<i>Accounting basis of the working balance</i> .....	85
3.4.3.4.1	Accrual adjustments relating to interest D.41, as reported in EDP T2C .....	85
3.4.3.4.2	Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2C .....	85
3.4.3.4.3	Other accrual adjustments in EDP T2C .....	85
3.4.3.5	<i>Completeness of non-financial flows covered in the working balance</i> ....	85
3.4.3.6	<i>Financial transactions included in the working balance</i> .....	85
3.4.3.7	<i>Other adjustments reported in EDP T2C</i> .....	85
3.4.3.8	<i>Net lending/net borrowing of local government</i> .....	85
3.4.4	<i>EDP table 3D</i> .....	86
3.4.4.1	<i>Transactions in financial assets and liabilities</i> .....	86
3.4.4.2	<i>Other stock-flow adjustments</i> .....	87
<b>3.5.</b>	<b><i>Social security sub-sector, EDP table 2D and 3E</i></b> .....	<b>88</b>
3.5.1	<i>Data sources for Social Security Funds main unit : xxx</i> .....	88
3.5.1.1	<i>Details of the basic data sources</i> .....	95
3.5.1.2	<i>Statistical surveys used as a basic data source</i> .....	97
3.5.1.3	<i>Supplementary data sources and analytical information</i> .....	97
3.5.1.3.1	Supplementary data sources used for the compilation of non-financial accounts .....	97
3.5.1.3.2	Supplementary data sources used for the compilation of financial accounts .....	97
3.5.2	<i>Data sources for other Social Security units</i> .....	97
3.5.2.1	<i>Details of the basic data sources</i> .....	98
3.5.2.2	<i>Statistical surveys used as a basic data source</i> .....	98
3.5.2.3	<i>Supplementary data sources and analytical information</i> .....	98
3.5.2.4	<i>Extra-budgetary accounts</i> .....	98
3.5.3	<i>EDP table 2D</i> .....	98
3.5.3.1	<i>Working balance - use for national accounts compilation</i> .....	98
3.5.3.2	<i>Legal basis of the working balance</i> .....	98
3.5.3.3	<i>Coverage of units in the working balance</i> .....	98
3.5.3.3.1	Units to be classified outside the subsector, but reported in the WB .....	99
3.5.3.3.2	Units to be classified inside the subsector, but not reported in the WB .....	99
3.5.3.4	<i>Accounting basis of the working balance</i> .....	99
3.5.3.4.1	Accrual adjustments relating to interest D.41, as reported in EP T2D.....	99
3.5.3.4.2	Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2D .....	99
3.5.3.4.3	Other accrual adjustments in EDP T2D .....	99
3.5.3.5	<i>Completeness of non-financial flows covered in the working balance</i> ....	99
3.5.3.6	<i>Financial transactions included in the working balance</i> .....	99
3.5.3.7	<i>Other adjustments reported in EDP T2D</i> .....	99
3.5.3.8	<i>Net lending/net borrowing of social security funds</i> .....	100
3.5.4	<i>EDP table 3E</i> .....	101
3.5.4.1	<i>Transactions in financial assets and liabilities</i> .....	101
3.5.4.2	<i>Other stock-flow adjustments</i> .....	101
<b>3.6.</b>	<b><i>Link between EDP T2 and related EDP T3</i></b> .....	<b>102</b>
3.6.1	<i>Coverage of units</i> .....	102
3.6.2	<i>Financial transactions</i> .....	103
3.6.3	<i>Adjustments for accrued interest D.41</i> .....	104
3.6.4	<i>Other accounts receivable/payable F.8</i> .....	105
3.6.5	<i>Other adjustments/imputations</i> .....	106

3.7.	<i>General comments on data sources</i> .....	108
3.8.	<i>EDP table 4</i> .....	108
3.8.1	<i>Trade credits and advances</i> .....	108
3.8.2	<i>Amount outstanding in the government debt from the financing of public undertakings</i> .....	108
4.	<b>Revision policy used for annual GFS</b> .....	109
4.1.	<i>Existence of a revision policy in your country</i> .....	109
4.1.1	<i>Relating to deficit and non-financial accounts</i> .....	109
4.1.2	<i>Relating to debt and financial accounts</i> .....	110
4.2.	<i>Reasons for other than ordinary revisions</i> .....	110
4.3.	<i>Timetable for finalising and revising the accounts</i> .....	110
<b>B.</b>	<b>Methodological issues</b> .....	<b>112</b>
5.	<b>Sector delimitation – practical aspects</b> .....	<b>112</b>
5.1.	<i>Sector classification of units</i> .....	<b>112</b>
5.1.1	<i>Criteria used for sector classification of new units</i> .....	113
5.1.2	<i>Updating of the register</i> .....	113
5.1.3	<i>Consistency between different data sources concerning classification of units</i> .....	114
5.2.	<i>Existence and classification of specific units</i> .....	115
6.	<b>Time of recording</b> .....	<b>118</b>
6.1.	<i>Taxes and social contributions</i> .....	<b>118</b>
6.1.1	<i>Taxes</i> .....	118
6.1.2	<i>Social contributions</i> .....	120
6.2.	<i>EU flows</i> .....	<b>122</b>
6.2.1	<i>General questions</i> .....	122
6.2.2	<i>Cash and Schengen facility:</i> .....	124
6.2.3	<i>Jeremie/Jessica</i> .....	124
6.2.4	<i>Market Regulatory Agencies</i> .....	125
6.3.	<i>Military expenditure</i> .....	<b>126</b>
6.3.1	<i>Types of contracts</i> .....	126
6.3.2	<i>Borderline cases</i> .....	126
6.3.3	<i>Recording in national accounts</i> .....	127
6.4.	<i>Interest</i> .....	<b>128</b>
6.4.1	<i>Interest expenditure</i> .....	128
6.4.2	<i>Interest Revenue</i> .....	130
6.4.3	<i>Consolidation</i> .....	130
6.4.4	<i>Recording of discounts and premiums on government securities</i> .....	131
6.5.	<i>Time of recording of other transactions</i> .....	<b>133</b>
7.	<b>Specific government transactions</b> .....	<b>136</b>
7.1.	<i>Guarantees, debt assumptions</i> .....	<b>136</b>
7.1.1	<i>Guarantees on borrowing</i> .....	136
7.1.1.1	<i>New guarantees provided</i> .....	136
7.1.1.2	<i>Treatment of guarantees called</i> .....	139
7.1.1.3	<i>Treatment of repayments related to guarantees called</i> .....	142
7.1.1.4	<i>Treatment of write-offs by government in public accounts of government assets that arose from calls, if any</i> .....	142
7.1.1.5	<i>Data sources</i> .....	142
7.1.2	<i>Guarantees on assets</i> .....	143
7.1.2.1	<i>New guarantees provided</i> .....	143
7.1.2.2	<i>Treatment of guarantees called</i> .....	144
7.1.2.3	<i>Treatment of repayments related to guarantees called</i> .....	145

7.1.2.4	Treatment of write-offs.....	145
7.1.2.5	Data sources .....	145
<b>7.2.</b>	<b>Claims, debt cancellations and debt write-offs.....</b>	<b>146</b>
7.2.1	New lending .....	146
7.2.2	Debt cancellations .....	148
7.2.3	Repayments of claims.....	150
7.2.4	Debt write-offs .....	151
7.2.5	Sale of claims .....	151
<b>7.3.</b>	<b>Capital injections in public corporations .....</b>	<b>152</b>
<b>7.4.</b>	<b>Dividends .....</b>	<b>154</b>
<b>7.5.</b>	<b>Privatization.....</b>	<b>155</b>
<b>7.6.</b>	<b>Public Private Partnerships .....</b>	<b>157</b>
<b>7.7.</b>	<b>Financial derivatives .....</b>	<b>162</b>
7.7.1	Types of derivatives used .....	162
7.7.2	Data sources .....	162
7.7.3	Recording.....	163
<b>7.8.</b>	<b>Payments for the use of roads.....</b>	<b>163</b>
<b>7.9.</b>	<b>Emission permits .....</b>	<b>164</b>
<b>7.10.</b>	<b>Sale and leaseback operations .....</b>	<b>165</b>
<b>7.11.</b>	<b>Securitisation.....</b>	<b>165</b>
<b>7.12.</b>	<b>UMTS licenses.....</b>	<b>166</b>
<b>7.13.</b>	<b>Transactions with the Central Bank.....</b>	<b>167</b>
<b>7.14.</b>	<b>Lump sum pension payments.....</b>	<b>169</b>
<b>7.15.</b>	<b>Pension schemes.....</b>	<b>170</b>

**Annex I – list general government units**

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

## **A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data**

This chapter provides a summary description on the general government sector components and specifies institutional responsibilities and basic data sources used for EDP tables and for the compilation of general government national accounts. Special attention is given to EDP tables: detailed description of components of the working balance and the transition into B.9 (net lending/net borrowing); compilation of Maastricht debt and of stock-flow adjustments; explanation of the link between EDP table 2 and 3, balancing process and statistical discrepancies.

### **1. General Government**

This section describes the coverage of the General Government sector and the sub-sectors for France.

The general government sector is composed by 3 sub-sectors: S.1311, S.1313 and S.1314. It includes:

#### **1.1. Central government subsector (S.1311)**

*- Central budgetary organisations (ministries, central offices and organisations established and/or managed by ministries or other central authorities)*

Central government constitutes a single institutional unit within the national accounts, which includes the functions of executive power (presidency, government and ministries), legislative power (parliament) and judicial power (courts).

The central government subsector (S.1311) consists of:

**a – General Budget (S.13111)**

The general budget is the law by which central government annual revenue and expenditure are planned and authorised.

**b – Special Accounts (S.13112)**

The special accounts were originally created to trace simple movements of provisional funds. Because of their flexibility, they are very often used to override certain budgetary constraints, especially the rule of budgetary universality. They can be particularly useful in managing public wealth. Revenue from privatisation in France is therefore no longer found in the general budget, where it might finance central government current expenditure. For several years it has been assigned directly to capital allocations to public-sector firms and to reducing public debt via a special Treasury account (special purpose account no. 902-24 “products of title transfers, stocks and corporate duties”), with a view to managing constant public wealth.

**c - Annex Budgets (S.13113)**



Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

These are general government services which are not corporations and which produce goods or services resulting in a payment.

In the 2017 Draft Budget Law, only two annex budgets remained: “Air control and exploitation”, “Official publications and administrative information”. An annex budget can only be created and have revenue allocated to it via the Budget Law.

d – Real Treasury transactions (S.131114)

These transactions are recorded only under general accounts (as opposed to budget accounts), but they have an impact on the national accounts. They include in particular cancellations of debts to foreign governments (D991) and accrued interests not yet due recorded in trading account 903 “State debt and cash management”.

e – Public Authorities (S.131115)

In 2011, four of these were incorporated within central government: the National Assembly, the Senate, the Presidency of the Republic and the Constitutional Council.

f – Funds considered as bodies controlled by central government (S.131116).

These funds are mainly managed by the CDC (Deposit and Consignment Office) and were created in 2010 to implement the Major Loan scheme (or Investment for the future).

- *Other central organisations (please detail and indicate the number of institutional units covered, e.g. under universities, hospitals, etc.)*

Central agencies (ODAC) include bodies that generally have legal status and a complete set of accounts, whose activities are at national level and financed by the State in specialist areas (teaching, research, culture, social and economic action). Most of them are usually described as “State operators”. Controlled and mainly financed by the French state, the activity of these bodies is mainly non-trade.

There are about 700 ODAC units (of which almost 450 are State operators), with a wide range of different legal statuses. They may be:

- public institutions of an administrative or scientific and cultural, or industrial and commercial nature;
- public institutions of a scientific, technical and industrial nature;
- public institutions of a scientific, cultural and vocational nature (Universities and higher education vocational establishments);
- public corporations;
- semi-public companies;
- public services with accounting autonomy;
- private bodies with predominantly public funding (these are for the most part associations under the “1901 Law”).

State operators are bodies that are separate from central government, they are corporate bodies, with a public or private legal status and which meet the following three cumulative criteria:

- They contribute to a public service mission where the policies are defined by the State;
- They are funded for the most part by the State (subsidies, fiscal resources): they may have a trade activity, but this should be in the minority within their activities overall;

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

- They are controlled directly by the State, which has a guardianship role over the operator. State control is not only economic and financial, but also strategic.  
In fact, 92% of State operators are national public institutions.

The list of units classified in the ODAC sub-sector is provided in the annex.

Normally, one would expect public institutions of an industrial and commercial nature (EPIC) not to be classified with public administrations, but with companies (S.11 or S.12) since, according to their status, they are assumed to be involved in trade activity. However, when the rules of national accounting are applied, especially the rule whereby 50% of revenue covers production costs, then a certain number of EPIC are classified as ODAC. There are a few significant examples in the field of culture (Cité de la Musique, Cité des Sciences et de l'Industrie, national theatres, etc.), in economic intervention (OSEO as head of group, national offices for agriculture); the National Centre of Space studies (CNES), the Atomic Energy Agency (CEA) and, since the mid-1990s, *Charbonnages de France* (mining sector, dissolved on 1 January 2008) are also classified as ODAC.

In the national accounts, the ODAC are grouped together according to function, using COFOG (Classification of the functions of government). Some examples of ODACs grouped according to the ten functions are as follows:

1. General services: CNRS (National Centre for Scientific Research), INED (National Centre for Demographic Studies), IRD (Institute of Research for Development), CNES, etc.
2. Defence: Institute of Higher National Defence Studies, etc.
3. Public order and security: (little significance)
4. Economic affairs: AMF (Financial Markets Regulator), IGN (National Geographic Institute), INRA (National Institute for Agricultural Research), CEA (Atomic Energy Agency), IFP (French Petroleum Institute), ONIC (National Interprofessional Office of Cereals), OSEO (public industrial and commercial organisation), CDR (Council for Development and Reconstruction) and EPFR (Public Funding and Restructuring Establishment), Météo France (Meteorological Office), Charbonnages de France, etc.
5. Protection of the environment: 8 national parks, coastal conservation, etc.
6. Housing and town planning: ANAH (National Agency for the Improvement of Housing)
7. Health: Regional Hospitalisation Agencies, Institute for Health Monitoring, CMU fund (universal health insurance), etc.
8. Leisure, culture and religion: theatres (Opera, Comédie Française, Odeon...) and national museums (Louvre, La Villette, Versailles...), National Library, Académie Française, CIDJ (Information for Young People), etc.
9. Education: Universities and public *Grandes Ecoles*, CNAM (National Conservatory of Arts and Trades), IUFM (Primary Teacher Training Colleges), etc.
10. Social protection: Solidarity fund, FNAL (National Housing Assistance Fund), etc.

## 1.2. State government subsector (S.1312)

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

- *State budgetary organisations (state offices and organisations established and/or managed by state offices or other state authorities)*

Not applicable.

- *Other state organisations (please detail and indicate the number of institutional units covered).*

Not applicable.

### **1.3. Local government subsector (S.1313)**

- *Local budgetary organisations (regional offices, town councils, regional councils, municipalities, etc)*

Local authorities include:

- Local authorities with general jurisdiction (municipalities, departments, regions), including annex budgets.

- Public inter-municipal cooperation establishments (EPCI) with their own tax system (urban communities, conurbation communities, communities of municipalities, new township syndicates) and without their own tax system (inter-municipal syndicates), and also utilities which do not have sufficient autonomy to be a separate institutional unit.

These bodies are created either to extend the financial base to several municipalities in order to fund infrastructure work or to manage or some public services (utilities).

Despite being decentralised for several decades, the administrative organisation in France maintains an accounting and financial link between local authorities and the Treasury (hence with central government).

Each local authority must have:

- a Treasury account,

- its own revenue and expenditure account maintained by a Treasury accountant.

Article 26-3 of the Organic Law of 1 August 2001 relating to finance laws (LOLF) establishes the principle of depositing local authorities' funds and those of their public institutions exclusively with central government.

In national accounting, local authority accounts (main budgets and annex budgets, urban communities, etc.) are grouped together and consolidated.

- *Other local organisations (please detail and indicate the number of communities/municipalities)*

These include institutional units with specialist skills, and with varying degrees of independence from the local authorities, but which in principle have sufficient decision-making autonomy and full accounts. The following bodies are classified as ODALs (miscellaneous local administrative bodies):

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

- Non-market units of municipalities and departments: municipal centres for social action (CCAS), local school funds (CDE), departmental fire and rescue services (SDIS), etc.;
- Units responsible for town and country planning are often based on central government, but with local funding: SAFER (land development and rural settlement companies), public institutions for the development of new towns (EPVN), EPAD (local development, La Défense), etc.;
- Cultural associations funded by local authorities: municipal theatres, local cultural centres, etc.;
- Consular bodies: chambers of commerce and industry, chambers of trade, chambers of agriculture;
- Local public educational establishments: public high schools and middle schools, where management and building are financed by the regions and departments (excluding teachers' salaries, which are paid directly by the State).

In contrast, utilities with legal personality (transport, etc.) are classified as non-financial enterprises (S.11). The same is the case for public industrial and commercial establishments (EPIC), such as public social housing offices (HLM), public housing offices (OPAC), municipal savings banks, syndicates responsible for supplying water and sanitation.

The four overseas departments and regions (Guadeloupe, Martinique, Guiana and Reunion Island) form part of the resident territorial authorities in the French economic territory and are hence in the APUL sub-sector (local government). In 2011, Mayotte became the fifth overseas department.

The overseas collectivities on the other hand (Wallis and Futuna, St Pierre and Miquelon) and overseas authorities (Polynesia and New Caledonia) are classified in the "rest of the world" sector (S.2).

#### **1.4. Social security funds subsector (S.1314)**

*- Health insurance companies, if part of S.1314*

Social security regimes cover social risk and needs, as described in the list published in ESA2010, § 4.84, and give the right to receive social benefits.<sup>1</sup> They include bodies with a complete set of accounts whose activity consists of paying social benefits, and whose main resources derive from compulsory social contributions, the rates of which are fixed or approved by general government. These are therefore public social insurance schemes, operating under the control of general government. Also classified here are funds that contribute directly to financing these schemes.

In this sub-sector we therefore find social security funds that are governed by the French Social Security Code, but also supplementary retirement schemes with a specific status, and that part of the *Pôle Emploi* (employment agency) accounts which corresponds to unemployment insurance (ex-UNEDIC, National Inter-Professional Union for Employment in Industry and Commerce).

<sup>1</sup> See also the definition of social insurance in Annex IV "Insurance" of SNA93 and in Annex III of ESA95.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

The general government social insurance schemes are made up of:

- The social security general scheme (S.131411):
  - National Health Insurance Fund for Salaried Workers (CNAMTS),
  - National Family Allowance Fund (CNAF),
  - National Old-Age Insurance Fund for Salaried Workers (CNAVTS),
  - Central Agency of Social Security Bodies (ACOSS),and other bodies coming under the general regime.
- Special funds (S.131412), which pay social benefits and are funded by shares of contributions or taxes from social security funds, or which contribute to funding schemes:
  - Mutual Fund for Accidents at Work and Compensation Fund for Asbestos Workers,
  - Social Service for Old-Age Benefits,
  - Old-Age Solidarity Fund,
  - Various funds dealing with retirement,
  - Social Debt Amortization Fund (CADES)
  - Pension Fund Reserves (FRR)
- Other basic schemes for salaried workers (S.131413): special schemes for companies and public establishments, Agricultural Social Mutual Fund (MSA) for agricultural workers, etc.
- Schemes for non-salaried workers (S.131414), which include the independent workers' scheme (RSI) and the Agricultural Social Mutual Fund (MSA) for farm operators.
- Unemployment benefit scheme (S.131415): Employment agency, ex-UNEDIC, and the various Associations and agencies (AGS, AGCC, ASF) which top up unemployment benefit (early retirement, etc.).
- Complementary old-age insurance schemes for salaried workers (S.131416): ARRCO, AGIRC, IRCANTEC, etc.
- *Pension funds, if part of S.1314*  
Not applicable.
- *Other social security institutions, if relevant (e.g. unemployment, sick leave, disablement, state pension, surviving spouse, child allowance, etc.)*

Among the ODASS (Agencies depending on social security funds) are classified institutional units that participate in public social welfare systems – obviously without being “schemes” in the same sense as described in the previous paragraph – and which are closely linked, including financially, with social security funds: these are units that participate in the public health systems and which are mainly non-market producers (otherwise they would be classed outside general government).

For the most part, these are public hospitals, also non-profit-making private hospitals which participate in the public hospital service (called PSPH), and where the service and funding are mostly not controlled by market criteria. Private clinics, on the other hand, are classed as corporations (S.11). Schools of nursing within hospitals and university teaching hospitals

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

(CHU), which are not separate institutional units, are included with public hospitals classed as ODASS.

Lastly, social work incorporated into social security bodies is also included in the ODASS, although it is managed separately (like the social work carried out by the CNAF and the CNAMTS), also the Technical Agency for Hospital Information (ATIH, created in 2002) to implement the programme for the medicalisation of information systems (PMSI).

Thus the ODASS sub-sector (S.13142) includes:

- S.131421: Public hospitals,
- S.131422: Social work incorporated into social security bodies,
- S.131423: Technical agency for Hospital Information.
- S.131424: Employment agency (excluding unemployment insurance)

Further details relating to practical aspects of sector classification for individual units into general government sector could be found in Chapter B, section 1.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

## 2. Institutional arrangements

This section provides general information on institutional arrangements relating to the production and dissemination of government deficit and debt statistics:

- responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by ESA2010 Transmission Programme;
- institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;
- general overview about bookkeeping system used by public units, internal quality checks and external auditing;
- communication between individual national authorities involved in EDP;
- publishing of deficit and debt statistics.

### Legal basis for the compilation of GFS and EDP data

Please specify if there is a special national law referring to the collection and compilation of fiscal data and GFS (e.g. some provisions set in the Constitution, financial/ budget bill or a separate statistical use).

There is not a special national law referring to the collection and compilation of fiscal data and GFS.

### 2.1. Institutional responsibilities for the compilation of general government deficit and debt data

This section describes institutional responsibilities for compilation of Government Finance Statistics (national accounts for general government and EDP tables). Further related information is described in section 2.3 Communication.

National accounts data for general government are transmitted to Eurostat<sup>2</sup> via the following tables (see the related EU legislation)<sup>3</sup> :

Table 2 – Main aggregates of general government (annual data)

Table 6 – Financial accounts by sector (annual data)

Table 7 – Balance Sheets for financial assets and liabilities (annual data)

Table 801 – Non-financial accounts by sector (quarterly)

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector (annual data)

Table 11 – Expenditure of General Government by function (annual data)

Table 25 - Quarterly Non-financial Accounts of General Government

Table 26 – Balance sheets for non-financial assets (annual data)

Table 27 – Quarterly Financial Accounts of General Government

Table 28 – Quarterly Government Debt (Maastricht Debt) for General Government

<sup>2</sup> <http://ec.europa.eu/eurostat/web/government-finance-statistics/data/main-tables>

<sup>3</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:174:0001:0727:EN:PDF>

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables<sup>4</sup>.

**Table 1. - Institutional responsibilities for the compilation of general government national accounts and EDP tables**

<b>Institutional responsibilities</b> <i>(the appropriate cells are crossed)</i>		<b>NSI</b>	<b>MOF</b>	<b>NCB</b>	<b>Other</b>	
<b>Compilation of national accounts for General Government:</b>						
<b>Nonfinancial accounts</b>	annual	x	x			
	quarterly	x	x			
<b>Financial accounts</b>	annual	x	x	x		
	quarterly	x	x	x		
<b>Maastricht debt</b>	quarterly	x	x	x		
<b>Compilation of EDP Tables:</b>						
<b>EDP table 1</b>	actual data	deficit/surplus	x			
		debt	x			
		other variables	x			
	planned data	deficit/surplus		x		
		debt		x		
		other variables		x		
<b>EDP table 2 (actual data)</b>	2A central government		x			
	2B state government		x			
	2C local government		x			
	2D social security funds		x			
<b>EDP table 3 (actual data)</b>	3A general government		x			
	3B central government		x			
	3C state government		x			
	3D local government		x			
	3E social security funds		x			
<b>EDP table 4</b>		x				

*NSI - National statistical institute including units subordinated to the NSI (the latter is to be specified in comments)*

*MOF – Ministry of Finance/Economy including units subordinated to the MOF (to be specified in comments)*

*NCB – National Central Bank*

*Other – other national body, to be specified in comments*

4

[http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/excessive\\_deficit/edp\\_notification\\_tables](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/excessive_deficit/edp_notification_tables)



Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

1. *Provide official names of the institutions involved, in national language and in English*  
NSI: Institut national de la statistique et des études économiques (INSEE) - National Institute of Statistics and Economic Studies

MOF:

- Direction Générale des Finances Publiques (DGFIP) – General Directorate for Public Finances

- Direction Générale du Trésor (DGTrésor) - General Directorate of the Treasury

NCB: Banque de France (BdF) – Banque de France

2. *Explain who does what and provide further specifications in case:*

- *more than one institution is involved in compilation of the table*

- *different institutions compile data in April and in October*

- *different years are compiled by different institutions*

*Provide further details when relevant.*

In general:

- INSEE is responsible for interpreting the ESA and all new regulations coming from Eurostat. It is also responsible for validating and monitoring the processes used to produce the financial and non-financial accounts of general government.

- The DGFIP is responsible for monitoring public accounting standards. It is also responsible for collecting accounting information, for transferring individual data into the national accounts (using the method approved by INSEE), transmitting data to INSEE.

- The BdF is responsible jointly with its partners for the financial accounts of general government. It is also involved in preparing data on annual and quarterly debt.

- The DGTrésor is associated with preparing the April notification, especially in relation to forecasts.

3. *Specify which unit and institution gives a "final" approval of EDP data before sending to Eurostat.*

INSEE is responsible for sending the EDP notification to Eurostat.

4. *Specify how EDP tables are transmitted to Eurostat: by which national institution, officially, signed, only via electronic form,...Is an affidavit regularly attached to the EDP data?*

The notification tables are prepared by INSEE, based on information transmitted by the DGFIP, the DGTrésor and the BdF. They are thus the responsibility of INSEE, which sends them to Eurostat via Edamis and, for the first version (April Notification), in a paper version signed by Insee's Director. In the following exchanges with Eurostat, if tables are to be updated, they are transmitted via Edamis and are sent by email.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

### 2.1.1 Existence of an EDP unit/department

1. *Mention if a single unit/department responsible for EDP notification exists in your country. Please specify the institution (NSI, NCB, MoF, other?).*

Within INSEE, the National Accounts Department is responsible for EDP notification.

2. *Detail to whom the EDP unit reports, in which department/directorate is the EDP unit in the organigramme of the institution. Please provide a copy of the organigramme of the institution (in annex to the inventory).*

The National Accounts Department is in the *Direction des études et synthèses économiques* (DESE). EDP notification is validated by the different hierarchical levels (Head of the National Accounts Department, Director of DESE, Director-General of INSEE).

The organisation chart of the Head Office can be found at the following address:

<https://www.insee.fr/fr/information/1892173>

3. *Detail what are the (legal?) duties of the staff in the EDP unit:*

*a) are the duties only referring to EDP issues, or*

*b) also to compilation of general government non-financial and/or financial accounts (e.g.: -only fills in the EDP tables, without making any adjustment?*

*- fills in EDP tables and make some adjustments;*

*- compiles the government non-financial accounts and fill in EDP tables;*

*- compiles government financial accounts and fill in EDP tables;*

*- other situation.)*

The team in charge of EDP notification is also responsible for preparing and validating the annual non-financial and financial accounts of the public administrations.

4. *If there is no EDP unit, mention this and describe under section 2.1 above (Institutional responsibilities) the process how the EDP tables are compiled.*

Not applicable.

### 2.1.2 Availability of resources for the compilation of GFS data

*If a question from this section has been answered elsewhere, please provide a reference to the relevant section.*

1. *Describe organisation and responsibilities within the NSI in terms of compilation of GFS (EDP data and national accounts for general government - annual and quarterly data).*

Within the National Accounts Department at INSEE, there are two divisions involved in government finance statistics (GFS): the General Accounts Division (preparation of the annual accounts for general governments, preparation of the quarterly and annual debt, compilation of the EDP notification) and the Quarterly Accounts Division (preparation of general government quarterly accounts – excluding debt).

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

2. *Provide organisation chart and indicate the number of staff working in GFS.*  
10 people work on GFS.

3. *Indicate briefly to what extent is the staff involved in GFS compilation occupied also by the arrangements relating to data sources for government units (designing of the questionnaires, processing of statistical questionnaires, processing of public accounts, checking and analysis of data sources, etc.)*

The people working on GFS are involved in the analysis and/or validation of the source data.

4. *Indicate whether the same staff is involved into providing of data upon requests of other international and national organizations. Provide short details.*

The people working on GFS transmit data to other organisations (OECD, IMF, etc.).  
Examples: participation in the “G20 data gap initiative”, GFS data transmitted to the IMF (with the collaboration of Eurostat).

5. *Provide further related information when relevant.*

## 2.2. Institutional arrangements relating to public accounts

Generally, “public accounts” are basic source data for GFS compilation, i.e. EDP tables as well as annual and quarterly accounts for general government. Public accounts are used by public units and refer to accounting records and relating accounting outputs (e.g. financial statements) based on the accounting framework defined by a national legislation. This section provides a general overview on institutional responsibilities relating to public accounts. Further details on public accounts for individual government subsectors are described under relevant sections on data sources and EDP tables.

### 2.2.1 Legal / institutional framework

*Explain briefly for each sub-sector the legal framework relating to public accounts:*

1. *Specify if there is a general legal basis regulating the compilation of public accounts and the accounting rules.*

#### **Central government**

The preparation of government accounts is regulated by the LOLF (Organic Law on Finance Laws), promulgated on 1 August 2001, and which came into force in the 2006 financial year.

The Decree of 29 December 1962, setting out the general rules for government accounting, determines the scope of its application and sets the basic principles.

#### **Central agencies (ODAC)**

##### ***Legal basis***

A certain number of national public institutions, classified as ODACs for the purposes of the national accounts, produce accounts according to the accounting framework and to standards from an instruction known as M9 or according to secondary standards, which

result from applying the rules of the general chart of accounts (PCG). These instructions, established by the Directorate for Public Accounts on 1 August 1958, have been updated annually since then, and reviewed extensively, especially in 1962 and 2002, and most recently in 2012. Adjustments have been necessary, however, to retain the traditional role of accounting in terms of budget execution, and to take into account the specific and often administrative functions of the different institutions.

The accounting framework set out by instruction M 9 corresponds to general accounting. All national public institutions have an accountant.

However, some entities classed as ODACs follow specific charts of accounts, or even the general chart of accounts (standard chart of accounts applied by private companies).

### **Local government (APUL)**

Local authorities have legal personality, with their own resources and powers and thus have administrative and financial autonomy within the framework of the law and under central government supervision.

The Law of 2 March 1982 changed supervisory authority over local authorities into a supervision of legality, which could be carried out by the Prefect, and which was now under the authority of the administrative judge. The constitutional revision of 28 March 2003 confirmed the principle of free administration which was already enshrined in the Constitution. According to Article 72, “According to the conditions set out by the law, these authorities freely administer their own laws via elected assemblies and have a regulatory power to exercise their authority”. The principle of free administration, a principle that is enshrined in the Constitution, is binding on legislators and all administrative authorities. It is included in the General Code for Local Authorities.

For local authorities the principle of financial autonomy is granted by the Constitution (Article 72-2). The financial autonomy of local authorities is designed as an aspect of the principle of free administration in budget and tax matters. It was defined legally only by the Law of 29 July 2004, after being included in the Constitution with the 28 March 2003 revision.

The various bodies that fall into the APUL category apply a specific chart of accounts defined by the following accounting instructions:

- M14 for municipalities and public inter-municipal cooperation establishments (S.131311);
- M52 for departments (S.131312);
- M71 for regions (S.131313);
- M61 for departmental fire and rescue services (S.13132SDIS);
- M832 for centres managing the territorial civil service (S.13132CFPT);
- M4 for local industrial and commercial public services (S.13132);
- M9 for other categories of ODAL (S.13132).

These instructions define both the chart of accounts and the way it is put into operation.

### **Social Security funds (ASSO)**

### PCUOSS social security funds

Law no. 96-138 of 22 February 1996 institutionalised Parliamentary control, via the Draft Bill on Social Security Financing (PLFSS), which is discussed every autumn. The aim is to oversee changes in revenue and expenditure, using the unified Chart of Accounts for Social Security Bodies (PCUOSS).

1) The PCUOSS is used by all bodies managing benefits, i.e. the general social security scheme and most of the special schemes, including the direct compulsory schemes for employer contributions. This chart of accounts combines the two features of being:

- Accrual based, including the flows and outstanding amounts relating to the financial year (calendar year), so that a sequence of non-financial and financial accounts can be created, with flows and assets.
- Accounting of rights and obligations, applying the principle of recording operations on an accruals basis.

2) The Social Security audit committee, as provided by the Social Security Code, meets before the debate in Parliament to examine the previous year's accounts for the general scheme and the special funds, also the estimated accounts for the current year, as follows:

- Presided over by the Minister responsible for Social Security, and chaired by a permanent general secretary appointed by the Minister, the committee includes representatives from Parliament, from the Economic and Social Council, from the Court of Audit, the administration and social partners (trades unions and professional organisations).

- It meets twice a year to examine a report drawn up by the Social Security Directorate of the Ministry of Health: the first meeting is held between 15 April and 15 June to examine the general scheme accounts, and the second meeting is between 15 September and 15 October to examine the accounts of all the compulsory social security schemes. It therefore looks at two reports on the Social Security accounts: one provisional report in spring and a final report in autumn.

Regarding health insurance expenditure, a "National objective for health insurance expenditure" (ONDAM) has been set every year since 1997 through the Budget Law, to curb the increase in expenditure by the basic schemes (general health care, payments to health establishments and to the medico-social sector). These objectives were strengthened by the health insurance reform of August 2004: a watchdog committee was set up and expenditure voted according to sub-budgets.

### Hospitals

For public hospitals, accounts are drawn up according to a standard chart of accounts. This is based on the general chart of accounts provided by amended regulation no. 99-03 of 29 April 1999 of the Accounting Regulation Committee concerning entries in the general chart of accounts, annexed to the Order by the Ministry for the Economy, Finance and Industry of 22 June 1999. This is accounting classification M21.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

From 2005, pricing per activity (T2A) was put in place, using common references for all health establishments, hospitals and clinics applying the accounting rules

2. *What kind of bookkeeping systems are used by government units and public corporations (cash, accrual, integrated data sources, etc)? Provide a reference to the related section of the inventory, where more detailed information could be found.*

Within government administrations, records of the source data are in cash-based accounting for central government but are by accrual for the ODACs, local government and social security funds.

### **Central government**

Within general government the public accounts of the General Budget and the Special Accounts have been under general accounting (accrual-based) and budgetary accounts (cash-based) since the application of the LOLF.

For Annex Budgets, Public Authorities and funds controlled by central government, accounts are not held by the DGFIP, but accounts for year  $n$  are incorporated from the beginning of year  $n+1$  and recorded under general accounting.

### **Central agencies (ODAC)**

Accounts for ODACs are compiled using accrual accounting.

### **Local government (APUL)**

Regarding APULs, the three levels of territorial authority have made changes to the way they present their accounts, to resemble business accounting, especially in terms of asset value. Their standards are now based on the State general chart of accounts (full accrual accounting, amortisation of asset renewal, provisioning for debt repayment, etc.).

### **Social security funds (ASSO)**

*The unified chart of accounts for social security bodies (PCUOSS)* is applicable to all bodies managing benefits, the general scheme and most of the special schemes, including the direct compulsory schemes for employer contributions.

Recording operations using the accrual method means:

- For social contributions: recording amounts at the time when the compensation on which the contribution is based becomes due (and not when the contribution is actually paid).
- For social benefits: recording amounts at the time when the right to the benefit is established, or, because of health risks, at the time when the care and the medical goods are provided (and not when cash payments are actually made). Thus the principle is the same for social security repayments and for daily sickness benefits, the date when the care is given is when it is recorded using the accrual-based method.

*Standard M21* applicable to hospitals is maintained using accrual accounting in a standard framework based on the general chart of accounts, and respecting its main principles.

3. *Specify if accounting records and evidence of all public units are regularised by a related national legislation.*

In general:

- In 2012, the *New Decree on Budget Management and Public Accounting* (GBCP) defined the rules for budget management and public accounting based on a similar notion of general government to that used in the terms of the European ESA regulations. These rules are intended to:

- apply to structures and bodies that are financed for the most part by public funding;
- make it possible to implement a multi-annual strategy for public finances, defined within this perimeter;
- apply the principles of truth and fairness to general government accounts, as provided for in Article 47-2 of the Constitution.

- The *Public Sector Accounting Standards Board* (CNoCP), created by the amendment to the Finance Law of 30 December 2008, is a consultative body reporting to the Ministry of Public Accounts, in charge of accounting standardisation for public bodies exercising non-market activities and financed for the most part from public resources, especially from the tax burden.

Within its scope are general government and bodies that depend on the State, local authorities and local public institutions, Social Security and assimilated bodies. This extension in scope compared with the previous Committee for Public Accounting Standards, which was responsible for standardising the French general government accounts, can be justified by the need to define an accounting standardisation policy that is consistent for all government administrations within the terms of the European ESA regulations.

The CNoCP gives an early opinion on regulations which include provisions relating to accounting for those bodies that are within the scope of its competence. The board also proposes new provisions by submitting opinions which are approved in the form of orders by the ministries concerned. The opinions of the Public Sector Accounting Standards Board are made public. The board also participates in discussion on accounting standardisation at national and international levels, in particular by contributing to consultations by the IPSAS Board.

For sub-sectors that differ in some way from this general framework, details are provided below.

**Central government**

Within central government, the keeping of accounts is governed by the Decree of 29 December 1962 concerning the General Budget, Special Accounts and Annex Budgets.

**Local government (APUL)**

For the APULs, budget presentation complies with the four main principles of budgetary law (annuality, unity, specification and universality), to which is added the principle of sincerity (see Article 47-2 of the Constitution Law of 23 July 2008).

## Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

Territorial authorities are subject to the principle of real balance in their expenditure and revenue by section (functioning and investment) in accordance with Article L.1612-4 of the General Local Authority Code.

Preparing the local budget is the responsibility of the local executive (Mayor, President of the General or Regional Council) and its adoption, after a budget debate, is approved by the deliberative assembly. Execution is monitored by the authorising officer and the accountant, whose responsibilities are defined in the Decree of 29 December 1962 on the general regulations of public accounting. The authorising officer, elected by the authority, is the initiator and the decision-maker regarding expenditure or revenue; the accountant (agent of the General Directorate of Public Finances), because he has a monopoly over the holding and use of public funds, is the only person authorised to collect revenue and pay expenses, and is liable personally and financially before the auditing judge. Usually, the accountant keeps the authority's accounts and checks that payments are made regularly. He also monitors the budgetary regularity of the actions of the authorising officer.

### **Social security funds (ASSO)**

- PCUOSS was created pursuant to Decree no. 2001-859 of 19 September 2001, amended by Decree no. 2005-1771 of 30 December 2005. It is updated by the Accounts Standing Committee set up according to II of Article D. 114-4-3 of the Social Security Code.

An annual circular, disseminated by the Social Security Directorate and the Department of Financial Social and Logistical Affairs, each one dealing separately with their respective matters, provides comments and interpretation and describes how to apply the single chart of accounts used by social security bodies.

- The M21 standard was created pursuant to the Order of 30 October 2006 relating to the M21 budget and accounting statement for public health establishments. The Director General of Public Finances and the Director of Hospitalisation and the Organisation of Care are individually responsible for the execution of this Order, which was published in the Official Journal of the French Republic.

#### *4. Explain which institution and unit/units are responsible for:*

- *bookkeeping standards used by public units,*
- *designing of financial statements,*
- *data collection and processing,*
- *internal quality and consistency checks and validation (not external auditing)*

these responsibilities lie with:

- The DGFIP for public accounting standards;
- The BdF, DGFIP and INSEE for financial accounts drawn up according to ESA;
- The DGFIP for gathering the main information and all bodies (INSEE, DGFIP, DGTrésor, BdF) for the smooth running of the process of compiling the accounts according to their respective responsibilities;

The DGFIP for the quality of upstream data and INSEE for validating and checking the quality of the information transmitted to Eurostat.



Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

5. *Specify any foreseen changes in terms of bookkeeping system used by public units.*

Since 2012, the general government accounts have been kept and viewed using a new tool called CHORUS.

## 2.2.2 Auditing of public accounts

### 2.2.2.1 General government units

1. *Are accounts of **all** units, which are included in the general government sector according to ESA2010, audited? If not, specify which units are not audited.*

The general government accounts and also those for the general scheme social security funds are audited by the Court of Audit. In France, unlike the other major countries in the European Union, local authorities are not obliged to have their accounts certified. However, there is now a tendency for a growing number of authorities to have their accounts certified by an independent body.

#### **Central government**

More precisely, the government accounts have been audited and certified by the Court of Audit since financial year 2006 (see Article 58-5 of the LOLF). The central government balance communicated to the certifying body includes everything within the scope of central government as described above.

#### **Central agencies (ODAC)**

For almost 150 of the ODACs, and especially the universities, there is a legal provision stipulating that certification of their accounts by an external auditor is compulsory. Fewer than 10 of them have voluntary certification in accordance with the standards for private accounting.

#### **Local government (APUL)**

In France, unlike the other major countries in the European Union, ***local authorities are not obliged to have their accounts certified***. However, there is now a tendency for a growing number of authorities to have their accounts certified by an independent body.

In the future, there may be an experiment in voluntary certification by local authorities. This would concern the largest authorities, with budgets in excess of a certain threshold; it would further improve the quality and reliability of their accounts, give a better understanding of their assets, their financial situation and their commitments and would also encourage them to put internal monitoring tools in place.

Monitoring of local authorities transactions is a ***review of legality***, retrospective and ***limited by jurisdiction*** (administrative jurisdictions have sole competence to cancel a transaction that is unlawful).

***Monitoring local finances*** is carried out, at administration level, by the prefectural services and takes the form of a review of legality and budget control, and also by administrative tribunals to which any citizen can apply (take illegality proceedings) and by the Prefect (prefectural appeal introduced in 1982) if any illegality is detected.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

If the rules for managing the accounts are not respected (e.g. the rule of balance is not respected in the case of unreliable forecasts), the Prefect refers the matter to the Regional Chamber of Auditors.

Local finances are also monitored by the Regional Chambers of Auditors, created by the Decentralisation Law of 2 March 1982. The powers of these jurisdictions are defined by the law and are also given in the Code of Financial Jurisdictions, Articles L. 211-1 *et seq.* They have a three-fold competency in terms of control over local finances: budgetary control, jurisdictional control, to ensure the conformity of operations by the public accountant, and management control, which monitors quality and the consistency of local authority management.

***Monitoring execution of the budget*** is also carried out by the public accountant.

The General Directorate of Public Finances (DGFIP), for its part, has implemented a policy to monitor and ***improve the quality of local accounts*** since 2006.

In addition to this quality control of local accounts, the DGFIP also carries out audits. These include ***internal audits*** to ensure that standards are being complied with (audits of regularity, accounting and financial audits). Through the audit, the quality of internal control can be assessed.

#### **Social security funds (ASSO)**

Article L. 111-3-1 A of the Code of Financial Jurisdictions (CJF), as amended by Article 62 of Law no. 2011-900 of 29 July 2011 on finances amended for 2011 stipulates that, “The Court of Audit ensures that the accounts of general government are regular, sincere and give a true image of the result of their management, their assets and their financial situation, either by certifying the accounts itself, or by reporting the quality of the general government accounts to Parliament, although without certifying them”.

According to the terms of Article L. 132-6 of the CJF as amended by the aforementioned Article 63 of Law no. 2011-900, “Certification reports for general government accounts that are legally required to be certified must be sent immediately to the Court of Audit, which will produce a summary, on the basis of which it will deliver an opinion as to the quality of these general government accounts. This opinion is transferred to the Prime Minister, to the Ministry of the Budget and to the presidents of the parliamentary assemblies”.

#### **For the general scheme**

Since 2006, the Court of Audit draws up a report every year, summarising the checks it has carried out in order to certify “the regularity, sincerity and reliability of the accounts of the national bodies in the general scheme and the combined accounts from each branch, and the collection activity of the general scheme compared with the last financial year for which accounts were closed. This is done in accordance with the provisions of Book I of the Social Security Code.” (Art. LO 132-2-1 of the Code of Financial Jurisdictions).

#### **For hospitals**

Certification of the accounts of certain public health establishments is included in the Law on hospitals, patients, health and local territories (HPST) of 21 July 2009. The smooth running of this audit process depends on ensuring the reliability of the accounts beforehand, which is the primary aim of this project. This concerns all public health establishments.

*For the other funds* (complementary retirement schemes, etc.)

Monitoring is carried out by auditors in conditions that follow the requirements of the directive. In addition, an internal control mechanism, as stipulated in the Social Security Code, is coming into general use in all social security schemes. There are specific arrangements to deal with FRR, CADES, the employment agency, AGIRC and ARRCO.

These certification trajectories all focus on the development of internal monitoring in accounting and more broadly on the fact that this is an environment of risk control.

2. *What is the subject and coverage (scope) of auditing? Are **all flows and all accounts** of the unit audited, e.g. also those which are outside the budget, if any (e.g. so called extra-budgetary accounts)? If not, specify further what is not audited.*

The Court of Audit certifies all general government accounts, also the general social security scheme.

In the case of central government and ODACs, certification covers all accounting. The same is true for the general social security scheme.

Alongside these bodies which are audited by the Court of Audit or by independent auditors, there are a certain number of other systems put in place internally by the body in question or by other State departments (the Ministerial Budget and Accounts Examiner of the Ministry of Finance, the General Economic and Financial Inspectorate, the State Participation Agency (APE)).

3. *When does the auditing of the accounts take place?*

Certification of accounts with data referring to year  $n-1$  is carried out by the Court of Audit at the latest by 30 June of year  $n$ .

#### **Central government**

The balance for central government is given to the Court of Audit at the end of February in the following year.

#### **Central agencies (ODAC)**

In the case of ODACs, closure of the accounts for year  $n-1$  is set for 31 March of year  $n$ . The certification reports from the auditors are available before the Board meeting that approves the accounts. Generally, the bodies concerned can then centralise their accounts in the data warehouse between this date and the beginning of May.

#### **Social security funds (ASSO)**

For the general scheme funds, certification is carried out by the Court of Audit (since 2006). In June of year  $n$  it deals with the accounts for year  $n-1$ . The other social security

## Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

funds are certified by external auditors (since 2008), audit reports are available before the Boards meet to approve the accounts (between June and September).

### *4. When are the results available to GFS compilers?*

Once the Court of Audit has produced its certification report, its potential impact on the accounts is incorporated as soon as possible.

### *5. When are the audit reports published and where (e.g. via internet)?*

Certification by the Court of Audit of accounts based on data relating to year  $n-1$  is completed by 30 June of year  $n$  at the latest.

The audit reports for central government accounts by the Court of Audit are made public in June of the following year (25 May 2016 for financial year 2015).

In the case of the ODACs, closure of the accounts for year  $n-1$  is on 31 March of year  $n$ . Reports produced by the auditors are available before the Board meeting to approve the accounts. Generally, the bodies concerned can then centralise their accounts in the data warehouse between this date and the beginning of May.

For ASSOs:

- audit reports for the general scheme are published on the Court of Audit website
- audit reports for other units, which are carried out by independent auditors, are published on the website of each unit.

### *6. Specify if these audit reports include also a risk analysis and relevant details, e.g. on payables, contingent liabilities.*

### *7. Please attach as an annex to the inventory, a list of government units and/or groups of units, indicating names of the relevant auditing authorities (at least those auditing the main units), scope of auditing, when and where are audit reports publicly available in internet.*

### 2.2.2.2 Public units, not part of general government

There is no specific rule regarding audit of public corporation. The accounts of the largest public corporations are audited by private auditors, the opinion of auditors being published in corporations annual financial reports. And, punctually, the Court of Auditors may produce reports on specific units (for example on SNCF Reseau which is a public corporation) but these reports are less accounting audits than reports on the efficiency of the public policies pursued through these public corporations.

### *1. Are accounts of all units, which are included in the public corporation sector according to ESA2010, audited? If not, explain which units are not audited.*

### *2. Which auditing authority is responsible for auditing of accounts of public corporations - please indicate the case when a national court of auditors is dealing also with auditing of public corporations (e.g. railways), if any.*

### *3. What is the subject and scope of the auditing? Are **all flows and all accounts** of the unit audited? If not, explain further what is not audited.*

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

4. *When does the auditing of the accounts take place?*
5. *When are the results available to GFS compilers?*
6. *When are the audit reports published and in which web address?*
7. *Specify if these audit reports include also a risk analysis and relevant details, e.g. on payables, contingent liabilities.*

## 2.3. Communication

### 2.3.1 Communication between actors involved in EDP

#### 2.3.1.1 Agreement on co-operation

1. *Explain how is the co-operation between actors involved in EDP organised.*

In general:

- INSEE is responsible for implementing the ESA and all new rules issued by Eurostat. It is also responsible for validating and monitoring production processes for general government financial and non-financial accounts.
- The DGFIP is responsible for monitoring public accounting standards. It is also responsible for collecting accounting information, for transferring individual data into the national accounts (using the method approved by INSEE), and transmitting data to INSEE
- The BdF is responsible jointly with its partners for the financial account of general government. It is also associated with preparing data relating to the annual and quarterly debt.

2. *Indicate if there is any official agreement on co-operation / memorandum of understanding signed by national authorities involved in GFS compilation, delivery of related data sources etc. If yes, who signs the agreement? How often is the agreement reviewed and updated? The attachment of the agreement to the Inventory would be appreciated.*

There are agreements between:

- INSEE and the DGFIP;
- INSEE and the BdF.

They are signed by the respective Directors General of the three institutions. They are amended as required by the addition of a supplementary clause.

3. *Provide further details on the responsibilities established in the official and/or unofficial agreement.*

The respective responsibilities of the three institutions (INSEE, DGFIP and BdF) are clearly set out in the agreements. For example, in the agreement signed with the DGFIP, responsibilities are set out regarding:

- setting the timetable (INSEE);
- interpreting accounting standards (ESA) and dissemination (INSEE);
- monitoring public accounting standards (DGFIP);
- data production (DGFIP and INSEE);

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

- archiving data (DGFIP and INSEE).

4. *Explain how the co-operation is organised in practice – task forces, working groups, at official and/or unofficial level, what kind of issues are discussed, how often does a group meet, who initiates meetings, are reports, minutes prepared.*

Several meetings are scheduled every year:

- Meeting to present the definitive (n-3) and semi-definitive (n-2) accounts at the end of January of year (n) (INSEE, DGTrésor);
- Launch meeting for provisional accounts (n-1) (INSEE, DGTrésor, DGFIP);
- Meeting to present provisional accounts (INSEE, DGTrésor, DGFIP);
- Debriefing meeting for provisional accounts (INSEE, DGTrésor on the one hand and INSEE, BdF on the other).

Minutes are produced for these meetings.

In addition, there are very frequent exchanges between members of the different teams working on the general government accounts (by phone, e-mail or actual meetings).

5. *Explain what data are requested and received by the NSI, and/or provide references to tables/sections in the inventory.*

The DGFIP provides all upstream data (accounting and non-accounting data).

The BdF transmits amounts for financial leasing and assesses the amount of coinage in circulation.

INSEE collects and produces supplementary statistical information (finance leases, agricultural subsidies, production of software for own final use, etc.).

6. *Can the NSI have a role / is consulted in public accounts - designing of financial statements, timeliness, coverage of units? Describe.*

INSEE does not strictly speaking have a role to play in the public accounts. However, it is kept informed of all changes that may require adjustments to be made in the processing of data for the national accounts.

7. *Specify any foreseen changes in responsibilities of institutions and/or departments involved.*

No changes in the responsibilities of the different institutions are planned in the short term.

### 2.3.1.2 Access to data sources based on public accounts

1. *Explain in which forms/means are public accounts data for individual units/groups of units delivered to national statistical authorities: on paper, in electronic format (excel, pdf, word?), another means, combined? Please specify.*

## Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

Source data for the public accounts (General Budget, Special Accounts, Annex Budgets and Public Authorities) are produced using the CHORUS accounting software (based on SAP). Extractions from this data warehouse provide accounting data in .csv or .xls format. For the funds (CDC funds relating to the National Loan and other funds controlled by central government), detailed accounting data for each fund are communicated directly by the account holder in paperless format (.xls).

For the other sub-sectors, accounting data can be obtained in digital formats from the DGFIP data warehouses.

The public accounts are then transmitted by e-mail to INSEE and/or the Banque de France and/or the Treasury, or by secure FTP server, in electronic format (Excel or SAS files).

2. *Mention if the source data used for EDP data compilation is "certified" by a signature of the responsible government institution?*
3. *The public accounting of all general government unit is carried out by a public accountant (for more details by subsectors please see chapter 2.2.2 Auditing of public accounts). Do statistical authorities have also access to public accounts databases, i.e. to a database of the Treasury, Ministry of Finance, etc? If yes, specify the coverage of units in the database and the level of details: aggregated, individual – in terms of coverage units as well as flows/stocks.*

INSEE has access to the public accounts (aggregated and individual data) via the DGFIP. The DGTrésor also receives aggregated and individual data needed to produce the provisional accounts for year n-1.

4. *If data are available via different means (paper, electronic form, database, etc.), specify if all these are consistent. Indicate if the details, main aggregates and/or balancing items are fully identical in different documents.*

Not applicable (only one means of transmission).

### 2.3.2 Publication of deficit and debt statistics

#### 2.3.2.1 Publication of EDP data

1. *Please detail when EDP figures are published at national level in spring and autumn (April?) and (October?). Please indicate if data are published by other institution than the NSI. By which institution?*

Data in the April EDP notification are published by INSEE at the end of March. There is no specific publication in October, only an update if necessary of the data shown on the INSEE website, Insee.fr.

2. *Please detail which EDP tables are published nationally. If the EDP tables are not published as such, please give the list of relating categories published: B.9, Gross consolidated debt (total and/or by instruments), D.41, other information- detail. Indicate also period.*

## Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

The EDP tables are not published as such. Non-financial accounts are published by institutional sub-sector (including interests payable D.41), consolidated debt by sub-sector and by instrument, the transition from the result of budgetary implementation to the deficit within the meaning of Maastricht (equivalent to table 2A). : <https://www.insee.fr/fr/statistiques/2383670?sommaire=2383694> .

3. *Please specify if any explanatory notes on the notified actual EDP data are regularly or occasionally published. By which institution?*

A very brief INSEE publication called “*Information rapide*” accompanies the publication of figures at the end of March every year. For example, the publication for 31 March 2016 can be found here: <https://www.insee.fr/fr/statistiques/2011368>

4. *If data are published before official validation and publication by Eurostat, indicate if the final/amended version of EDP data is always published nationally, in case of any changes after the assessment (by Eurostat) process.*

If changes are made during the question/answer process with Eurostat, they are incorporated when the full national accounts are published on 31 May.

### 2.3.2.2 Publication of underlying government ESA2010accounts

1. *Regarding national accounts for general government and ESA2010 Transmission Programme tables, please explain briefly what and when is published.*

General government accounts are published on 31 May by sub-sector. The information is equivalent to that found in ESA tables 2, 9 and 11.

2. *Indicate also if any metadata and/or other related explanatory documents are published and provide a www link.*

Methodologies are made available on the INSEE website to help understand the tables that are given:

<https://www.insee.fr/fr/statistiques/2383672?sommaire=2383694>



### 3. EDP tables and data sources

This section reports on availability and use of basic data sources for the compilation of national accounts and EDP tables, by general government subsectors and main units/groups of units. It also aims at describing adjustments to basic data source in order to compile ESA2010based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

#### 3.1. EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation<sup>5</sup>: net borrowing(-)/net lending(+)(B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (D.41) .

This section focuses on Maastricht debt only. A detailed description of B.9 calculation and data sources for individual subsectors is covered under section 3.2.

##### 3.1.1 Compilation of Maastricht debt

###### 3.1.1.1 Specification of debt instruments

*1. Provide details and relevant specification separately for each Maastricht debt instrument AF.2, AF.331, AF.332, AF.41 and AF.42 (e.g. details on different debt instruments issued by government, valuation of individual debt instruments for individual units/groupings of units, maturities, creditors, interest rates inside and outside government, etc.).*

###### **AF21: Coinage**

In France, coins are minted by the Treasury and appear as a State liability. This liability corresponds to the total amount of coins put into circulation by the Banque de France.

###### **AF22 and AF29: Deposits**

Deposits by correspondents with the Treasury appear as a State liability in F22 and F29. Most are transferable deposits F22. The rest are classified in F29 and correspond for the most part to funds deposited by APULs or ODACs in term deposit accounts.

###### **AF31 and AF32: Securities other than shares**

*S.13111*: Securities are issued by Agence France Trésor (AFT), the French Treasury agency. The amount issued is fixed the previous year by the Budget Law. The AFT issues short term securities (less than one year) called BTF (fixed-rate discount Treasury bonds) and long-term securities, which are like bonds; BTAN (Treasury bonds with annual interest) with maturities of two to five years, and OAT (fungible Treasury bonds) with maturities of seven to fifty years. Since the end of the 1990s, the AFT has issued OATs indexed to the price index. The

<sup>5</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2014:069:0101:0101:EN:PDF>

issue value of a bond indexed according to an index coefficient (revised daily) is adjusted to obtain its redemption value (hence its nominal value).

No information on creditors is provided through the government accounting data. The consolidation of securities is through data transmitted by creditors within the scope of general government.

S.13112: Since the reclassification of CADES (social debt amortisation fund) into S.1314 with the 2005 base and the end of the SPPE (Corporation for State Equity Holdings), only CNA (Caisse nationale des autoroutes) and SAGESS (Société anonyme de gestion des stocks de sécurité) issue debt securities in this subsector, mostly long-term.

S.1313: local authorities may issue securities on the financial markets. However, this is not an option they often use, as they prefer loans: only the regions, and certain departments, municipalities or groupings of municipalities (urban communities, etc.) opt to issue long-term securities, for example in the context of a single issue. However, this type of funding remains rare as the vast majority of local governments have not reached the critical size needed to be able to issue securities.

S.1314: Several social security bodies issue negotiable debt instruments:

- The main one is CADES, which issues Treasury bills (short term), EMTN (Euro Medium Term Notes) and bonds (including bonds indexed to French price indices or the Eurozone). About one third of these issues are in foreign currency.
- Hospitals and UNEDIC also issue short-term and long-term securities.
- ACOSS may issue Treasury bills (F31).

#### **AF41 and AF42: short-term and long-term loans**

S.13111: in the financial accounts, EFSF issues are incorporated in the Maastricht debt of contributing countries. In addition, commitments to pay rents to non-financial enterprises within public-private partnerships are also recorded as long-term loans.

S.13112: loans and advances agreed by the State to the ASP (Service and Payment Agency) are posted as loans. Other bodies such as universities, the CEA (Atomic Energy Agency), the CDP (Public Debt Fund), the ANR (National Research Agency), the CNC (National Centre for Cinema and the Moving Image) and the CNRS (National Centre for Scientific Research) take out loans from banks.

S.1313: loans taken out by local government are also from banks. Loans, like any securities that they may issue, go towards investment expenditure.

S.1314: loans taken out by social security funds are also from banks. Processing the IEG (Electricity and Gas Industries) balancing payment required a long-term loan being recorded under liabilities for the FRR (Pension Fund Reserve) and assets for the CNAV (National Old-Age Insurance Fund) (see below).

#### **3.1.1.2 Data sources used for the compilation of Maastricht debt**

1. *Provide a detailed description of data sources used for the compilation of Maastricht debt and of the availability of other data sources, by subsectors and further by groups of units/big units (particular attention is to be given to the state/federal budget).*

The main source for calculating the Maastricht debt is public accounting for the different subsectors: central government, ODAC, APUL and ASSO. Further data are also drawn from:

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

2. *Specify institutional responsibilities for individual data sources, by subsectors and main units/groupings of units: data collection, verification, calculations of components.*

The DGFIP is responsible for data collection and INSEE is in charge of validating these data.

3. *Timelines - specify for each data source, when data are available.*

Accounting data relating to debt are available for quarterly publication at D+90 days. Eurostat data on the EFSF are available monthly.

4. *Describe data sources that may be used specifically in the context of the first notification. If actual data are not available for the **April EDP notification**, specify who makes estimations and explain in detail how these are made.*

The accounts that are not available for the April notification do not make any significant contribution to the Maastricht debt. No estimation is therefore necessary for the debt, unlike for the non-financial account.

5. *Detail the steps in the revision process of data, after the first notification.*

S.13111: The State account is fully covered from the time of the April notification (including the CDC funds linked with investments for the future) and the methods used to produce the annual account are very similar to those used for the quarterly accounts.

To calculate the State debt, we use an accounting balance taken from the CHORUS data warehouse. This is supplemented by data provided by the AFT (French Treasury Agency) which is in charge of managing State debt and cash position. The monthly situation of the State (SME) published by the DGFIP (CE1A department "Production and Validation of Accounts") can be used for checks.

The State debt is revised very little from one version of the accounts to another.

S.13112: For the April notification, the accounts of the ODACs are based on data collected from the main bodies that contribute to the public debt (ASP – Service and Payment Agency, SPPE – Corporation for State Equity Holdings, EPFR - Public Funding and Restructuring Establishment, CDP – Public Debt Fund). In 2015, the debt of those bodies that were monitored in the provisional accounts represented 87,5% of the debt of the ODACs, with the 4 largest bodies accounting for 80,9%.

The data used to calculate the Maastricht debt derive from the accounting balances centralised in the DGFIP data warehouses.

When the provisional accounts are notified, the data from some of the smaller ODACs may be missing. Because they are small, data is used from the previous year. Later revisions to the semi-definitive and definitive accounts include these missing data. However, there are always

very few revisions made to the debt of the ODACs within the meaning of Maastricht, because of the low levels of indebtedness in this sub-sector.

S.1313: The local government account is based on that of the local authorities, where data collection is quasi-exhaustive for the main budgets as from the April notification. Thus all departments and regions, municipalities and groupings of municipalities with tax-levying powers are covered. The population missing from the April notification is to be found mainly in the ODAL (miscellaneous local government bodies) and local authority annex budgets. These represent less than 1% of the total population of the APUL.

Later revisions to the semi-definitive and definitive accounts are small in scale and are linked either to the increase in population between the provisional and semi-definitive accounts, or to revisions made to the source data.

Data used to calculate the Maastricht debt are taken from the accounting balances centralised in the DGFIP data warehouses.

S.1314: the social security funds account is produced from centralised computerised data for the accounts of eleven funds, including the general scheme and the MSA (Agricultural Social Mutual Fund). For ACOSS (Central Agency of Social Security Bodies), UNEDIC (National Inter-Professional Union for Employment in Industry and Commerce), CNSA (National Solidarity and Autonomy Fund), ERAFP (French Public Service Additional Pension Scheme), FRR (Pension Fund Reserve) and CADES (SOCIAL DEBT AMORTISATION FUND), the DGFIP collects information from these bodies directly. Lastly, data from public hospital accounts are collected almost exhaustively. Bodies monitored for the April notification accounted for 99.5% of the debt in 2010. The main contributors are ACOSS, CADES, UNEDIC, MSA and hospitals, which accounted for 99% of the debt in 2010.

Data used to calculate the Maastricht debt is taken from the accounting balances centralised in the MCP (Accounts Standing Committee) within the DGFIP data warehouses which cover eleven funds altogether, including the general scheme and the MSA. This system is supplemented by the collection of debt flows directly from UNEDIC, ACOSS, CADES, AGIRC and ARRCO. Lastly, public hospital accounts are collected almost exhaustively via the CCI data warehouse.

For the April notification, data for the social security funds are not exhaustive and the accounting information is not definitive. It may be revised at a later date.

### 3.1.1.3 Amendments to basic data sources

1. *Specify any deviations in terms of valuation of debt for individual GG units, etc.*
2. *Detail sources of information for the adjustments relating to transactions in debt instruments that are not valued at the nominal (face) value of the instrument, for each government sub-sector.*
3. *Provide sources of information used for the adjustments relating to a change in nominal debt that does not result from a transaction (other change in volume), for each government sub-sector.*
4. *Indicate any amendments of data using counterpart information.*
5. *Specify methodological adjustments: guarantees, debt assumption, financial leasing, etc.*
6. *Specify the use of financial accounts/balance sheets and the links between financial accounts/balance sheets and data on stocks of debt and on changes in debt, as reported in EDP tables.*

The Banque de France provides details on fiduciary money F21: with this information and using data from the DGFIP on the amount of coinage delivered to the Banque de France by the Treasury, it is possible to measure the amount of coinage put into circulation, in accordance with ESA.

Information on financial leasing is also provided by the Banque de France as the DGFIP does not include acquisition by financial leasing in its accounts. Financial leasing data are obtained via the Unified Financial Reporting System (SURFI).

Changes in methodology may be made jointly by INSEE and the Banque de France concerning the division into short term/ long term.

Regarding changes in volume, the same sources are used as for transactions. The accounting data are usually sufficiently detailed to be able to isolate them.

Securities indexed against the consumer price index produced by the State (OATi for prices in France and OAT€ for prices in the Eurozone) or by CADES (CADESi) are recorded at their repayment value and not at their nominal value (issue price). The conversion from nominal value to repayment value is carried out with an indexing coefficient updated daily.

### 3.1.1.4 Consolidation of Maastricht debt

1. *Provide, when relevant, details on intra and inter-flows and positions - what units/groups of units are involved, what instruments, etc.:*
  - *within central government*
  - *within state government*
  - *within local government*
  - *within social security funds*

2. Describe available sources of information used for the consolidation of debt and the valuation of holdings at the level of each government sub-sector (intra-flows and positions) and at the level of general government sector (inter-flows and positions).

3. Comment consistency of basic data on consolidation, when relevant:

- within central government
- within state government
- within local government
- within social security funds
- between subsectors, within general government

4. How do you solve problems with inconsistencies in data on consolidation?

5. Do you amend data due to consolidation of flows used from a counterpart subsector?

If yes, explain further and specify whether

- the amendments impact debt or possibly B.9 and/or B.9f on the GG subsector or sector level (e.g. due to debt assumption).
- specify how are these amendments reflected in financial and possibly in non-financial accounts (for the latter, i.e. due to debt cancellation, debt assumption, etc.)
- how do you ensure that consolidation is consistent in FA and NFA, when relevant (e.g. due to time of recording).

### **Consolidation within S.1311**

#### - Consolidation between S.13111 and S.13112

The State has a special account to grant loans to ODACs, and especially to the Service and Payment Agency (ASP) (via the 821 programme included in the mission “loans and advances granted to various State agencies or bodies managing public services”); other loans are granted by the State to ODACs within the General Budget framework. Conversely, ODACs place their cash surpluses on their Treasury correspondent accounts.

In 2007, the incorporation of the SAAD (Special Account to Amortise SNCF Debt) in public debt resulted in a corresponding debt that mirrored the SAAD being recorded under State government liabilities (F42 – long-term credits) and under the Public Debt Fund (CDP) assets, where the CDP is the ODAC that acts as intermediary in this arrangement.

#### - Consolidation in S.13111

Consolidation concerns deposits on Treasury accounts up to €300 million by agencies and establishments included in S.13111.

### **Consolidation within S.1313**

Local authorities grant each other long-term loans, mainly via skills transfer, investment projects, Treasury support measures, etc.

### **Consolidation within S.1314**

- The transfers of ACOSS debts to CADES can be traced in the financial accounts, but do not constitute a receivable owed to CADES by ACOSS.

- Processing associated with the IEG balancing payments is as follows: in 2005 the CNIEG paid a balancing payment of €3.1 billion to the CNAV, which transferred management to the FRR. This resulted in a long-term loan being entered under FRR liabilities and under CNAV assets.

#### **Consolidation between S.1311 and S.1313**

- APULs must hold and deposit funds on their Treasury correspondent accounts.
- APULs hold securities other than shares (F3) issued by the State (this is an exemption agreed by the State with the obligation to deposit funds on their Treasury accounts). Consolidation for short-term securities (F31) as well as for long-term securities (F32) is done from accounting data from the CCI data warehouse, i.e. from declarations made by local government accounting officers.
- Loans are granted by the State to APULs via Treasury special accounts or in the form of Treasury advances.

#### **Consolidation between S.1311 and S.1314**

- Social security bodies, especially special funds such as CADES and FRR, hold bonds issued by the State. Information on these holdings is obtained from creditors' accounting data.
- At the end of the year, the State purchases Treasury notes from ACOSS, when its cash levels are low, to sell them back at the beginning of the following year.

In a good number of cases, the charts of accounts used by the DGFIP are sufficiently detailed to be able to code the counterpart sector. Consolidation of securities issued by the State can only be done by processing the accounting data of creditors within the scope of general government. If there is any doubt, the accounting officers of the bodies concerned are contacted.

When there is a discrepancy in consolidation data between creditors and debtors, the information from the creditor is given priority. The most important instances are deposits by ODACs, local government and social security funds with the Treasury: data from the creditors are used to find out the amounts of liabilities the State must consolidate.

### **3.2. Central Government sub-sector, EDP table 2A and 3B**

Information provided in this section refers to data sources available for the Central Government (S.1311), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1311, and explains the adjustments made in order to comply with ESA2010.

#### **2.2.1 Data sources for main Central Government unit : “The State”**

This section describes data sources available and used for compilation of national accounts and EDP tables for the main Central Government unit:

- Basic data sources
- Complementary data sources used for the purpose of special ESA2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

1. *Specify what does the main central government unit, as reported in the working balance of EDP T2A, refer to.*

The central government sector (= SIS.13111) comprises:

- General Budget;
- Special Accounts;
- Annex Budgets;
- Real Treasury transactions;
- Public authorities;
- Funds controlled by central government.

In budgetary accounting, the data available from the CHORUS data warehouse are those from the General Budget and the Special Accounts. For expenditure, these data give the object (budget programme, action, sub-action) and the nature of the expenditure (LOLF category). For revenue, the data give the nature of this revenue. For support funds, we have the title of the fund and some information on the third party with whom the payment originated and on the receiving Ministry. These data are used to determine operations on goods and services (when possible with the product code and the counterpart sector to the transaction) and calculate the B.9A.

For the Annex Budgets and the Public authorities, the CE1A “Production and Validation of Accounts” Department of the DGFIP incorporates an accounting balance per entity in the CHORUS data warehouse at the beginning of the next financial year. These balances are used to code operations on goods and services (when possible with the product code and the counterpart sector to the transaction) and for the B.9A.

The accounting data for funds controlled by central government for year  $n$  are also incorporated into the CHORUS data warehouse at the beginning of year  $n+1$ . More detailed information for each fund is also used by the DGFIP (internally or *via* the CDC (deposit and consignment office)), to determine operations on goods and services (when possible with the product code and the counterpart sector to the transaction) and for the B.9A.

While the accounting data described above are used to code operations on goods and services, some amounts are treated as financial operations (see below). Adjustments are made to source data accounting (for the budget balancing part) to be used for accrual accounting (see below).

The accounting balance for central government includes all the State sub-sectors. It is used to code financial operations (with the counterpart sector for certain transactions) and to determine the B.9B.

2. *Complete table 2*

- *Column 1 - indicate for each available data source (even if not used) accounting basis (cash, or accrual, or mixed)*
- *Column 2 - indicate for each available data source (even if not used) periodicity: monthly, quarterly, annual, or other – the latter to be specified in comments.*
- *Column 5, item (9) - if other than the listed data source is available and used, indicate in the table*



- *Column 3 - indicate in days, approximate time of availability of the first, preliminary annual results for the previous year T-1 for each available data source (even if not used). For example, if the first, preliminary data are available on 10 March, indicate "T+70".*
- *Column 4 - indicate for each available data source (even if not used) how many months after the end of the reporting year T-1, the final annual results are available. For example, if the final data are available in September, indicate in column 4 "T+9".*
- *Column 6, 7 and 8 – cross those cells, referring to basic data source used for compilation of the WB, B.9 and B.9f, respectively. In case combination of several data sources is used, all relevant cells should be crossed.*

*This table refers mainly to basic data sources and not to supplementary, analytical data sources used for the purpose of special ESA2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, adjustments of the structure of inflows and outflows, etc). The latter is described in the dedicated section.*

**Table 2 – Availability and use of basic source data for the main central government unit**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+55	T+7	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
A	Q	T+55	T+7	(4) Balance sheets			
				<b>Financial Statements</b>			
A	A	T+150	T+7	(5) Profit and loss accounts			
A	A	T+150	T+7	(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
A	Daily	T+12	T+5	(9) Other: accounting balance			x

**For Annex Budgets (two accounting balances)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
A	A		T+5	(5) Profit and loss accounts			
A	A		T+5	(6) Balance sheets			
A	A		T+5	(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
A	A	T+35	T+5	(9) Other: Accounting balance	x	x	x

**For Public Authorities (four accounting balances)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
A	A		T+5	(5) Profit and loss accounts			
A	A		T+5	(6) Balance sheets			
A	A		T+5	(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
A	A	T+60	T+5	(9) Other: Accounting balance	x	x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

*Explain information from table 2:*

1. Column 1 - provide further specification on accounting basis, if needed, in particular for a mixed accounting basis used for WB or B.9 and B.9f.
2. Column 2 – if there is “Other” periodicity, to be specified.
3. Column 3, item (9) - if other than the listed data source is available and used, indicate in the table and provide specifications in comments. Additional rows might be added.
4. Provide an explanation in the case for the **April EDP notification**, compilation of the WB, or B.9 or B.9f is based on different data sources. In such cases, explain how estimations are made and by which institution.
5. Indicate cases when non-financial B.9 is calculated using the data on financial transactions (i.e. non-financial B.9 = B.9f).
6. Indicate if data used for financial accounts and B.9f compilation differ from those used for compilation of transactions reported in EDP T3.
7. Explain the reasons for not using the available accounting reports and criteria for choosing one of them (consistency with data sources used in other sub-sectors, accrual basis, etc.) if two different accounting reports are available for the same unit.

### 3.2.1.1 Details of the basic data sources

#### *Data sources used for compilation of national accounts*

*This section should refer to the source data used for calculation national of accounts for the main entity.*

*Recall whether data reported in the WB are also used for B.9 calculation. If not, recall which source data is used for national accounts and B.9 compilation.*

The working balance that follows closure of the complementary period (around 12 January of year *n*) incorporates the General Budget and the Special Accounts: this is the one used by the DGFIP.

Based on the accounting data from the budget accounting (General Budget and Special Accounts), some operations are treated as financial operations and account for the difference between the working balance and B.9A:

- compensation for repatriated French citizens: These sums correspond to central government's debt towards repatriated citizens. In fact, these amounts have already been debited through the Compensation Laws of 1970, 1978 and 1987.

- compensation AFD (French development agency) Dakar (see 3.2.1.3.1).

- participation in international bodies: these take the form of the issuance of Treasury bills, which the beneficiaries draw on according to their cash requirements.

- unused structural funds: this corresponds to the gap between revenue and expenditure cancellations.

- treatment of dividends in financial operations (see 7.4).

- Special Accounts operations. In some cases, all operations in a Special Account are posted as financial operations (or the operations are not included in the national accounts): advances to various central government services or bodies managing public services, advances to public broadcasting, loans to foreign States, loans and advances to individuals or to private bodies, operations with the International Monetary Fund, exchange gains and losses.

In addition, adjustments are made to budgetary data for the purposes of accrual accounting:

- savings incentives (see 3.2.1.3.1): budgetary execution is adjusted by the amount of expenditure incurred, provided by the DGTrésor.

- discrepancy in respect of the API (One Parent Benefit): adjusted according to the amounts in the CNAF account (the benefit is now treated in a third party account).

- discrepancy in respect of the AAH (Disabled Adult Benefit): adjusted according to the amounts in the CNAF account (the benefit is now treated in a third party account).

- discrepancy in accounting over exemptions from social contributions: adjusted according to information from the social security fund sector.

- discrepancy in respect of AME (State Medical Aid): adjusted according to the amount provided by CNAMTS.
- taxes based on taxpayer list (see 6.1.1).
- time lag in TICPE: adjusted according to information available in general State accounting.
- time lag in VAT: adjusted according to calculations by DGTrésor. VAT received at the beginning of year  $n+1$  is associated to revenue for year  $n$ . In return, VAT received in  $n$  is subtracted, in respect of  $n-1$ .
- relief on local taxes (see 3.2.1.3.1).
- occasional adjustments: this is the case, for example for some of the expenditure made for the Major Loan scheme (or investments for the future) in 2010, or for staggering receipts of payment for guarantees granted by the State to the SFEF.

*Explain which level of detail of information is available:*

- *by unit, and by category of transaction/instrument*
  - *by groupings of units, and by category of transaction/instrument*
  - *aggregated for the whole subsector, by category of transactions/instrument*
  - *by unit and for aggregated data*
  - *by groups of units, and for aggregated data*
  - *for the whole subsector, and for aggregated data*
- Those operations detailed above are in General Budget and the Special Accounts sent by DGFIP: we have details on each correction for table 2A. If we need more information by instrument or category of transactions we can ask to DGFIP.

*Report on details in the available basic data sources for the purpose of national accounts compilation:*

*1. distinguishing of flows of units classified in different sectors, subsectors that are to be excluded from calculations, when relevant*

We have information in public accounts and can thus exclude flows that should not be recorded. If any doubt exists about some operations, we can ask for more details from the unit accountant.

*2. details in codification for the purpose of distinguishing of non/financial versus financial flows,*

In public accounts, we have information to distinguish non-financial or financial flows. If any doubt exists about some operations, we can ask for more details from the unit accountant. And, for example, to prepare provisional account, when there is a new subject, it is discussed with DGFIP and DGTrésor in order to implement correctly ESA 2010 requirements in national accounts and to classify into financial or non financial transactions.

*3. is the structure of inflows and outflows appropriate (distinguishing different ESA2010 categories)? What are the main problems possibly impacting B.9 (i.e. is it always possible to identify individual flows which are to be specifically treated/reclassified according to ESA2010 requirements, e.g. from non-financial into financial transaction and vice versa)?*

There is no problem to identify inflows/outflows and classify into financial or non-financial operations.

4. *is the structure of outstanding amounts of assets and liabilities in balance sheets appropriate for financial balance sheets and FA compilation? For example, is information on stocks consistent with/integrated in the information on related transactions by individual instruments? Could you always identify "clean" stocks of AF.8; is the structure of AF.8 detailed enough to make adjustments due to different time of recording used in NFA, etc.? Could you always identify different financial instruments, as defined by ESA2010?*

Different financial instruments can be identified in public accounts. As for the structure of outstanding amounts of assets and liabilities in balance sheets, it is good enough to determine the stocks of financial instruments. However, there are still some issues concerning AF.8 but they are being solved.

5. *details in codification for the purpose of consolidation – i.e. can you distinguish flows and stocks which should be consolidated between GG units/subsectors?*

We have all the information needed to consolidate flows and stocks. Moreover, in a synthesis step, we make sure that both assets and liabilities between GG units are consolidated.

6. *circumstances in which data available from basic sources is consolidated ( i.e. if some intergovernmental flows and/or stocks are eliminated/consolidated in the basic data source, it should be investigated whether the consolidation applied in data source is in line with ESA2010 rules, whether the consolidation is done consistently on both sides; explained whether non-consolidated amounts are available)*

We have all the information needed to consolidate flows and stocks. Moreover, in a synthesis step, we make sure that both assets and liabilities between GG units are consolidated.

7. *complementary codification at data source, by counterpart sector, other than S.13 - e.g. can you identify transfers to/from public corporations, private corporations, households, ROW?*

We have partial information on counterpart at sector level (S11, S12, S13, S14, S15 and S2). We can't differentiate transfers to/from public corporations and private corporations.

### **Working balance (WB)**

*Please use this section only if data, as reported in the WB (in the first line of EDP T2) are not used for compilation of B.9 and national accounts for the main entity.*

We use data as reported in the WB for compilation of B.9.

*If the data from the WB are used for compilation of national accounts and B.9, mention this and ignore the questions below.*

Not applicable

*Explain which level of detail of information is available:*

Not applicable

- by unit, and by category of transaction/instrument

- by groups of units, and by category of transaction/instrument

- aggregated for the whole subsector, by category of transactions/instrument

- by unit and for aggregated data

- by groups of units, and for aggregated data  
- for the whole subsector, and for aggregated data

*Report on details in the WB:*

- 1. distinguishing / identification of flows of units classified in different sectors, subsectors that are to be excluded from calculations, when relevant*
- 2. details in codification for the purpose of distinguishing of non/financial versus financial flows,*
- 3. is the structure of inflows and outflows appropriate? What are the main problems possibly impacting B.9?*
- 4. details in codification for the purpose of consolidation*
- 5. circumstances in which data available from basic sources is consolidated*
- 6. complementary codification at data source, by counterpart sector, other than S.13*

### *3.2.1.2 Statistical surveys used as a basic data source*

*If statistical surveys are used as a basic source data for nonfinancial accounts and for financial accounts compilation, indicate what kind of survey(s) is used, for which particular government units, and provide the following details separately for each survey:*

A statistical survey on lease is used with an impact on intermediate consumption (P2), gross fixed capital formation (P51g), interest paid (D41G), acquisitions less disposals of non-produced assets (NP) and B9.

#### *1. Main variables collected*

*Lease :* Amount of investments in each of the three types of lease (real-estate and equipment leasing, as well as with a purchase option).

#### *2. Is it exhaustive or sample survey?*

*Lease:* It's an exhaustive (and mandatory) survey, the list of firms being given by the Central bank of France. In most cases, the firms are members of the French Association for Financial Companies.

#### *3. Which government units does it concern? Indicate population size.*

*Lease :* It doesn't concern any government unit but every firm that is implanted in metropolitan France or overseas departments and that has one of the three previously listed types of leasing activity in France (including Sofergies). That is, slightly above 110 every year - the population is quite stable. In 2016, 117 firms were interviewed.

#### *4. Survey response rate*

*Lease :* The response rate is (very good) above 95%: 100% in 2016 and 97.5% in 2015.

#### *5. Method used for imputing missing data (non-responds)*

*Lease :* We use the response of the previous year.



6. *If sample survey, what is the sample size (in % of population?), which variable is used for grossing up the population.*

7. *Provide an explanation in the case for the **April EDP notification**, results of the statistical survey are not available. Explain how estimations are made and by which institution.*

*Lease : The survey is available in January N+2 for year N, used for half-finalized account, and at the end of the year for year N+2, used for finalized account. The survey data is not available for the year N at the April N+1 notification, the impact on B9 is supposed to be the same as for the previous year (half-finalized). But, the revisions between half-finalized and finalized are not important.*

*Do not delete this section if statistical surveys are not used as basic data source for B.9 compilation. In such a case indicate below the subtitle that it is not relevant.*

### 3.2.1.3 Supplementary data sources and analytical information

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

*Provide a brief description of what kind of supplementary information is used for compilation of (i) non-financial accounts and (ii) financial accounts and provide some specifications (the description is to be provided under relevant sections 3.2.1.4.1 and 3.2.1.4.2 below).*

*Examples of complementary sources, which are to be mentioned under relevant sections 3.2.1.3.1 and 3.2.1.3.2:*

- *statistical surveys,*
- *other administrative sources,*
- *special reports on dedicated operations/instruments and analytical evidence*
- *counterpart information- Money and banking statistics*
- *counterpart information - BoP statistics,*
- *counterpart information – financial reports for counterpart sectors,*
- *securities database,*
- *other indirect information, etc.*

#### 3.2.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

*Please list all main supplementary sources and explain in detail*

1. *what, why and when it is used,*
2. *which government units are involved,*
3. *whether the information is available to statisticians on a regular basis and when, for which years*
4. *whether the related adjustments lead to changes in B.9, to changes of the revenue and/or expenditure level, etc.*

For the annual accounts (provisional, semi-definitive and definitive), supplementary data are used:

- to break down some revenue items in the State's General Budget between different national accounting operations: the DGFIP uses a heading derived from the State accounts subledger to break down lines of revenue where the title is too vague (e.g. "Miscellaneous revenue", "Miscellaneous revenue and penalties", "Other agreements and civil acts"). This heading gives the nature of the revenue received.
- to calculate personal taxes in accordance with the concepts of national accounting: the DGFIP uses the General summary of taxpayers (amounts of tax for one year, by type of tax).
- to determine the amount of tax exemptions scheduled for taxes assessed by the State for the territorial authorities: the DGFIP adjusts the amount of tax exemption applied (recorded in central government accounting, in the General Budget expenditure) to be based on the amount of tax exemption scheduled. This process impacts B.9.
- to obtain detailed information about cash dividends received by the General Budget: in the accounts, the DGFIP has the overall total for dividends. A detailed file that breaks down dividends according to the paying entity is also used by the DGFIP. In this way it is possible to process payments from another public administration in the form of current transfers. Dividends paid can also be compared with profit/loss for the entity and if necessary reprocess cases where the dividend was greater than the profit/loss. This process impacts B9.
- to break down central government General Budget expenditure on retail savers into bonuses for CEL (Home-Purchase Savings Accounts) and for PEL (Home-Purchase Savings Plans): in general government accounting, these payments are grouped together, however they are not processed in the same way in national accounting. In addition, budgetary implementation for the amounts committed can be adjusted. This process impacts B.9.
- to break down central government General Budget for debt cancellations. From non-accounting information we can differentiate between: debt cancellations under the Dakar I and II initiatives (repayment of capital and repayment of interest) and cancellations of debts relating to the Paris Conference or the "Paris Club". These three components are treated differently in national accounting. Using this information impacts B.9.
- to break down expenditure and revenue operations of the Special Account "State Financial Interests": the DGFIP needs the details of all recorded operations in order to find out the counterparty entity and the nature of the operation. This process impacts B.9.

Information from the Budget laws is also used by the DGFIP.

In particular:

- the Draft Budget Law and the Initial Budget Law, the Draft Amending Budget Law, to know what new measures are in place;
- the budget annexes (projects) which provide information on forecasts and the implementation of commitment authorisations, according to General Budget and Special Accounts budgetary programmes. These annexes also summarise credits for operators;
- the budget annexes (information annexes): "report on relations between State and social protection", "State operators", "summary statement of support fund credits and product attributions", etc.

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

*Please list all main supplementary sources and explain in detail*

There are supplementary sources for :

- Factoring without recourse : following a decision taken by Eurostat, factoring without recourse should lead to the reclassification of liabilities from commercial credits (F.81) to loans (F.4). All sub-sectors (S.1311, S.1313 and S.1314) are concerned. The data is used as soon as the notification of April for year N-1. There is no B.9 effect as it is just a change of classification. However, there is an effect on Maastricht Debt.
- Difference between coins delivered and coins in circulation : As described in ESA2010 §5.78 : "Currency does not include notes and coins that are not in circulation, for example, a central bank's stock of its own notes or emergency stockpiles of notes". However, the main data sources can't distinguish coins in circulation from coins delivered to the central bank. Thus we use a source from Banque de France on coins in circulation to adjust the amounts of currency to the description provided in ESA2010. This source is quarterly and is used as soon as quarter + 1. This correction has no effect on B.9 as we reclassify the flows to F.89.
- Leasing : In ESA2010 §5.134 financial leases are defined as follow : "A financial lease is a contract under which the lessor as legal owner of an asset conveys the risks and benefits of ownership of the asset to the lessee. Under a financial lease, the lessor is deemed to make, to the lessee, a loan with which the lessee acquires the asset. Thereafter the leased asset is shown on the balance sheet of the lessee and not the lessor; the corresponding loan is shown as an asset of the lessor and a liability of the lessee.". Therefore, there is an acquisition of the asset whereas in public accounting there is no such thing. We use a source from ASF (association des sociétés financières) and Banque de France to estimate the amount of lease and a survey led by Insee to split the amounts among sectors. The source for the amounts is available at year N+1 but the result of the survey is available at year N+2 thus, for the year N-1 in the notification (2015 account for 2016 notification) we use the repartition key from survey of year N-2 (here 2014) on the amounts of year N-1 (see 3.2.1.2). In 2017 notification we will implement the new splitting ratio. This operation has a B.9 effect.
- Réseau Ferré de France's (RFF) debt rerouted through the CG : Some of RFF's debt is included in CG Maastricht debt as we consider that the State is responsible of a part of its debt. The source is the annual financial report of RFF that is available at the end of the first semester of year N+1. For April notification we estimate the flows as being the same as year N-2. This operation has no B.9 effect as the amounts on liability and an asset of the same amount is included in the account with RFF (part of S.11) as a counterpart.
- Collective investment funds : benefits of collective investment funds that are not paid to the owner of the collective investment funds are not included in the source data. Therefore, we use a Banque de France source to evaluate the amounts of this benefits and integrate them in the financial account as an augmentation of F.5. The source is available at year N+1.
- Military equipment : we include the B.9 effect in F.89 to ensure of the consistency between non-financial and financial accounts.

*1. what, why and when it is used,*

*2. which government units are involved,*

*3. whether the information is available to statisticians on a regular basis and when, for which years*

*4. whether the related adjustments lead to changes in B.9f, to changes of the financial assets and/or liabilities level, etc.*

3.2.1.4 Extra-budgetary accounts (EBA)

Usually, not all flows of a non-financial nature are recorded in the so called budgetary accounts which enter the WB, as reported in the first line of EDP table 2. Some funds could be put aside as reserves, special purpose funds and are booked in so called “extra-budgetary accounts” - EBA. In some cases, according to national legislation, transactions which are not scrutinized by budgetary rules can be booked in EBA and not in ordinary budgetary accounts. It is very important that all non-financial flows of the main entity, including those entering EBA, are appropriately incorporated into calculations of deficit.

*1. Provide some general, summary introductory information on EBA of the central government units, in particular of the main entity.*

For the central government sector, budgetary accounts cover the General Budget and Special Accounts. The working balance published by the DGFIP covers these two sub-sectors of central government.

The data that are not within the scope of the working balance are:

- Annex Budgets;
- Public Authorities;
- funds controlled by central government.

### ***Non-financial flows recorded in EBA***

*2. Indicate if all non-financial transactions of the main entity are recorded in the WB. Not applicable*

*3. If not, list the so called “extra-budgetary accounts”, where are these flows recorded in the public account?*

*4. Explain separately for each EBA- what are main inflows, outflows, significance of the amounts involved, relationships with the WB.*

*5. What kind of non-financial revenue could be recorded in EBA?*

*6. Do all revenues of EBA come from the WB? If not, from which unit/sector, what kind of transaction?*

*7. What kind of non-financial expenditure could be recorded in EBA?*

*8. Do all expenditure of EBA transit via the WB? If not, which expenditure do not transit via the WB?*

*9. Specify if detailed data on inflows and outflows are available and used for the compilation of NA*

*10. If not available, how do you solve the problem?*

*11. Specify if data for appropriate consolidation with flows recorded in the WB or in other government units are available*

### ***Financial flows recorded in EBA***

*1. What transactions in financial assets are booked in EBA and not in the WB? Specify by instrument.*

Not applicable

*2. What transactions in financial liabilities are booked in EBA and not in the WB? Specify by instrument.*

*3. Are flows relating to interest booked in EBA? Are they taken into account for calculation of deficit?*

*4. Specify if these data are used for the compilation of financial accounts and EDP table 3.*

*5. Indicate if data for appropriate consolidation are available*

### **3.2.2 Data sources for other Central Government units**

This section describes data sources available and used for compilation of national accounts and EDP tables for other Central Government units (those not reported in the working balance in EDP T2A).

*1. Specify which other central government units/groupings of units are classified in S.1311.*

A full list of ODACs is provided in annex.

*2. Complete table 3 on available and used data sources for other central government units or, for each group of units separately, in the case of differences in availability and use of basic data sources. In the case several tables are to be completed, use the following numbering: 3a, 3b...3c. Indicate also the name of the unit/groups of units in the title of each table and provide further specifications and comments below the table.*

Two tables are given, by source of received data:

- Public institutions whose accounts are centralised directly in the data warehouse by the DGFIP, or for which the official accounting balances are sent in paperless format.
- Other bodies for which the DGFIP makes its own data collection directly from the establishments, or has annual reports with a balance sheet and a profit and loss statement.

**Table 3 – Availability and use of basic source data for other central government units:****SOURCE data warehouse and balances – NUMBER: 542 units (i.e. 82%) B.9A: 92%**

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				<b>Budget Reporting</b>		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
A (*)	Q (*)	T+45 days (*)	T+45 days (*)	(4) Balance sheets (*)	X (*)	X (*)
				<b>Financial Statements</b>		
				(5) Profit and loss accounts		
A	A		T+6 months	(6) Balance sheets	X	X
A (**)	A (**)	T+45 days (**)		(6) Balance sheets (**)	X (**)	X (**)
				(7) Cash flow statement		
				<b>Other Reporting</b>		
				(8) Statistical surveys		
				(9) Other:		

(\*) concerns TFO: Number: 395 units (i.e. 60%); B9A: 67%

(\*\*) provisional annual accounts: Number: 40 units (i.e. 6%).

**SOURCE Balance Sheet and Profit and Loss collected directly – NUMBER: 119 units  
(i.e. 18%); B9A: 8%**

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+ months</i>			
				<b>Budget Reporting</b>		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
				(4) Balance sheets		
				<b>Financial Statements</b>		
A	A		T+6 months	(5) Profit and loss accounts	X	X
A	A	T+45 days		(5) Profit and loss accounts (*)	X	X
				(6) Balance sheets		
				(7) Cash flow statement		
				<b>Other Reporting</b>		
				(8) Statistical surveys		
				(9) Other:		

(\*) Provisional annual accounts: Number: 15 units (i.e. 2%).

*Explain information from table 3:*

1. *Column 1 - provide further specification on accounting basis, in particular for a mixed accounting basis.*
2. *Column 2 – if there is “Other” periodicity, to be specified.*
3. *Column 3, item (9) - if other than the listed data source is available and used, indicate in the table and provide specifications in comments. Additional rows might be added.*
4. *Provide an explanation in case compilation of B.9 or B.9f is not based on the available data sources as listed in the table for the April EDP notification. Explain by whom and how estimations are made.*
5. *Indicate cases when non-financial B.9 is calculated using the data on financial transactions (i.e. non-financial B.9 = B.9f).*

6. *Indicate if data used for financial accounts and B.9f compilation differ from those used for compilation of transactions reported in EDP T3.*

7. *Explain the reasons for not using the available accounting reports and criteria for choosing one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.*

### 3.2.2.1 Details of the basic data sources

*Report on details in the available basic data sources for the purpose of national accounts compilation:*

1. *identification of flows of units classified in different sectors, subsectors that are to be excluded from calculations, when relevant*

There follows the list of operations that are not included (data in M9 nomenclature, which is the same as the General Chart of accounts):

- C\_10 – Reserves
- C\_11 – Reserves brought forward
- C\_12 – Profit or loss for the period
- C\_14 – Regulated provisions
- C\_15 – Provisions for risks
- C\_18 – Linked accounts
- C\_207 – Goodwill
- C\_28 – Amortisations
- C\_29 – Provisions for depreciation of fixed assets
- C\_39 – Provisions for depreciation of stocks
- C\_49 – Provisions for depreciation of third party accounts
- C\_58 – Internal transfers
- C\_59 – Provisions for depreciation of marketable securities
- C\_68 – Funding of depreciation and other allowances
- C\_78 – Reversals of depreciations and allowances
- C\_79 – Transfer of expenses
- C\_8 – Liability accounts

2. *details in codification for the purpose of distinguishing of non/financial versus financial flows,*

The DGFIP receives a single document, true and fair in accounting terms (an accounting balance), providing the data and information to code financial operations (these appear within specific accounts) and non-financial operations.

3. *is the structure of inflows and outflows appropriate (distinguishing different ESA2010 categories)? What are the main problems possibly impacting B.9 (i.e. is it always possible to identify individual flows which are to be specifically treated/reclassified according to ESA2010 requirements, e.g. from non-financial into financial transaction and vice versa?)?*

For the vast majority of entities, the DGFIP has a very detailed accounting balance. The M9 nomenclature differentiates over 1,500 different accounts, thus the information specified in the balances is generally detailed enough to be able to code it with precision in the national accounts. Also, if necessary (doubt over a specific or unusual transaction), the DGFIP can ask



the establishment's accountant for non-accounting information (e.g. accrued expenses, deferred income, funding provisions).

*4. is the structure of outstanding amounts of assets and liabilities in balance sheets appropriate for financial balance sheets and financial accounts compilation? For example, is information on stocks consistent/integrated with the information on related transactions by individual instruments? Could you always identify "clean" stocks of AF.8; is the structure of AF.8 detailed enough to make adjustments due to different time of recording used in NFA, etc.? Could you always identify different financial instruments, as defined by ESA2010?*

The information specified in the balances is generally detailed enough to be able to code it with precision in the national accounts. The accounting balances contain outstanding stocks at opening and outstanding stocks at close, and flows for the accounting period under review for each line of accounting. Sometimes the DGFIP may lack precision over a fine distinction between different financial asset instruments. For any significant amounts, the DGFIP has additional information on the portfolio of financial assets held. Finally, if necessary (doubt over a specific or unusual transaction), the DGFIP can ask the finance director of the establishment for further information.

*5. details in codification for the purpose of consolidation – i.e. can you identify flows and stocks which should be consolidated between GG units/subsectors?*

In the vast majority of cases, the charts of accounts are sufficiently detailed for the counterparty sector to be coded.

Examples:

Account 741 – Operating subsidies – State  
Account 1312 – Investment subsidies – Regions  
Account 1313 – Investment subsidies – Departments  
Account 1314 – Investment subsidies – Municipalities

If there is any doubt, then the accountant of the ODAC is contacted.

*6. circumstances in which data available from basic sources is consolidated ( i.e. if some intergovernmental flows and/or stocks are eliminated/consolidated in the basic data source, it should be investigated whether the consolidation applied in data source is in line with ESA2010 rules, whether the consolidation is done consistently on both sides; explain whether non-consolidated amounts are available)*

The ODAC accounts received by the DGFIP are non-consolidated.

*7. complementary codification at data source, by counterpart sector, other than S.13 - e.g. can you identify transfers to/from public corporations, private corporations, households, ROW?*

For sole proprietorships and entrepreneurs, the DGFIP makes no distinction between public and private. It is also difficult to identify operations with the rest of the world, but there are very few of these and they are very specific to just a few ODACs. Conversely, identifying transactions that are purely with households is easy as they are clearly defined in the chart of accounts.

### 3.2.2.2 Statistical surveys used as a basic data source

*If different surveys are used for nonfinancial accounts and for the compilation of financial accounts, indicate what kind of survey(s) is used and provide the following details separately for each survey*

1. *Main variables collected*
2. *Is it an exhaustive or a sample survey?*
3. *Which government units does it concern? Indicate the, population size,*
4. *Survey response rate,*
5. *Method used for imputing missing data (non-responds),*
6. *If it is a sample survey, what is the sample size (in % of population), which variable is used for grossing up the population.*

No survey data or statistical results are used.

When small units are missing, and provided that their total contribution is very small, data from the previous year are repeated.

### 3.2.2.3 Supplementary data sources and analytical information

This section describes supplementary data sources which are used to amend basic data sources while compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for, e.g., accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

*Provide a brief description of what kind of supplementary information is used for compilation of (i) non-financial accounts and (ii) financial accounts and provide some specifications (the description is to be provided under relevant sections 3.2.2.4.1 and 3.2.2.4.2 below).*

*Examples of complementary sources, which are to be mentioned under relevant sections 3.2.2.4.1 and 3.2.2.4.2:*

- *statistical surveys,*
- *other administrative sources,*
- *special reports on dedicated operations/instruments and analytical evidence*
- *counterpart information- Money and banking statistics*
- *counterpart information - BoP statistics,*
- *counterpart information – financial reports for counterpart sectors,*
- *securities database,*
- *other indirect information, etc.*

#### 3.2.2.3.1 Supplementary data sources used for the compilation of non-financial accounts

*Please list all main supplementary sources and explain*

1. *what, why and when is used,*

Some information is provided by the central government sector (Treasury and Budget Office).

2. *which government units are involved,*
3. *whether the information is available to statisticians on a regular basis,*
4. *whether the related adjustments lead to changes in B.9 or B.9f, to changes of the revenue and/or expenditure level, etc.*

The same source is used for financial and non-financial accounts.

#### 3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts

*Please list all main supplementary sources and explain*

- 1. what, why and when it is used,*
- 2. which government units are involved,*
- 3. whether the information is available to statisticians on a regular basis,*
- 4. whether the related adjustments lead to changes in B.9 or B.9f, to changes of the revenue and/or expenditure level, etc.*

### **3.2.3 EDP table 2A**

This section provides detailed information on individual lines reported in EDP T2A.

#### 3.2.3.1 Working balance - use for the compilation of national accounts

*Recall whether data sources used for the compilation of WB are used for NFA and also B.9 and if not, provide a brief explanation.*

The balance posted under the heading “Working-balance” corresponds to the State government budgetary implementation balance (general budget and special accounts) voted by Parliament in the Finance Law and the Amending Finance Law. Budget data are the main source used to calculate the B.9nf for the State.

#### 3.2.3.2 Legal basis of the working balance

- 1. Specify the legal status of the WB (is there a special national legislation?, etc).*

The State budgetary implementation balance is defined by the LOLF (Organic Law on Finance Laws).

- 2. Indicate if it is voted by the Parliament. When?*

The State budgetary implementation balance (general budget and special accounts) is voted by Parliament in the Finance Law and the Amending Finance Law. The Initial Budget Law is usually proposed in October of year N-1; it must be voted and promulgated before 31 December.

- 3. Specify if it is audited by a national auditing authority. Provide the name of this authority in English and in the national language.*

Budgetary implementation is audited and certified by the Court of Audit (Cour des comptes).

- 4. Indicate when data are audited.*

The Court of Audit produces its auditing observations in June of year N+1.

- 5. Indicate if the result from auditing is publicly available and provide the www link.*

The audit report is published and can be found at the following website address:

<https://www.ccomptes.fr/Publications/Publications/Certification-des-comptes-de-l-Etat-pour-l-exercice-2015>.

Certification may be accompanied by some reservations which are also made public.

6. *As a result of the auditing, could there be any changes impacting B.9 or B.9f? When?*

Yes, the observations after audit may lead to adjustments being made to the general government accounts, usually in the course of year N+1.

### 3.2.3.3 Coverage of units in the working balance

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units which do not belong to the government sector (or to the particular subsector) according to ESA2010 definition. The second adjustment refers to B.9 of other units which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

#### 3.2.3.3.1 Units to be classified outside the subsector, but reported in the WB

1. *Are there any units reported in the working balance which do not belong to the government sector as defined by ESA2010?*

- *If yes, which units are these? specify further.*
- *Indicate if these are really institutional units.*
- *Specify if you apply the market/nonmarket test (including the 50% criterion) for these units.*
- *Indicate if the balance of these units is excluded in EDP T2 via the line "WB of entities not part of xx subsector".*
- *Where are these classified?*
- *Are detailed data sources available to identify precisely all related flows which should be excluded, or some estimation should be done?*
- *Indicate if the related data sources are available in April for T-1?*
- *Are there any flows reported in the WB, which do not reflect government activities, but activities of units classified outside government? If yes, specify.*

No.

2. *Are there any government units reported in the working balance which do not belong to the particular government subsector?*

- *If yes, which units are these, specify.*
- *In which government subsector are these classified?*
- *Indicate if the balance of these units is excluded in EDP T2 via the line "WB of entities not part of "xx" subsector"?*

No.

3.2.3.3.2 Units to be classified inside the subsector, but not reported in the WB

1. *Specify what units are reported under the line B.9 of other government units*

B.9 of units in the "ODAC" sub-sector (S.13112) are reported under this heading.

2. *Is B.9 of these units, as reported in EDP table 2 (the line: Net borrowing (-) or net ending (+) of other central government bodies), on accrual basis? If not, where are related accrual adjustments reported in EDP T2?*

By definition, B.9 is calculated on an accrual basis. This is the definitive figure for the national accounts.

3. *Is the impact of methodological imputations/reclassifications relating to these units (e.g. debt cancellations, debt assumptions, EU flows, dividends, capital injections, etc) reflected in their B.9 as reported in EDP T2 (line: Net borrowing (-) or net ending (+) of other central government bodies), or are they reported separately under other adjustment lines in EDP T2? If yes, specify.*

See above.

4. *Indicate if a full sequence of ESA2010 accounts is available for individual units/groups of government units.*

Yes, for each unit. Generally, only the 40/50 largest ODACs are processed individually by INSEE, and all the rest are grouped together.

3.2.3.4 Accounting basis of the working balance

1. *Indicate what is the accounting basis of the WB (Cash / accrual / mixed).*

The eight M9 standards and also the general chart of accounts state that accounting is according to the "accrual" principle.

2. *If it is accrual accounting basis, specify whether it follows an international accounting standard and if yes which.*

The standards followed are the French accounting standards (cf. 2.2.1).

3. *If mixed balance is used, provide detailed explanation on the accounting basis of individual flows and specific transactions.*

Not applicable.

4. *If cash balance is used, is it pure cash (in line with transactions in F.2) or are there any deviations? Specify.*

5. *Specify any cases when a "non-validated" expenditure by an auditing institution are not included in the working balance (e.g. expenditure relating to the actual acquisition of goods and services, either actually paid or not).*

6. *Specify any cases when expenditure related to the previous period not validated in the past is included in the working balance.*

7. *Specify any cases when revenue or expenditure not recorded in the past due to different reasons were included in the current WB.*

8. *Specify any case when planned (budgeted) expenditure not actually spent (when none goods/services have been delivered) in the current year is recorded in the WB as an "actual" expenditure.*

When the DGFIP becomes aware of cases as described above (5 to 8) and has sufficient information available, whether the entity is audited or not, it adjusts the accounting source, so that the operation is included in the national accounts. After the adjustment is made, total traceability of the source data is maintained, also the methods and reasons for the adjustments.

The DGFIP also carries out systematically a certain number of checks on some of the more sensitive items (accrued expenses, deferred income, capital injections, etc.), and carries out some consistency checks (with the State account which is certified, between financial and non-financial data).

#### 3.2.3.4.1 Accrual adjustment relating to interest D.41, as reported in EDP T2

1. *What accounting basis is used for recording of interest expenditure and revenue in the WB? If it is an accrual basis, is it in line with ESA2010 guidance? Specify.*

Budget accounting is mainly cash-based. More specifically:

- the interest burden corresponds to interest paid in the year and not accrued interest;
- there is no depreciation of premiums and discounts at issue.

However, the notion of indexing the capital burden (inflation-indexed for the OAT) is incorporated into the budget accounting (calculated once a year), making it a "hybrid" base.

To obtain interest calculations that satisfy the requirements of ESA2010, the State general accounting is used. This includes:

- accrued interest burden on 31 December;
- spreading premiums and discounts at issue;
- indexing the capital burden of the OAT linked with inflation, updated every quarter.

2. *Are all interest expenditure of the main entity recorded in the WB? If not, what is recorded outside the WB and where?*

Yes, all State interest expenditure is shown in the budgetary implementation balance.

3. *Is payment of discount recorded in the WB? If yes, can you identify amounts?*

No, depreciation of discounts is not included in the working balance.

4. *Indicate if inflow from premium is recorded in the WB.*

No, the spread of premiums is not included in the working balance.

5. *Specify in detail what is recorded in EDP T2 under line Difference between interest paid and accrued. Are there reported only adjustments for expenditure or also for revenue? Is there an adjustment for premium? Does it refer only to the main entity or also to other government bodies?*

Adjustments concern interest paid and accrued by the State (not by the ODAC). The spread of premiums and discounts is taken into account.

6. *Are adjustments to accrual interest for the main entities reported also under other adjustment lines in EDP T2? If yes, where?*

No, except for swaps, which have their own line “Other adjustment / interest paid and accrued on swaps”.

7. *Where are the adjustments to interest revenue reported in EDP T2?*

Under the heading “Difference between interest paid and accrued” as specified in 5.

#### 3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2

1. *List which non-financial transactions are amended on an accrual basis via receivables F.8*

Taxes based on taxpayer lists: Income tax (IRPP, D.51) and Wealth tax (ISF, D.59); Domestic duty on consumption of energy products (TICPE, D.214); value-added tax (TVA, D.211), exemptions from local taxation transferred to local authorities (D.73), products from fines or miscellaneous transfers (D.759), military hardware purchases (P.51 in ESA2010).

2. *List which non-financial transactions are adjusted on an accrual basis via payables F.8*

Some social benefits funded by the State (AME, AAH, API, D.62 and D.63); transfers to the Social Security for certain reductions in charges (D.73); managing savings bonuses (PEL, CEL) through the Crédit Foncier de France mortgage bank (D.992); transfers to the Atomic Energy Agency (D.73) or the European Union (D.76), transfer of Greek bonds revenues (D.74), payable tax credits (D.39 or D.92), lump-sum pension payments (D.759), carbon emission permits (D.29).

3. *Provide references to the relevant sections in EDP inventory, where more detailed explanation could be found, when relevant.*

Part 3.2.1.1 on State sources.

4. *Provide explanation in case the adjustment does not refer to replacement of cash flow by accrual one. (e.g. when the WB is on a mixed basis, or when accrual flow in the WB is replaced by time adjusted flow etc.).*

As explained above, the working balance is cash based.

5. *Specify whether accrual adjustments in EDP table 2 are fully consistent with F.8 reported in EDP T3 and financial accounts.*

The sources used are different for the State non-financial and financial accounts, hence the coherence between accounting discrepancies cannot be perfect.

3.2.3.4.3 Other accrual adjustments in EDP T2

*1. Are there any other accrual adjustments reported in EDP T2? If yes, specify (what, where – which line).*

Not applicable

3.2.3.5 Completeness of non-financial flows covered in the working balance

*1. Specify what is recorded under the adjustment "Non-financial transactions not included in the working balance".*

Revenue from dividends paid in shares (D.421), EFSF transactions rerouted through the State government account (D.41, P.11, P.2) and the balance of five extra-budgetary funds :

- funds managed by the Caisse des Dépôts et Consignations on behalf of the State (sub-sector S.131116CDC);

- Fonds Nationale d'Aide au Logement (S.131116FNAL) ;

- Fonds Nationale des Solidarités Actives (S.131116FNSEA) ;

- Fonds National de Garantie des Risques Agricoles (S.131116FNGRA) ;

- Fonds de Protection contre les Risques Naturels Majeurs (sub-sector S.131116FPRNM).

*2. Does it refer to non-financial flows put aside in the WB and booked in extra-budgetary accounts? Explain further.*

No, these flows relate more to the definition of the scope of central government in the national accounts, which includes the French contribution to the EFSF, CDC funds, etc.

3.2.3.6 Financial transactions included in the working balance

*1. Specify which transactions in financial assets could be recorded in the WB according to the national legislation.*

Equity holdings or loan transactions may be incorporated into the budgetary implementation balance. They are grouped together under "special purpose accounts", in particular the "Financial portfolio of the State" for the vast majority of transactions in F.4 and F.5 as assets.

*2. Specify which transactions in financial liabilities are/could be recorded in the WB according to the national legislation.*

Transactions on the public debt can impact on the working balance, via the trading account 903 "State government debt and cash management".

*3. Have there been any cases when financial transactions were recorded above the line in public accounts?*

Yes, there are cases in the special accounts.

*4. If yes, provide details and explain how you identify such transactions and how you treat them.*

Financial transactions for each special account are identified and transferred into the national accounts (F.2, F.3, F.4, F.5 or F.7).



5. List transactions which have been recently reported in EDP table in the adjustment line "Financial transactions included in the WB" and explain each adjustment.

See questions 1 and 2.

### 3.2.3.7 Other adjustments reported in EDP T2

*Each adjustment line which is reported in EDP T2 under "Other adjustments" should be described. A reason for all the adjustments should be clearly explained. In case the adjustment line in EDP T2 combines several kinds of methodological adjustments, please specify them (e.g. adjustment "foreign claims" could include debt cancellation, interest, etc). See also previous version of EDP inventory.*

Example:

*"The item "**bad foreign claims**" corresponds to transactions relating to foreign claims that are not reflected in the working balance: debt cancellation recorded as capital transfer expenditure (negative sign), debt repayments in kind recorded as intermediate consumption (negative sign), accrued interest revenue (positive sign). Cash receipts from the sale of bad foreign claims and debt repayments in cash are not included in this item, since they are already excluded from the working balance in the context of the item "financial transactions considered in the working balance" (negative sign)."*

#### Balance of interest received (+) and paid (-) on swaps

This line corresponds to the balance of interest received and paid on State government swap operations, on an accrual basis.

#### Financial leasing

This line corresponds to the effect on State government B.9 of adjustments made for financial leases on the following transactions: P.51, P.2 and D.41.

#### PPP

As with financial leasing, this line corresponds to the effect on State government B.9 of adjustments made for PPPs on the following transactions: P.51, P.2 and D.41.

#### Cancellation of debts to foreign governments

This line corresponds to cancellations of debts (F.4 credits) agreed with foreign governments, for the capital and accrued interest. This is a D.991 transfer not included in the working balance.

### 3.2.3.8 Net lending/net borrowing of central government

*Recall whether B.9, as reported in the last line in EDP T2, is derived from the same source data used when calculating the WB, or is based on different data source.*

Yes, the State government B.9 is calculated mainly from the budget source which is used for the working balance.

*If the same source data is used for the WB and B.9 (main entity) calculation, ignore the questions below.*

*If different data sources is used for national accounts and B.9 calculation than those reported in the WB, recall which data source and provide further details, as requested below.*  
Not applicable.

1. *What is the legal status of data sources, is it audited and published? Provide details on when it is audited, by whom, and on whether the results are publicly available.*
2. *What is the coverage of units in the data sources used for the compilation of national accounts and B.9 and what kind of adjustments are done in this respect while compiling national accounts?*
  - *Are all central government units covered? Are separate data used for the main entity and for other central government bodies? Explain further.*
  - *Specify if there are any units which should be excluded.*
3. *What is the accounting basis:*
  - *cash, accrual, mixed...explain further.*
  - *What kind of adjustments is made in terms of time of recording in order to meet ESA2010 requirements?*
  - *Describe differences with the WB in terms of time of recording of individual transactions.*
  - *Are transactions in F.8, as reported in EDP T3 and in financial accounts fully consistent with accrual recording of transactions impacting B.9, as reported in the last line of EDP T2?*
4. *Indicate if all non-financial flows are covered in the source data used for national accounts and B.9 compilation. What kind of adjustments is made in this respect?*
5. *Specify any cases when expenditures "non-validated" by an auditing institution are not included in the data sources used for B.9 calculation (e.g. expenditure relating to the actual acquisition of goods and services, either actually paid or not).*
  - *Indicate any flows which are excluded while calculating B.9.*
  - *Which flows from the data source are not taken into account while calculating B.9?*
6. *What kind of methodological and other adjustments are made while calculating B.9? List and explain all the specific adjustments.*

### **3.2.4 EDP table 3B**

#### *3.2.4.1 Transactions in financial assets and liabilities*

*1. Recall whether financial accounts are used for the compilation of EDP T3 and if not explain why*

To compile EDP T3, the general government financial accounts are used. This table is commonly called Table of Financial Operations (TFO) and is also used to compile the gross general government Maastricht debt. The Banque de France, which prepares the QFAGG uses other sources of information (particularly for market valuation), modifies the data and incorporates them into a more general framework of the summary of financial accounts.

**Table 4. Data used for compilation of transactions and of stocks of financial assets and liabilities**

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	<b>Calculation of transactions</b>													
Transaction data ( integrated in public accounts)	X	X	X	X		X	X	X	X	X			X	X
Other transaction data							X	X		X				X
Stock data														
	<b>Calculation of stocks</b>													
Transaction data	X	X	X	X		X	X	X	X	X			X	X
Stock data	X	X	X	X		X	X	X	X	X			X	X

*Complete the table (cross appropriate cells) and specify for **each instrument separately**:*

1. *What are the main data sources? Indicate if these are exhaustive. Do you have available individual data?*

To compile the State government financial deficit (S.13111), we use the State government accounting balance (State government general accounting balance) as the main data source. The State government accounting balance, which is updated every day, is accrual based and is also used to code financial transactions (with the counterpart sector for certain transactions). This balance is also used to calculate Maastricht debt. Financial transactions shown in the budget account are also shown in the State government accounting balance.

The State government accounting balance includes all sub-sectors (General Budget, Special Accounts, annex budgets and public authorities). Data for the state are exhaustive and the provisional account is more or less definitive.

To compile the financial deficit of the ODACs (S.13112), the data used comes from data warehouses and is collected directly from balance sheets and profit and loss statements.

- Via data warehouses, provisional annual accounts are available for about fifty units for the April notification. These data are quasi-exhaustive in the semi-definitive account.

- The DGFIP also collects data directly from balance sheets and profit and loss accounts of other ODACs. Of the 119 units concerned (8% of B.9nf), only about fifteen have their provisional annual accounts ready in March.

The accounting standards used by the ODACs ensure that operations are recorded on an accrual basis.

Transactions between the State and ODACs are consolidated: they are easily traceable, through their account numbers (from the State chart of accounts, from the M9 standard for ODACs) and their titles.

The accounting data used to produce the State government accounts (and more generally those for general government) can be used to show the sequence of financial accounts with

flows and stocks (opening and closing balances are available for each year) in a coherent fashion.

2. *What are supplementary data sources? How do you use these?*

The DGFIP uses different supplementary information to prepare or verify accounts. Thus for the annual accounts (provisional, semi-definitive and definitive), data from outside the accounts are brought in.

Concerning **Central government**:

- To break down some transactions between different national accounting operations, a statement from central government sub-ledger accounting is used to break down the lines where the title is too vague.
- Data concerning the amount of rent paid in PPPs which is to be included in the debt are also mobilised.
- The AFT balance sheet is also used to check stocks and flows of financial debt and cash positions.
- Information in the budget laws is consulted:
  - the Draft Budget Law and the Initial Budget Law, also the Draft and the Amending Finance Law, to know what new measures are in place;
  - budget annexes (projects) which provide information on forecasts and the implementation of commitment authorisations, according to General Budget and Special Accounts budgetary programmes. These annexes also summarise credits for operators.
  - budget annexes (information annexes): “report on relations between State government and social protection”, “State operators”, “summary statement of support fund credits and product attributions”, etc.

For the **ODACs**, we use financial reports, business management reports, progress reports, audit reports when these are available, and also the reports from the external auditors. We can also telephone the accountants if need be.

The Banque de France provides data on fiduciary money and financial leasing, as described above. This results in a change in the amount of F.8 when taking B.9 as constant. INSEE incorporates these data into those sent by the DGFIP to compile table 3B.

3. *Indicate if you use direct data sources on transactions.*

Yes: the accounting balance for central government is made up of flows (transactions and changes in volume) and stocks. Data on transactions are available and are detailed.

4. *Specify if the data which you use are integrated data in public accounts.*

Yes, except supplementary data from the Banque de France.

5. *Do you compare results from basic data sources with counterpart data and other information? Specify.*

As mentioned above, the source data that derive from counterpart data are used for consolidation. The two data sources are compared, cross-checked, and if necessary submitted to the accountants responsible for the units concerned for their assessment; using their

analysis, the accounts can be adjusted and reconciled at sub-sector level and at the level of the general government sector.

For the summary of the general government financial accounts, particular attention is paid to securities issued by central government and held by other general government administrations (the source used being that of the holders), to deposits from intra-general government correspondents of the Treasury (the creditor source is favoured) and to operations between social security bodies (e.g. purchase by CADES of Treasury notes issued by ACOSS). These adjustments are made with B.9 as constant. When the source data is missing (e.g. for consolidation of securities issued by the State), the counterpart information (which belongs to general government) prevails.

6. *Indicate if you amend data using counterpart information. If this is a case, do you change total assets and/ or liabilities, or do you keep totals and change the structure of individual assets/liabilities, as reported in the basic data source (e.g. balance sheet)? Specify.*

Only information from general government is taken into account. Adjustments can always be made when producing a summary of the accounts and reconciling flows and stocks in the sub-sectors and the general government sector as a whole.

7. *Indicate if you amend data using MBS, or other supplementary data. If this is a case, do you change total assets and/ or liabilities, or do you keep totals and change the structure of individual assets/liabilities, as reported in the basic data source (e.g. balance sheet)? Specify.*

Not applicable.

8. *What are regular amendments to data sources, due to specific transactions reflected in financial accounts: debt cancellation, debt assumption, super-dividends, capital injections, etc. Indicate what is already reflected in data sources and no imputations are needed?*

Debt cancellations and remissions are classified in the central government sub-sector "Real Treasury transactions" as D991 expenditure in the non-financial accounts. This leads to a counterpart in financial operation F.4.

Concerning superdividends, if the dividends paid to the State exceed the accounting result of the entity, the difference is posted in financial operations (F.5) as a withdrawal of capital.

Injections of capital by the State can be traced in the accounts:

- either as a financial operation F.5 if it is a "commercial" operation;
- or a non-financial operation D99 if it is a "non-refundable" payment.

9. *Do you amend data due to consolidation? If yes, explain how you do it (e.g. using a direct counterpart information, or some estimations, etc.) and whether there is an impact on B.9 for individual units/sub-sectors. Specify whether these adjustments are in line with non-financial accounts (e.g. when is F.8 adjusted)?*

When transactions involve two entities from general government, we have two sources of information that may prove to be conflicting. As mentioned above, a summary stage is then necessary. At the end of the data reconciliation process, we impose on central government the counterpart data as calculated in the national accounts. In fact central government public accounting does not define general government in the same way as in the national accounts. For example, the "public establishments" mentioned in the central government accounts are a legal category that does not correspond directly to the ODAC sub-sector in the national accounts. In the case of securities issued by central government and held by other general

government entities, the declarations made by the holders prevail, given the lack of information from central government.

10. *Do you record financial transactions on an accrual basis (e.g. when cash receipts from privatisation are collected in the following years)? Explain further.*

Revenues from privatisation, which are always allocated to a special account, do not contravene the accounting rules mentioned above.

11. *Specify the time of recording.*

The source data from which financial accounts and table 3B are compiled are on an accrual basis: occasionally, some transactions may require specific reprocessing, e.g. processing of a fine after an appeal against a court ruling.

12. *Explain the valuation of transactions (market values? Specify when other than market value is recorded)*

Transactions recorded as general government assets are in market values. The effects of valuation are classified as changes in volume. The frequency with which the market values of assets are updated (F.3, F.5) depends on the accounting units and standards used. The Banque de France uses other information sources and values the market value of the assets and liabilities of general government more precisely.

Data in the Table of Financial Operations (TFO) which are used to calculate the gross debt in the sense of Maastricht are in nominal value.

13. *Do you compare, when relevant, direct data on transaction with change in stocks? How do you deal with high differences?*

Harmonisation of flows and stocks (and hence of output balances N-1 with input balances N) is done by the DGFIP. If there are major discrepancies in any unit, the accountant responsible is contacted, in order to understand what has happened and to correct it. In fact, only minor statistical differences remain (a few million euros) and these are passed by the DGFIP as volume change.

14. *If transactions in F.5 liability are reported, provide details*

Not applicable.

15. *Detail the estimations due to unavailability of data sources – when, what, why*

When provisional accounts are produced, data are not fully exhaustive and several types of check must be put in place:

- population checks to list missing units in order to have the list of units for which accounts have to be estimated.

Central government financial accounts cover the entire scope from the provisional account onwards. The provisional financial accounts of the ODACs cover only about sixty of the largest units (the main recipients of State grants and/or those with a sizeable wage bill).

- checks on the exhaustive nature of bridge tables from the source accounting to national accounting.

This is to check that all accounts created in the source accounting have been properly coded according to national accounting.

When the accounting data for some ODACs are not available, especially when the provisional accounts are being prepared, the DGFIP has to produce estimates. These are based on accounts from the previous year (data are repeated if the units are small) and, if they exist, on forecast activity reports or mid-year reports.

Central government accounting data collected for the provisional account covers virtually all assets and liabilities.

16. *Specify whether for all transactions the same coverage of units is ensured*

Yes.

#### 3.2.4.2 Other stock-flow adjustments

1. *Explain in detail what you record under "Issuance above/below nominal value", and how you obtain data, etc.*

Under the heading "Issuance above/below nominal value", premiums and discounts linked with State issues of tranches of OAT (fungible Treasury bonds) and BTAN (Treasury bonds with annual interest) are recorded. This information is obtained from public accounts (General statement of Accounts) and calculated using actuarial methods.

Comment: These premiums and discounts are linked with the assimilation technique used by the Treasury for medium- and long-term securities (BTAN and OAT), which consists of attaching each new tranche of an issue from one security to the previous ones. When market interest rates fluctuate, a new tranche is issued at a different price from par, in order to adjust the effective rate of return of the security to the market rate. If the interest rates are higher than the nominal yield of the bond, the issue price of the bond is lower than its nominal value (discount); conversely, when market rates go above the minimal yield for the line, the bond is issued at a higher price than its nominal value (premium).

Bonds issued with premiums (or discounts) are processed with accrued interest, resulting in a decrease (or increase) in the interest recorded and a reduction (or increase) in the public deficit when the security was issued above (or below) par. When the rates fall, the prices of successive issues of tranches from the same bond will therefore be higher and higher.

2. *Explain briefly what you record under "Difference between interest accrued and paid", or provide reference*

Under the heading "Difference between interest accrued and paid", we record accrued interest not yet due minus accrued coupons to be restored, and the spread of the premiums and depreciation of discounts. These data are found in public accounting (General statement of Accounts).

3. *Explain in detail what you record under interest flow attributable to swaps and FRAs, or provide reference.*

Under the heading "interest flow attributable to swaps and FRAs":

This line shows interest paid on swap operations and other derivatives. The information can be obtained from the DGFIP.

*4. Explain in detail what you record under "Redemptions/repurchase of debt above/below nominal value" and how you obtain data, etc.*

Under the heading "Redemptions of debt above/below nominal value", we record volume changes linked with gains or losses following the buyback of debt securities by the AFT. These data are obtained from DGFIP accounting data.

Comment: The State can repay its debts before the maturity date, at a different redemption value from market value. These debt repayments are posted at market value under "net acquisition of financial assets". However, the debt has to be recorded at nominal value. The difference between market value and nominal value of these debt buybacks is recorded under "Redemptions of debt above/below nominal value".

*5. Provide some details on the item "Appreciation/depreciation of foreign currency debt", and describe data sources.*

Under the heading "Appreciation/depreciation of foreign currency debt" we record changes in the nominal value of liabilities denominated in foreign currency due to fluctuations in the exchange rate. This information can be obtained from DGFIP accounting data. However, almost all the debt of government bodies is in euros.

*6. Provide some details on the recent cases reported in the item "Changes in sector classifications".*

Under the heading "Changes in sector classifications", the last change in classification, which occurred when the switch was made to the 2005 base, concerns the transfer of the CADES and FRR from the ODACs (S.13112) to the social security funds (S.1314).

*7. Provide some details on the recent cases reported in the item "Other volume changes in financial liabilities".*

The heading "Other volume changes in financial liabilities" is where volume changes are recorded (on liabilities F.2, F.3 and F.4) apart from those mentioned above, for example statistical deviations between the closing balance on 31/12/n-1 and the opening balance on 01/01/n.

### **3.2.4.3 Balancing of non-financial and financial accounts, transactions in F.8**

This section aims at describing of techniques and methods for balancing non-financial and financial accounts applied generally for the whole general government sector.

#### ***Allocation of discrepancy B.9 vs B.9f***

*1. Do you try to allocate the observed difference in B.9f and B.9 at the level of source data (i.e. at the level of each unit or groups of units)?*

For central government, the difference between B.9nf and B.9f only has meaning when sub-sector level is considered as a whole (S.13111). For the ODACs, we can see B.9nf / B.9f differences in each unit (except for the smallest, which are consolidated into "Other" and have B.9 close to zero). The same is true for the social security funds. For local government, the



differences can be viewed at the levels of decision-making: group of municipalities, group of departments, group of regions, etc.

When important differences are spotted at a sub-sector levels, checks are carried out, mostly in the financial accounts, in order to find and correct any error that could be responsible for the high discrepancy.

*If yes:*

*a. By changing some data deemed weak (i.e. based on counterpart information) on the non-financial side and therefore changing B.9?*

*b. By allocating some difference across the non-financial side and therefore changing B.9?*

*c. By changing some data deemed weak (i.e. based on counterpart information) on the financial side and therefore changing B.9f?*

*d. By allocating some difference across the financial side and therefore changing B.9f?*

*e. By allocating the difference in F.8 and therefore changing B.9f?*

### ***Changes to intermediate data***

*1. Do you use counterpart data to obtain the final statistics in NFA?*

*a. If yes, with impact on B.9?*

For operations between sub-sectors of general government, especially current transfers and investment aid (D731, D732 and D92), the data for each body concerned are cross-matched. If there is divergence, adjustments can be made without having an impact on B.9.

*2. Do you use counterpart data to obtain the final statistics in FA?*

*a. If yes, with impact on B.9f?*

For operations between sub-sectors of general government, especially deposits by correspondents, accounts payable/receivable and, less frequently, loans (F8, F2, F4 less frequent), the data for each body concerned are cross-matched. If there is divergence, adjustments can be made without having an impact on B9.

*3. Do you allocate the discrepancy at the final stage? If yes*

*a. Across the accounts in the NFA?*

*b. In specific categories in the NFA?*

*c. Across the accounts in the FA? In assets? In liabilities?*

*d. In specific categories in the financial accounts, except F.8?*

*e. In F.8? In assets? In liabilities?*

Yes, in F.8.

### ***Complementary elements on stocks/***

*1. If the discrepancy was allocated to financial instruments, is the balance sheet information changed, except AF.8?*

No.

2. *Is AF.8 changed? If yes, explain further.*  
No, not in the accounting balances.

### ***Accruals***

1. *Do you consider that the observed discrepancy (i.e. before the statistical adjustment) result from time of recording problems?*

For the most part, probably yes.

*If yes, exclusively, mainly, or partially in S.1311, and/or S.1312, and/or S.1313, and/or S.1314?*

### ***Ex-post monitoring***

1. *Specify whether there are any mechanisms to launch an enquire when discrepancies are too high.*

Yes, the accounts are examined to reduce statistical deviation in the non-financial account and the financial account as far as possible.

2. *Indicate the specific thresholds, if relevant.*

### 3.3. State government sub-sector, EDP table 2B and 3C

If this section is not applicable, mention this and delete all the questions and tables under 3.3.

Not applicable.

#### 3.3.1 Data sources for State Government unit

**Table 5 – Availability and use of basic source data for the state government unit**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+55	T+7	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
A	Q	T+55	T+7	(4) Balance sheets			
				<b>Financial Statements</b>			
A	A	T+150	T+7	(5) Profit and loss accounts			
A	A	T+150	T+7	(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
A	A			(9) Other:accounting balance (for annex budgets and public authorities)	x	x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

#### 3.3.1.1 Further specifications/comments to the table

3.3.1.2 Details of the basic data sources

**Data sources used for compilation of national accounts  
Working balance**

3.3.1.3 Statistical surveys used as a basic data source

3.3.1.4 Supplementary data sources and analytical information

3.3.1.4.1 Supplementary data sources used for the compilation of non-financial accounts

3.3.1.4.2 Supplementary data sources used for the compilation of financial accounts

**3.3.2 Data sources for other State Government units**

**Table 6 – Availability and use of basic source data for other State Government unit**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

## EDP tables and data sources - State government sub-sector, EDP table 2B and 3C

*Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.  
Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.*

### *3.3.2.1 Details of the basic data sources*

### *3.3.2.2 Statistical surveys used as a basic data source*

### *3.3.2.3 Supplementary data sources and analytical information*

### *3.3.2.4 Extra-budgetary accounts*

This section provides information on the so called "extra-budgetary accounts" of the main local government entities, i.e. about flows, which are not recorded in budgetary accounts which enter the WB, as reported in the first line of EDP table 2.

### ***Non-financial flows recorded in EBA***

### ***Financial flows recorded in EBA***

## **3.3.3 EDP table 2B**

### *3.3.3.1 Working balance - use for the compilation of national accounts*

### *3.3.3.2 Legal basis of the working balance*

### *3.3.3.3 Coverage of units in the working balance*

3.3.3.3.1 Units to be classified outside the subsector, but reported in the WB

3.3.3.3.2 Units to be classified inside the subsector, but not reported in the WB

### *3.3.3.4 Accounting basis of the working balance*

3.3.3.4.1 Accrual adjustments relating to interest D.41, as reported in EP T2

3.3.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EP T2

3.3.3.4.3 Other accrual adjustments in EDP T2

### *3.3.3.5 Completeness of non-financial flows covered in the working balance*

### *3.3.3.6 Financial transactions included in the working balance*

### *3.3.3.7 Other adjustments reported in EDP T2*

3.3.3.8 *Net lending/net borrowing of state government*

**3.3.4 EDP table 3C**

3.3.4.1 *Transactions in financial assets and liabilities*

**Table 7. Data used for compilation of transactions and of stocks of financial assets and liabilities**

	Assets							Liabilities						
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	<b>Calculation of transactions</b>													
Transaction data (integrated in public accounts)														
Other transaction data														
Stock data														
	<b>Calculation of stocks</b>													
Transaction data														
Stock data														

3.3.4.2 *Other stock-flow adjustments*

### 3.4. Local government sub-sector, EDP table 2C and 3D

#### 3.4.1 Data sources for Local Government main unit: xxx

**Table 8 – Availability and use of basic source data for main local government units**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
A	A	T+30	T+6	(5) Profit and loss accounts	x	x	x
M	M	T+5		(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other: General ledger	x	x	x

*Accounting basis (column 1): C- cash, A- accrual, M-mixed*

*Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.*

*Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.*

*Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.*

*Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.*

#### 3.4.1.1 Details of the basic data sources

The accounting balances for local government (S.13131) are centralised in the national CCI data warehouse of the DGFIP. The accounting balance is a document that shows balance sheet operations and flows recorded during the year, under nomenclatures and account groupings that are very much based on the general chart of accounts.

As account holder of the local public sector, the DGFIP has access to all budgetary and accounting data for almost 170,000 main budgets and annexes for municipalities, inter-

municipal cooperation establishments (EPCI), departments, regions, public health, social and medical-social establishments, public housing offices and other local public establishments (CCAS, SDIS, EPFL, etc.).

#### 3.4.1.2 Statistical surveys used as a basic data source

Not applicable.

#### 3.4.1.3 Supplementary data sources and analytical information

##### 3.4.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

The supplementary data used to compile the non-financial account are as follows:

- *Statement 1913 “Résumé général des rôles pour les impôts émis par voie de rôle”* (general lists of taxpayers), prepared by the GF3C department of the DGFIP, used to compare data from central government and data in the local administration accounts;
- Extract from *REI “Recensement des éléments d’imposition”* (tax database for current issues, managed by the CL2A department of the DGFIP), used to further break down data from the *Statement 1913* document by category of local authority, and in particular to determine what proportion goes to the municipalities and what proportion to the syndicates;
- Status of compensatory allowances paid by the State to local administrative bodies, prepared by the CL2A department of the DGFIP, used to compare data from central government and data in the local administration accounts.
- Amount of allocations and compensations to be paid to the territorial authorities, transmitted by the central government sector;
- Amount of reductions and collection costs, transmitted by the central government sector;
- Finance laws, used to break down transfers from central government to the different types of local administrations when this level of detail is not available in the general central government accounts.

##### 3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

For financial accounts we use several supplementary data sources. First for factoring without recourse we use a survey from Banque de France on factoring. Then, there is an information from Banque de France on collective investment funds. Finally, we use a source from ASF (Association des sociétés financières) and Banque de France on the amounts of leasing and a survey led by Insee to split these amounts among the different sectors.

## 3.4.2 Data sources for other Local Government units



**Table 9 – Availability and use of basic source data for other local government unit**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
A	A	T+45	T+5	(5) Profit and loss accounts	x	x	x
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
A	A	T+45	T+5	(9) Other: general ledger	x	x	x

## ODAL budgets centralised in file format

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
A	A		T+6	(5) Profit and loss accounts	x	x	x
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
A	A		T+6	(9) Other: general ledger	x	x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

### 3.4.2.1 Details of the basic data sources

Accounting balances for the following ODALs are centralised in the national CCI data warehouse of the DGFIP:

- Municipal Centres for Social Action (CCAS);
- Local School Funds (CDE)
- Departmental fire and rescue services (SDIS)
- Transport Department of Corsica (OTC);
- Local Public Land Establishment (EPFL);
- Departmental Centres Managing The Territorial Civil Services (CFPT);
- Agency for Managing Green Spaces (ESPV).

Accounting balances and status of expenditure and revenue for the following ODALs are centralised in the national EPN data warehouse of the DGFIP:

- Chambers of Agriculture (CAG);
- Agricultural *Lycées* (high schools) (EPLEFPA);
- State Public Land Development (EPFE);
- Water agencies (AFB);
- Land and Technical Agency for the Paris region (AFTRP);
- Euro-Mediterranean public land development body (EUROMED);
- Public Land Development Body for Mantois-Seine Aval (EPAMSA);
- Public Land Development Body for Saint-Étienne (EPASE);
- Public Land Development Body for La Défense region (EPAD);
- Public Land Development Body for Seine Arche (EPASA);
- Public Land Development Body for La Défense Seine Arche (EPADESA);
- Public Land Development Body for Isle d'Abeau new town (EPIDA);
- Public Land Development Body for Marne la Vallée new town – (EPAMARNE);
- Public Land Development Body for Marne la Vallée new town - sector IV (EPAFRANCE);
- Public Land Development Body for Plaine de France (PDF);
- National Centre for Forest Development (CNPF).

Accounting balances are used for balance sheet accounts and the status of expenditure and revenue in the liabilities and income account.

Accounting data for the following ODALs are centralised in file format (sas, Excel or pdf):

- 1) Accounting balances:
  - Local Public Education Establishments (EPLE);
  - Transport Syndicate Ile-de-France (STIF);
  - National Centre for the Territorial Civil Services (CNFPT);
  - Public Development Body Orly Rungis Seine Amont (EPAORSA);
  - Public Development Body for Sénart new town (EPASENART).
- 2) Financial statements (balance sheets and profit and loss accounts):
  - Chambers of Commerce and Industry (CCI)
  - Land Development and Rural Settlement Companies (SAFER)
  - Town Planning Agencies (URBA).

Data for the following ODALs are not centralised but are calculated by extrapolation:

- Chambers of Trades and Artisans;
- ODAL for “Culture”;
- ODAL for “Nurseries”.

Expenditure and receipts for the chambers of trades and artisans are extrapolated from operations in year N-1 from the tax they collected, as this amount is given in the Etat 1913 (RGR).

The ODAL for “Culture” is extrapolated from the amounts paid by the local and State administrations for culture.

The ODAL for “Nurseries”, which covers only association and parental nurseries, is determined from the difference between the amount for all nurseries and the amount for municipality nurseries.

#### *3.4.2.2 Statistical surveys used as a basic data source*

Not applicable.

#### *3.4.2.3 Supplementary data sources and analytical information*

Not applicable.

### **3.4.3 EDP table 2C**

#### *3.4.3.1 Working balance - use for the compilation of national accounts*

An administration’s working balance is a document which shows balance sheet operations and flows recorded during the year, under nomenclatures and groups of account that are based very much on the general chart of accounts.

Accounts in the investment section (classes 1, 2, 3) and the operating section (classes 6 and 7) are used to make the transition to non-financial operations in national accounting; some class 1 and 2 accounts and third party accounts (class 4) and financial accounts (class 5) are used for financial operations.

For each category, the main budgets and the annex budgets are centralised separately, as the local administrations do not present consolidated accounts. A main budget is linked to its annex budgets by means of the SIREN number, but internal operations must be off-set.

#### *3.4.3.2 Legal basis of the working balance*

Before 1<sup>st</sup> June of the year following the close of the financial year, the treasurer draws up a revenue and expenditure account and these budgets are voted (main budget and annex budgets).

The revenue and expenditure account traces budgetary operations according to expenditures and receipts, using a similar presentation to that used in the administrative account.

It includes:

- A general balance of all the accounts held by the treasurer (especially budgetary accounts and third party accounts that represent the administration’s creditors and debtors);
- The balance sheet, which summarises the assets and liabilities of the local administration or establishment.

The revenue and expenditure account is also put before the deliberating assembly, who are then able to judge whether the two documents (administrative account and revenue and expenditure account) are in strict agreement. This first check is followed by a second, carried out by the judge of the Court of Audit. The annual presenting of the accounts is one of the responsibilities of the office and an obligation under public policy.

After examining the supporting documents pertaining to the revenue and expenditure account, the judge of the Court of Audit is able to assess the quality of the way the treasurer of the administration has run the accounts and if any act of negligence is observed, this person may be personally liable to pay compensation.

### *3.4.3.3 Coverage of units in the working balance*

#### *3.4.3.3.1 Units to be classified outside the subsector, but reported in the WB*

Not applicable.

#### *3.4.3.3.2 Units to be classified inside the subsector, but not reported in the WB*

Annex budgets of the authorities and syndicates and ODALs are not shown in the working balance in table 2C.

### *3.4.3.4 Accounting basis of the working balance*

#### *3.4.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2C*

Account 1688 “accrued interest” receives accrued interest not yet due on borrowings and debts. It is subdivided by the nature of the borrowing or debt. This is a non-budgetary account. In national accounting, accrued interest not yet due is coded in F38.

Account 668 “Other financial charges” records in particular losses on interest rate exchanges (Swaps). However, these operations cannot be isolated and can therefore not be processed again.

#### *3.4.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2C*

Local accounting is already on an accrual basis.

#### *3.4.3.4.3 Other accrual adjustments in EDP T2C*

Local accounting is already on an accrual basis.

### *3.4.3.5 Completeness of non-financial flows covered in the working balance*

Annexed budgets of local government units, intercity joint associations and bodies of local public administration are not included in the working balance. Their B.9 is recorded in line net lending (+)/net borrowing (-) of other local government units.

### *3.4.3.6 Financial transactions included in the working balance*

Financial transactions include losses on non-recoverable loans, exchange gain, net income from sales of marketable securities and indemnities for early redemption in the context of structured loans.

### *3.4.3.7 Other adjustments reported in EDP T2C*

Other adjustments concern provisions and reversals of provisions.

### *3.4.3.8 Net lending/net borrowing of local government*

**3.4.4 The B9 of annexed budgets of local government units, of intercity joint associations and bodies of local public administration are recorded because not included in the working balance. Indeed, the working balance used in table 2C is gross savings published by “Observatoire des finances locales”. It is not an accounting result and it is based only on main budgets. EDP table 3D**

*3.4.4.1 Transactions in financial assets and liabilities*

**Table 10. Data used for compilation of transactions and of stocks of financial assets and liabilities**

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	<b>Calculation of transactions</b>													
<b>Transaction data (integrated in public accounts)</b>	X	X	X	X		X	X	X	X	X			X	X
<b>Other transaction data</b>						X	X	X		X				X
<b>Stock data</b>														
	<b>Calculation of stocks</b>													
<b>Transaction data</b>	X	X	X	X		X	X	X		X				X
<b>Stock data</b>	X	X	X	X		X	X	X		X				X

As described above, the working balances of local government and some ODALs are centralised in the CCI data warehouses of the DGFIP. The working balances of some ODALs are centralised in data warehouses of national public bodies (EPN). For Chambers of Trade and Industry, Land Development and Rural Settlement Companies and also Town Planning Agencies, the DGFIP has only the balance sheet and profit and loss statements. Lastly, data from three ODALs are calculated by extrapolation: “Chamber of Trades and Artisans”, “ODAL Culture” and “ODAL Nurseries”.

Local government accounting is on an accrual basis.

The Banque de France provides adjustments on amounts outstanding for financial leasing in the APUL liabilities.

The accounting data cover more than 99% of the scope of the APUL from the time when the provisional account is produced.

#### *3.4.4.2 Other stock-flow adjustments*

The item "Issuance above/below nominal value" and "Difference between interest accrued and paid" are used to record premiums and discounts and also accrued interest not yet due in the APUL liabilities. Given that amounts outstanding are a relatively small item in the liabilities in the form of F3 securities, the amounts to be entered are very limited.

The item "Appreciation/depreciation of foreign currency debt" is used to record changes in the nominal value of liabilities denominated in foreign currency due to fluctuations in the exchange rate. Debts denominated in foreign currency are generally the subject of a swap operation: as a result, the amount shown is generally nil. This information can be obtained from DGFIP accounting data.

The item "Changes in sector classifications" reflects changes in classification in transactions, but these amounts are not very high.

### **3.5. Social security sub-sector, EDP table 2D and 3E**

#### **3.5.1 Data sources for Social Security Funds main unit**

The source data are:

- centralised by the MCP (permanent accounting mission) for 12 social security funds, including the general social security scheme;
- produced by the CCI data warehouse in the case of public hospitals;
- come from the EPN data warehouse or from working balances in all other cases.



**Table 11 – Availability and use of basic source data for social security funds**

**SOURCE General scheme – NUMBER: 8 B9A: 97.9%**

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				<b>Budget Reporting</b>		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
				(4) Balance sheets		
				<b>Financial Statements</b>		
				(5) Profit and loss accounts		
				(6) Balance sheets		
				(6) Balance sheets		
				(6) Balance sheets		
				(7) Cash flow statement		
				<b>Other Reporting</b>		
				(8) Statistical surveys		
M	A (1)	T+60 days		(9) Other: general ledger	x	x
A	A (2)		T+5 months	General ledger	x	x
A	Q	T+50 days		General ledger	x	x

(1) Data used to prepare provisional account

(2) Data used to prepare provisional and semi-definitive accounts

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			

EDP tables and data sources - Social security sub-sector, EDP table 2D and 3E

				(5) Profit and loss accounts			
M	A (1)	T+60 days		(6) Balance sheets	X	X	X
A	A (2)		T+5 months	(6) Balance sheets	X	X	X
A	Q	T+50 days		(6) Balance sheets	X	X	X
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

**SOURCE Hospitals – B9A: 5.7%**

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				<b>Budget Reporting</b>		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
				(4) Balance sheets		
				<b>Financial Statements</b>		
				(5) Profit and loss accounts		
				(6) Balance sheets		
				(6) Balance sheets		
				(6) Balance sheets		
				(7) Cash flow statement		
				<b>Other Reporting</b>		
				(8) Statistical surveys		
M	A (1)	T+30 days		(9) Other: General ledger	x	x
A	A (2)		T+5 months	General ledger	x	x
A	Q	T+6 days		General ledger	x	x

(1) Data used to prepare provisional account

(2) Data used to prepare provisional and semi-definitive accounts

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			

EDP tables and data sources - Social security sub-sector, EDP table 2D and 3E

M	A (1)	T+30 days		(6) Balance sheets	X	X	X
A	A (2)		T+5 months	(6) Balance sheets	X	X	X
A	Q	T+6 days		(6) Balance sheets	X	X	X
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

**SOURCE Other funds - B9A: - 3.6%**

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				<b>Budget Reporting</b>		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
				(4) Balance sheets		
				<b>Financial Statements</b>		
				(5) Profit and loss accounts		
				(6) Balance sheets		
				(6) Balance sheets		
				(6) Balance sheets		
				(7) Cash flow statement		
				<b>Other Reporting</b>		
				(8) Statistical surveys		
M	A (1)	T+60 days		(9) Other: General ledger	x	x
A	A (2)		T+5 months	General ledger	x	x
A	Q	T+50 days		General ledger	x	x

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			

EDP tables and data sources - Social security sub-sector, EDP table 2D and 3E

M	A (1)	T+60 days		(6) Balance sheets	X	X	X
A	A (2)		T+5 months	(6) Balance sheets	X	X	X
A	Q	T+50 days		(6) Balance sheets	X	X	X
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

(1) Data used to prepare provisional account

(2) Data used to prepare provisional and semi-definitive accounts.

*Accounting basis (column 1): C- cash, A- accrual, M-mixed*

*Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.*

*Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.*

*Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.*

*Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.*

### 3.5.1.1 Details of the basic data sources

Data come either from data warehouses or from accounting balances.

#### (i) Data from data warehouses

The social security administration account is based on accounting documents from offices and funds, harmonised according to the PCUOSS unified chart of accounts.

For 12 social security funds (including those of the general scheme, see list below), the accounting balances are centralised by the MCP (Accounts Standing Committee), a joint inter-ministerial mission at the Social Security department of the Ministry of Health, and the DGFIP of the finance Ministry. The MCP monitors their quality and ensures that accounting principles are properly applied.

#### List of Social Security schemes centralised by the MCP

CNAF: National Family Allowance Fund

CRPCEN: Retirement Fund for Lawyers' Clerks and Employees

FSV: Old-Age Solidarity Fund

CNMSS: National Military Social Security Fund

CCMSA: Central Agricultural Mutual Fund

CANMSS: National Social Security Fund for the Mines

CNAMTS: National Health Insurance Fund for Salaried Workers

RSI: Independent Workers' Scheme

CAVIMAC: Health, Old Age and Disability Insurance for Religious Leaders

CNAVTS: National Old Age Insurance Fund For Salaried Workers

CNAVPL: National Retirement Fund for Independent Workers

CRP RATP: Retirement Fund for Staff of the Paris Transport Network

In addition, public hospital accounts are centralised at the DGFIP in the CCI data warehouse, whereas accounts for private hospital establishments working within a public hospital service (PSPH) are based on annual accounting files sent by the ATIH (Technical Agency for Hospital Information). These include the following units: cancer research centres (CLCC), private non-profit-making establishments (ABNL), some long-stay care units (USLD).

Lastly, for the following five entities, accounting balances come from the EPN data warehouse: Fiva, ANGDM, Oniam, Enim, ATIH.

(ii) Data from accounting balances

For the other social security funds (46), information is transcribed into national accounting at the DGFIP from accounting balances that include the profit and loss account and the balance sheet.

Operations not taken up in national accounting

Some operations that are based on source data are not taken up in the national accounting:

- C\_10 – Reserves
- C\_11 – Reserves brought forward
- C\_12 – Profit or loss for the period
- C\_139 Investment subsidies transferred to profit and loss account
- C\_14 Regulated provisions
- C\_15 – Provisions for risks
- C\_18 – Linked accounts
- C\_203 (PCUOSS) – Good will
- C\_209 (M21) Restoration of greenhouse gas quotas
- C\_28 – Amortisations
- C\_29 – Provisions for depreciation of fixed assets
- C\_39 – Provisions for depreciation of stocks
- C\_49 – Provisions for depreciation of third party accounts
- C\_58 – Internal transfers
- C\_59 – Provisions for depreciation of marketable securities
- C\_68 – Funding of depreciation and other allowances
- C\_78 – Reversals of depreciations and allowances
- C\_79 – Transfer of expenses
- C\_8 – Liability accounts

Coherence between financial flows and non-financial flows

The DGFIP receives a single coherent and balanced accounting document (an accounting balance) with the data and information needed to code financial operations (these are shown in the specific accounts) and non-financial operations.

Level of detail available for coding into operations

For the vast majority of bodies, the DGFIP has a very detailed accounting balance, and so can produce precise coding for national accounting operations in the non-financial part. Also, if necessary (doubt over a specific or unusual transaction), the DGFIP can ask the



establishment's accountant for non-accounting information (e.g. accrued expenses, deferred income, new accounting scheme or method).

The accounting balances contain outstanding stocks at opening and at close, and flows for the accounting period under review for each line of accounting. Sometimes the DGFIP may lack precision over a fine distinction between different financial asset instruments. For any significant amounts, the DGFIP has additional information on the portfolio of financial assets held. Finally, if necessary (doubt over a specific or unusual transaction), the DGFIP can ask the finance director of the establishment for further information.

### Consolidation

In a large number of cases the charts of accounts are sufficiently detailed to be able to code the counterparty sector.

Examples for hospitals:

7332	Services provided in the form of state medical assistance (AME)
747	Subsidies and participations
7471	Subsidies paid by the Regional Council
7472	Subsidies and participations paid for maternal and child health
7473	Subsidies and participations paid to emergency medical services
74731	Subsidies paid to SAMU- Centre 15
74732	Subsidies paid to SMUR

In case of doubt, the DGFIP can refer to the regulatory department that manages the proper functioning of the chart of accounts, or to the accountant directly.

In some cases, the data are provided consolidated. This is the case for the large funds which have their own networks.

#### *3.5.1.2 Statistical surveys used as a basic data source*

Not applicable.

#### *3.5.1.3 Supplementary data sources and analytical information*

##### *3.5.1.3.1 Supplementary data sources used for the compilation of non-financial accounts*

Reports from the Social Security Accounts Commission (CCSS), and reports of the audits carried out by the Court of Audit on the social security funds, are used as complementary information, to look at certain aspects in greater depth if need be.

##### *3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts*

Reports from the Social Security Accounts Commission (CCSS), and reports of the audits carried out by the Court of Audit on the social security funds, are used as complementary information, to look at certain aspects in greater depth if need be.

### **3.5.2 Data sources for other Social Security units**

Cf. 3.5.1.

### *3.5.2.1 Details of the basic data sources*

Cf. 3.5.1.1.

### *3.5.2.2 Statistical surveys used as a basic data source*

Cf. 3.5.1.2.

### *3.5.2.3 Supplementary data sources and analytical information*

Cf. 3.5.1.3.

### *3.5.2.4 Extra-budgetary accounts*

This section provides information on the so called "extra-budgetary accounts" of the main local government entities, i.e. about flows, which are not recorded in budgetary accounts which enter the WB, as reported in the first line of EDP table 2.

Non-financial flows do not all appear in the profit and loss statements. Some amounts may be put into reserves, in special funds and are recorded in what are called "extra-budgetary" accounts.

In other cases, depending on the legislation in force, transactions that do not obey specific budgetary rules may be accounted as extra-budgetary.

All these elements are incorporated so that the operations recorded in the national accounts are correct.

#### *Non-financial flows recorded in EBA*

Not applicable

#### *Financial flows recorded in EBA*

Not applicable

## **3.5.3 EDP table 2D**

### *3.5.3.1 Working balance - use for national accounts compilation*

### *3.5.3.2 Legal basis of the working balance*

The social security budget is set annually in the Social Security Finance Law (LFSS). This legislation authorises the social security budget, along the lines of the Budget Law, and was created when the Constitution was revised on 22 February 1996, then amended by the Organic Law no.2005-881 concerning the laws for financing social security, promulgated on 2 August 2005.

In the "Working-balance" line in table 2D, we record the working balance of the units that make up the general medical insurance scheme: CNAMTS (National health insurance fund for salaried workers), CNAVTS (National old age insurance fund for salaried workers) and CNAF (National family allowance fund) and FSV (Old age solidarity fund).

### *3.5.3.3 Coverage of units in the working balance*

3.5.3.3.1 Units to be classified outside the subsector, but reported in the WB

All the units included in the “working balance” line belong to the social security administration field.

3.5.3.3.2 Units to be classified inside the subsector, but not reported in the WB

ACOSS, the special funds (the main ones are CADES and FRR), hospitals, employment agency, special retirement schemes (schemes created before the general scheme came into being and which have not joined it since), supplementary pension schemes (the main funds are AGIRC for executives, ARRCO for non-executives and INRCANTEC for those in the public domain who are not civil servants) and the schemes for non-salaried workers (independent workers, farmers, artisans) are not included in the “working-balance” line.

Their ability or need for financing is given in the line: “Net borrowing (-) or net lending (+) of other social security bodies”.

*3.5.3.4 Accounting basis of the working balance*

The accounting result given in the “working-balance” line is accrual based.

3.5.3.4.1 Accrual adjustments relating to interest D.41, as reported in EP T2D

There are no adjustments relating to interests as the accounting result on the “working-balance” line is still accrual-based accounting.

3.5.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2D

Adjustments in table 2D are accrual based adjustments to transfers paid (accounts payable) and transfers received (accounts receivable) with the other sub-sectors of general government (D.73).

3.5.3.4.3 Other accrual adjustments in EDP T2D

Not applicable

*3.5.3.5 Completeness of non-financial flows covered in the working balance*

The accounting result shown in the “working-balance” line does not take into account all the non-financial flows of the general scheme. Adjustments have been made: they concern investment of general scheme units on their fixed assets and exceptional charges.

*3.5.3.6 Financial transactions included in the working balance*

Not many adjustments have been made to financial transactions included in the “working balance”, the main one being the adjustment for CSG (generalised social contribution) for independent workers who are taxed automatically.

*3.5.3.7 Other adjustments reported in EDP T2D*

Adjustments are made to gains and losses on swap operations in CADES and FRR. Other adjustments recorded are decrease and increase of provisions which are included in the working balance but must be excluded from national accounts. But, increase of provisions are analysed in detail by DGFIP because it happens that social security units record accrual corrections in “increase of provisions” (in that case these provisions are not excluded).

EDP tables and data sources - Social security sub-sector, EDP table 2D and 3E

*3.5.3.8 Net lending/net borrowing of social security funds*

The B.9nf EDP of the ASSO sub-sector (S.1314) including the balance of interest on swaps is given on this line.

### 3.5.4 EDP table 3E

#### 3.5.4.1 Transactions in financial assets and liabilities

**Table 12. Data used for compilation of transactions and of stocks of financial assets and liabilities**

	Assets							Liabilities						
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	<b>Calculation of transactions</b>													
Transaction data (integrated in public accounts)	X	X	X	X		X	X	X	X	X			X	X
Other transaction data			X							X				
Stock data	X	X	X	X		X	X	X	X	X			X	X
	<b>Calculation of stocks</b>													
Transaction data	X	X	X	X		X	X	X	X	X			X	X
Stock data	X	X	X	X		X	X	X	X	X			X	X

#### 3.5.4.2 Other stock-flow adjustments

In the item “Difference between interest accrued and paid”, interest accrued and not yet due is recorded in the liabilities of the social security funds. The effect of premiums and discounts on CADES issues is also included.

The item “interest flow attributable to swaps and FRAs” shows gains or losses linked with swap operations in CADES and the FRR, which are listed in the deficit notified under interest (D.41). They are therefore deducted from the instrument flow “Derivative products”.

The item "Appreciation/depreciation of foreign currency debt" is used to record changes in the nominal value of liabilities denominated in foreign currency due to fluctuations in the exchange rate. In fact, debts denominated in foreign currency are covered through exchange swaps. As a result, the amount supplied is generally nil. This information can be obtained from DGFIP accounting data.

For the item "Changes in sector classifications”, the last change in classification, which occurred when the switch was made to the 2005 base, concerns the transfer of CADES and FRR from the ODACs (S.13112) to the social security funds (S.1314).

### 3.6. Link between EDP T2 and related EDP T3

The monitoring of the link between the individual adjustments in EDP T2 and the related transactions reported in EDP T3 is important for the assessment of GFS data quality.

It is not expected that the adjustments from EDP T2 would be clearly identified in EDT3.

- First, this is due to different coverage of units, because the adjustments in EDP T2 should refer only to the main entity reported in the WB, while transactions in EDP T3 reflect the whole subsector.
- Second, due to the accounting basis and coverage of transactions reported in the WB. For the former, if the WB is on accrual basis, theoretically there is no need for adjustments in other accounts receivable/payable F.8 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.8 reported in EDP T3 and in FA. For the latter (coverage of transactions), the WB balance as reported in EDP T2 typically does not cover all financial flows, since some are booked in the so called extra-budgetary accounts of the main entity.
- Third, adjustments/transactions reported in EDP T2A are non-consolidated, since they refer to the main entity only, as recorded in the working balance (e.g. loans, other accounts receivable/payable, etc.), while financial transactions recorded in EDP T3 refer to the whole subsector and they are consolidated.

As far as specific imputations are concerned, such as debt cancellation, debt assumption etc., which are reported in EDP T2, these should be reflected also in financial accounts and EDP T3 under the related financial instrument.

Therefore, in order to ensure consistency between non-financial and financial accounts and quality of GFS data, statisticians are to be able to explain and to quantify a link between flows reported in EDP T2 and EDP T3.

#### 3.6.1 Coverage of units

*1. Recall briefly, separately for each subsector, whether the same register of units is used for non-financial and financial accounts compilations, and for EDP table 2 and 3.*

For financial and non-financial account compilations, the same register of units is used and this is the case for each sub-sector. The same for tables EDP 2 and 3.

*2. Specify, separately for each subsector, whether any possible deviations in sector delimitation may occur in data used for EDP T2 and EDP T3 compilation, e.g. due to different/other supplementary data sources used for compilation of some transactions.*

Not applicable.

*2. If this is not the case, confirm that the coverage of units reported in EDP table 2 and 3 is identical and possibly provide further specifications.*

In EDP table 2A, the deficit of the ODACs only appears on the line “net borrowing or net lending of other central government bodies”. Apart from this line, the scope of the table is central government. The scope of the “working balance” line is the General Budget and Treasury special accounts. The central government sub-sectors “Real treasury transactions”, “Annex Budgets”, “Public Authorities” and the funds managed by the “Deposit and Consignment Offices” have been gradually assimilated with the transition from budgetary

#### 4. Revision policy used for annual GFS

implementation balance to notified deficit. With the data compiled for EDP table 3B each completed line covers central government (State) and ODACs.

#### **3.6.2 Financial transactions**

*1. Explain, if relevant, the link between financial transactions which are excluded from the WB as reported in EDP T2, and financial transactions reported in financial accounts and EDP T3.*

*2. Focus on financial transactions (FT) undertaken by the main entity reported in the WB and list all the reasons for different figures on FT reported in the working balance and in financial accounts, e.g. why there is different coverage of financial flows, possible differences in valuation, etc.*

*3. Do you use data on financial transactions reported in the WB for EDP T3 and FA compilation? If yes, specify further.*

*4. If you do not use the data on FT as reported in the WB for compilation of financial accounts and EDP T3, explain why.*

*5. List all the adjustments which should be done in order to reconcile financial transactions reported in EDP T2 and T3.*

*6. The explanations should be provided separately for different financial transactions in assets: F.3, F.4, F.5, F.7; F.8; and for transactions in liabilities (including F.8), when relevant.*

***The explanations are to be provided separately for each subsector.***

EDP T3B covers all financial transactions by central government bodies (State) and ODACs. T2A covers only certain financial transactions budgeted to the State (those appearing in the General Budget and especially those appearing in the special Treasury accounts).

EDP T3D covers financial transactions by local government (local authorities, ODAL, syndicates, annex budgets, etc.). In the working balance for T2C (line 1), only local authorities are included. The ODAL and the syndicates do not appear in this table except through their need/capacity for financing referred to in the line "Net borrowing or net lending of other local government bodies".

EDP T3E covers financial transactions by social security funds. In the working balance for T2D, only the general scheme is included (S.131411), without ACOSS. The need or capacity for funding of the other units is referred to in the line "Net borrowing or net lending of other social security bodies".

The differences that can be seen in the financial transactions given in T2A and T3B may be due to the accounting base of the source data: in T2A, the data are cash based whereas in T3B the source data are on an accrual basis. However, the differences observed remain small. The other divergence was mentioned above: the ODACs are not taken into account in the financial transactions entered in T2A. Lastly, none of the State financial transactions are included in the working balance. In particular, operations concerning public debt are not included in the budget and therefore do not appear in T2A.

#### 4. Revision policy used for annual GFS

For S.1313, no financial transaction is included in the working balance.

For S.1314, there are few adjustments to the financial transactions included in the working balance: the main one is the adjustment for CSG for independent workers who are taxed automatically.

### 3.6.3 Adjustments for accrued interest D.41

*1. Recall briefly, whether the adjustment in EDP T2 for accrued interest refers to interest expenditure or also interest revenue.*

In EDP T2, the amount given for accrued interest not due is the balance of accrued interest not due received and paid.

*2. Explain the reasons for differences in the adjustment for accrued interest in EDP T2 and T3. Apart from the differences due to sector coverage, other reasons should be explicitly mentioned, e.g. which interest flows are included in the working balance and which not, for which financial instruments, etc. If some interest flows are not included in the WB, explain where these are booked in public accounts and reported in EDP T2.*

*One of the explanations could be consolidation within sub-sector.*

In EDP T2A and T3B, the balance of the spread of premiums and discount amortisation is shown in the line “difference between interests paid and accrued”.

In T3B, we also report the balance of discount and premium issuances during the year on the line “issuances above/below nominal value”. Thus in T3B, we subtract from the period being considered the variation in the stock of accrued premiums and discounts to move from notified deficit to debt in the sense of Maastricht.

In T2A, the move from budgetary implementation balance to the need for financing B.9 incorporates the accrued but not yet due part of capital indexation (these indexations are the result of indexing long-term fungible Treasury bonds (OAT) and Treasury bonds with annual interest (BTAN)). In T3B, capital indexation is not an element in the transition from debt to deficit as it appears in both aggregates.

The approach used for interest received differs between T2A and T3B:

- In T2A, the line “Difference between interest accrued and paid” includes accrued interest paid.

- In T3B, the first line (EDP B.9) includes accrued interest (due or not yet due, to be paid or received) over the period. Interest that is actually paid over the period is reported in the section “Net acquisition of financial assets”, positive if the interest is received and negative if it is paid. Accrued interest not yet due, to be received is reported in the financial instrument that corresponds to assets (“accrued interest not yet due, received, is reinvested in assets”).

For T2C and T2D, the reported data are on an accrual accounting basis, hence the amounts provided are nil.

*3. List all the adjustments which should be done in order to reconcile figures reported in EDP table 2 and table 3 in the adjustment line for accrual D.41.*



#### 4. Revision policy used for annual GFS

To summarise, to move from the amount under the heading “Difference between interest paid and accrued” in T2A to that in T3B, the following operation is needed:

“Difference between interest paid and accrued” T2A = - “Difference between interest paid and accrued” T3B + charges resulting from indexing securities – interest paid.

***The explanations are to be provided separately for each sub-sector.***

#### 3.6.4 Other accounts receivable/payable F.8

1. Explain the reasons for differences in the figures reported in EDP T2 and T3 in accrual adjustments under other accounts receivable and other accounts payable F.8. Focus the explanations on the main entity reported in the working balance.

***Other accounts payable/receivable: tables 2A and 3B***

All transactions shown under the heading “Other accounts receivable/payable” are reported in the financial accounts used to compile table 3B.

There are several reasons that can account for the considerable differences that can be seen between the amounts reported in the two tables:

(i) First, the amounts entered in EDP T2A do not take into account the F.8 of the ODACs. Some ODACs, as a result of their activities, generate a high volume of assets and liabilities F.8. This is the case for universities, *grandes écoles*, research institutes (CNRS, CNRS, CEA, INRA, INSERM, etc.), ADEME, etc. T3B covers units in S.1311 and takes into account the ODAC accounts payable/receivable.

(ii) Second, the data reported in T3B are consolidated at the level of the sub-sector under consideration (S.1311), whereas data in T2A are not consolidated.

(iii) Third, to move from the budgetary implementation balance to the notified deficit, it is not necessary to take into account all the financial transactions in F.8 reported in the financial accounts.

***Other accounts payable/receivable: tables 2C and 3D***

The source data used for T2C are recorded on an accrual basis. In T3D, all financial transactions in F.8 of the financial accounts are taken into account.

***Other accounts payable/receivable: tables 2D and 3E***

The source data used for T2D are on an accrual basis. Nevertheless, there are amounts reported in T2D on the lines “other accounts payable/receivable”: these are accounting lags from moving to an accrual basis for transfers between general government bodies (D.73).

2. Specify whether accrual adjustments reflected in non-financial accounts are identical to those reported in financial accounts in F.8. If not, explain further.

Sources for non-financial and financial accounts for all subsectors excluded State Government are the same and are on accrual basis. That is why there are no accrual adjustments. Only for State Government, accrual adjustments are recorded in financial and non financial accounts.

#### 4. Revision policy used for annual GFS

*3. Specify what kind of accrual adjustments relating to financial transactions are reflected in financial accounts and in EDP table 3, e.g. due to privatization proceeds paid in several instalments.*

In State Government, there are accrual adjustments for example for military equipment, tax credits, and other adjustments concerning taxes (for Table 3A and 3B). There are no accrual adjustments for other subsectors (for Tables 3D and 3E).

*4. List the adjustments which should be done in order to reconcile transactions in F.8 as reported in EDP T2 and T3.*

Sources for non-financial and financial accounts are different for State Government. Thus, differences may occur. Identifying these differences is impossible as the construction of transactions in F.8 in table 2 and 3 is totally different. For other subsectors, in table 2C and 2D, transactions in F8 are split in different lines.

***The explanations are to be provided separately for receivables and for payables.***

***The explanations are to be provided separately for each subsector.***

#### **3.6.5 Other adjustments/imputations**

*1. Specify where are the methodological adjustments reported under the heading “other adjustments” in EDP T2 reflected in EDP T3. For example, how exactly is the adjustment due to debt assumption, debt cancellation, super-dividends, PPP etc. reflected in EDP T3 and FA, under which financial category, is the amount identical, etc.*

Adjustments made under the heading “other adjustments” in EDP T2 are detailed exhaustively.

For T2A, adjustments are made to the balance of interests received and paid on swaps, financial leasing, public-private partnerships and cancellation of foreign debts.

For T2D, adjustments affect only the balance of interests received and paid on swaps (CADES and FRR).

The amounts reported in T3A and T3D under the heading “Net incurrence of liabilities in financial derivatives” correspond to the financial accounts source data, adjusted from the balance given in T2A (to match the definition in EDP B.9). Adjustments to financial leasing, public-private partnerships and foreign debt cancellation have an impact on the Maastricht debt in liabilities F.42. These amounts are not necessarily identical.

*2. Specify whether related imputations are done in financial accounts by statisticians or it is assumed that these are already reflected in data sources used for compilation of FA.*

For adjustments to swap operations, financial and non-financial accounts are consistent with the source data.

“Financial leasing” and “PPP” adjustments do not appear automatically in the financial accounts source data. These adjustments were made by INSEE, then sent to the DGFIP who included them in the source data. The impact on the financial accounts is calculated and transmitted further downstream from the source data.

Foreign debt cancellations are already reflected in the source data used to compile the financial accounts.

***The specification should be done separately for each adjustment line from EDP T2.***

4. Revision policy used for annual GFS

*The explanations are to be provided separately for each subsector.*

### 3.7. General comments on data sources

*1. Provide additional comments and explanation on common features of different data sources, for different subsectors, when appropriate.*

Not applicable.

*2. Mention the consistency/inconsistency of classifications used in the Budget Reporting of different General Government units.*

Not applicable.

*3. Indicate briefly whether changes in the accounting rules are foreseen in the near future, if any and provide a reference to the related part of the EDP inventory for detailed explanation.*

Not applicable

### 3.8. EDP table 4

Table 4 – The statements on the provision of additional data contained in the Council minutes of 23/11/1993 request the submission of trade credits and advances, amounts outstanding in the government debt from the financing of public undertakings, differences between the face value and the present value of government debt and GNI at market prices.

#### 3.8.1 Trade credits and advances

*1. Please describe the data sources and calculation of the stock of liabilities in trade credits and advances (AF.81L) payable to units outside general government.*

Stocks of liabilities in trade credits and advances are calculated from consolidated general government financial accounts prepared from the DGFIP accounting data.

*2. Please explain how you ensure the consistency between this item and the trade credits and advances reported in the line "net incurrence of other accounts payable (F.8)" in EDP T 3.*

The difference between this item and the line "net incurrence of other liabilities" in EDP T3 is due to elements of liabilities being classified in "F79 – Other accounts payable and receivable, excluding trade credits and advances", which are not taken into account in T4.

#### 3.8.2 Amount outstanding in the government debt from the financing of public undertakings

*1. In case the government in your country borrows on behalf of public enterprises, please detail the calculation of the figure reported in this item.*

The information on loans granted by general government bodies to public enterprises is not available. As a result, this amount is not reported in EDP T4.

#### 4. Revision policy used for annual GFS

### 4. Revision policy used for annual GFS

This section relates to the revision policy concerning annual non-financial and financial government accounts. It describes the country policy for revisions with and without impact on the deficit (non-financial accounts for general government) and debt (financial accounts for general government).

#### 4.1. Existence of a revision policy in your country

*Please describe shortly the revision policy related to the EDP data and the underlying ESA2010 government accounts (e.g. data finalisation/ major benchmark revisions/ occasional revisions/ revisions due to methodological reasons/ reclassifications, etc.). Please specify in each case the number of years which are in general revised and how the revisions are integrated in the revisions of the whole national accounts data framework.*

The French national accounts are revised every year in May. In year  $n$ , we publish the definitive accounts for year  $n-3$ , the semi-definitive account for year  $n-2$  and the provisional account for year  $n-1$ . Accounts for years earlier than  $n-3$  are not revised.

General government data notified in March of year  $n$  are usually the same as those that appear in May. However, if new information emerges about the provisional account between March and May which would result in a revision of the deficit (especially in the social security funds), then notification tables including these changes are sent out in May.

For the September notification for year  $n$ , only new information that has an impact on the deficit is taken into account.

When there is a change of base (approximately every 5 years), the revision potentially covers all years.

*Please answer the following questions:*

##### 4.1.1 Relating to deficit and non-financial accounts

*1. If the revision has an impact on the deficit (B.9), please detail*

The main revisions affecting the deficit traditionally happen between the provisional account and the semi-definitive account. In a provisional account, some elements are estimated, whereas conversely in a semi-definitive account, data may be used and processed across the entire area of general government.

Between the semi-definitive and definitive accounts, deficit revisions are minimal because the upstream data are often not greatly modified.

Occasionally, the deficit may be revised between the March notification and the publication of the annual accounts in May, then between May and the September notification. These revisions are mainly due to late data from the social security funds or adjustments made following data certification by the Court of Audit in June.

#### 4.Revision policy used for annual GFS

Revisions to the deficit are practically always linked to revisions in the source data and not to changes in methodology.

During year  $n$ , revisions affect only years  $n-1$ ,  $n-2$  and  $n-3$ , except when there is a change in the base, when all years may potentially be revised.

*2. If the revision does not have a material impact on the deficit (B.9), please detail*

If the revisions do not have an impact on the deficit, they are only made when the annual accounts are published in May for year  $n$ , when they are applied to years  $n-1$ ,  $n-2$  and  $n-3$ .

#### 4.1.2 Relating to debt and financial accounts

*1. If the revision has an impact on the debt or B.9f, please detail*

As the B9f is totally matched to B.9, the revision policy for B.9f is exactly the same as that for B.9 (see 4.1.1).

Concerning the debt, the series may be revised at the end of each quarter, when the quarterly debt figures are published by INSEE.

*2. If the revision does not have a material impact on the debt or B.9f, please detail*

#### 4.2. Reasons for other than ordinary revisions

*1. Please detail in case the revisions are due to the existence of new figures for state budget outcome (e.g. after audit)*

The potential impact of the audit reports is incorporated as soon as possible into the non-financial and financial accounts.

*2. Please detail in case the revisions are due to the existence of new data sources/details, which were not available in the past (this does not refer to the normal update of data sources)*

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*3. Please detail in case the revisions are due to changes in methodology*

Changes in methodology are only made when the base is changed. When they are implemented, they are documented.

*4. Please detail in case the revisions are due to other reasons (e.g. errors) (please specify)*

When an error is discovered, it is corrected as soon as possible.

#### 4.3. Timetable for finalising and revising the accounts

*1. Please detail the timetable for non-financial accounts by subsectors*

*2. Please detail the timetable for financial accounts by subsectors*

#### 4.Revision policy used for annual GFS

The financial and non-financial accounts for all sub-sectors are prepared following the same timetable:

- preparation of the provisional account for year  $n$  between February and April  $n+1$ ;
- preparation of the semi-definitive account for year  $n$  between December  $n+1$  and February  $n+2$ ;
- preparation of the definitive account for year  $n$  between September and December  $n+2$ .

## B. Methodological issues

### 5. Sector delimitation – practical aspects

#### 5.1. Sector classification of units

General government is defined by ESA2010 §2.111 as "... institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth". Moreover, §20.05 specifies that the general government sector "consists of all government units and all non-market non-profits institutions (NPIs) that are controlled by government units. It also comprises other non-market as identified in paragraphs 20.18 to 20.39".

It is necessary to determine:

- a. if it is an institutional unit (ESA2010 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- b. if it is a public institutional unit (ESA 2010 §20.18 and MGDD I.2.3 – define the notion of control by the government over an entity as "the ability to determine the general policy or programme of that entity"... According to the list of criteria listed in ESA 2010 §20.309 )
- c. if it is a non-market public institutional unit - reference to "Market-non-market delineation" (ESA 2010 §20.19 to §20.28 and MGDD I.2.4)"

1. *Please describe if the subsectors include only institutional units, which are treated as non-market producers according to ESA2010.*

The sub-sectors are made up entirely of institutional units.

2. *Please describe how you apply the market / nonmarket test (see ESA2010 §20.29 to §20.31) and provide all relevant details, including the following information:*

- *are all public corporations regularly tested?*
- *which public units classified in S.13 are tested, if any?*
- *how often do you conduct the test?*
- *how many years are covered?*
- *are individual data used or are some units grouped (and which)?*

Concerning S.1311, all units are individually tested annually.

The test for the market/non-market distinction is carried out each time the base is changed. During the course of the same base, only newly created units are examined (with the exception of S.1311).

When the test is carried out, it covers at least four years.

Tests are carried out at individual level, apart from syndicates, where the tests are collective by type of activity.



*3. Please specify which are the qualitative aspects taken into account for sector/subsector classification. Please describe how you analyse the mentioned qualitative aspects.*

When a unit is examined the following quality criteria are considered:

- assignments carried out by the unit being considered;
- the unit's degree of autonomy in decision-making.

*4. Please explain how you find out when a new unit is created.*

The DGFIP is informed when there are new units in the accounting data warehouses. For other cases, we are informed by the Ministry of Finance.

*5. Please specify which institution and/or department decide on the sector/subsector classification.*

The national account division at INSEE is responsible for the classification into institutional sectors.

### **5.1.1 Criteria used for sector classification of new units**

*What are the criteria for classification of new units inside general government?*

- legal status
- economically significant prices
- ownership
- NACE
- specific units, specific approach, please detail
- other, please specify

The criteria for classifying new units are the same as those used for the existing units (qualitative criteria mentioned in ESA2010 and in MGDD) :

- the unit's degree of autonomy in decision-making and the assignments carried out by the unit;
- government control criterion listed in MGDD part I.2.3 : right to appoint, remove, approve or veto a majority of officers, decisive role in general policy etc.:- non-market criterion, applying a market/non-market test (MGDD part I.2.4).

### **5.1.2 Updating of the register**

*More practical aspects of the updating of the register are to be described here, if not explained above. Please mention also whether all details relevant for the sector classification are available in the register for each individual unit, (e.g. ownership public/private). Is the information on the ownership regularly updated in the register – if yes, how?*

1. *Re-examination of the sector classification and updating of the register - which units, on a regular/irregular basis (how often), individual basis/groups of units*

The market/non-market test is carried out each time there is a benchmark revision. During the course of the same base, only newly created units or units affected by a change in their governance are examined.

2. *50% test – data sources*

- *availability of appropriate details (what is the detail available and what is considered in national accounts),*

- *timing (when and how often is data available),*

- *calculation (which items enter the calculation),*

- *difficulties, etc.*

- The elements required to carry out the test are always available from the upstream data.

- When the test is carried out in year  $n$ , it relates to years  $n-2$  to  $n-5$ .

- The formula to calculate this is as follows:

$$\text{Rate} = \text{Resources} / (\text{COST1} + \text{COST2} + \text{COST3} + \text{COST4})$$

Where

$$\text{Resources} = \text{P11} + \text{P13\_PP}$$

$$\text{COST1} = \text{P2} + \text{D1}$$

$$\text{COST2} = \text{D29}$$

$$\text{COST3} = \text{C\_6811} \text{ or } \text{C\_6812} \text{ (amortisations, representative of consumption of fixed capital)}$$

$$\text{COST4} = \text{D41 net}$$

3. *Updated register versus national accounts – backward revisions, when are the changes implemented in national accounts, etc.*

Boundaries for the scope of general government are reexamined completely each time the base is changed, to redefine the perimeter of the base years. When reclassifications are made, data are processed by retropolation:

- either manually when the unit's lending/borrowing is significant over the base years or in the past;

- or statistically if this is not the case.

During the course of the same base, only newly created units are examined.

### 5.1.3 Consistency between different data sources concerning classification of units

1. *What are the checks undertaken to see whether a unit is classified in the same way in public accounts and in statistical surveys?*

*Please describe separately by subsectors, if relevant:*

- *S.1311*
- *(S.1312)*
- *S.1313*
- *S.1314*

2. *What are the checks undertaken to see whether a unit is classified in the same way in statistical register and in Money and Banking Statistics*

*Please describe separately by sub-sectors, if relevant:*

- S.1311
- (S.1312)
- S.1313
- S.1314

3. *What are the checks undertaken to see whether a unit is classified in the same way in non-financial accounts and in financial accounts*

*Please describe separately by sub-sectors, if relevant:*

- S.1311
- (S.1312)
- S.1313
- S.1314

Classification into institutional sectors is the responsibility of the national accounts division at INSEE.

1, 2. Those responsible for surveys or money and banking statistics may turn to the national accounts division for access to this information. If not, then the classifications used for the general government account and those used in surveys or for monetary statistics are not necessarily consistent.

3. As the construction of non-financial and financial accounts is fully integrated, the classification used for each unit is the same in both types of account.

## 5.2. Existence and classification of specific units

**1. Non-profit institutions (NPI)** – please specify whether non-profit institutions (and of what kind) are included in the general government sector (please list the main institutions, if possible by subsectors). Explain also how you determine whether the NPI is a public or a private institutional unit.

Non-profit institutions may be classified in different institutional sectors (households, non-financial corporations and unincorporated enterprises, financial enterprises, general government bodies, non-profit institutions serving households - NPISH).

NPISH are found in the annual declarations of social data file for some legal categories with detailed activity codes (2700 – Parish outside authorised zone; 8410 – Syndicate of salaried workers; 9210 – undeclared Association; 9220 – declared Association; 9230 – declared Association, recognised of public interest; 9240 - Congregation; 9300 - Foundation; 9900 – Other legal entity governed by private law). ODACs that appear in the scope of general government are excluded from this list (e.g. National Orchestra of Lille, French Cinematheque, Association for Research into Industrial Methods and Processes (ARMINES), etc.).

**2. Quasi-corporations** - please specify whether quasi-corporations (and of what kind) exist in your country (please list the main quasi-corporations, if possible by subsectors).

Not applicable.

**3. Infrastructure companies** – please specify the sector classification of the following types of companies (when relevant) and provide some further details relating to their sector classification, for each company separately (e.g. what is included in sales, economic significant prices, could you clearly identify subsidies on products and production, do you use depreciation or ESA2010 based consumption of fixed capital for the 50% test; indicate if all non-financial assets used by the company are included in its accounts or some are booked in the government balance sheet; specify if these companies benefit from government financial support, via transfers, loans, equity injections in cash and/or in kind; indicate if they have fiscal arrears against government, etc.):

- railways
- roads
- metro
- public utility companies
- ports, airports

Generally speaking, we are not able to estimate CFC through the PIM method, hence we use depreciation given by corporations' accounts. Non-financial assets are booked in companies' accounts. They may benefit from public subsidies, which has an impact on their market / non-market ratio. In case they benefit from government financial support such as transfers, loans, or equity injections, these financial supports are analysed in detail. Infrastructure companies have no fiscal arrears against government.

Railways: SNCF and RFF are classified as non-financial corporations (S.11).

Roads: apart from private-owned motorways, which are classified as non-financial corporations, roads are managed by general government.

Metro: the RATP is classified as a non-financial corporation. The STIF (Transport Syndicate Ile de France) on the other hand is a miscellaneous body of local public administration as its resources are not the product of sales and its expenditure is characteristic of non-market activity.

Gas and electricity companies are classified as non-financial corporations. Water utility services are classified either as non-financial corporations or inside general government. Only inter-municipality syndicates for water supply and distribution are classified as non-financial corporations, after the market/non-market test (see action point no.20). The municipal water supply and sanitation services are in general government (market branches), as annex budgets of non-market units.

Ports and airports are classified as non-financial enterprises.

**4. Universities, schools** - please specify the sector classification and provide some further details relating to their sector classification

Primary and secondary public schools are classified under local government.

Universities are classified as other government bodies (ODAC).

Higher education schools are classified either as ODACs or as non-financial enterprises, depending on the level of their market resources.

**5. Public TV and radio**- please specify the sector classification and provide some further details (including classification of fees) relating to their sector classification.

Public television and radio are classified as non-financial enterprises in national accounts: the *redevance audiovisuelle* paid by households owning a TV set is classified under P11 received by France Télévision. However, given recent clarifications made by Eurostat as regards the recording of public broadcasting corporations, Public TV and radio companies are classified in general government for the EDP notifications.

**6. Public hospitals** - please specify the sector classification and provide some further details (including determination of sales) relating to their sector classification. Specify if these are regularly tested; On an individual basis? Indicate if they receive equity injections; Loans – from whom? Indicate if they benefit from debt cancellations, debt assumptions. Indicate if they have fiscal arrears against government.

Private-owned hospitals working within the public hospital service (PSPH) are classified under social security bodies (S.13142), like public hospitals.

**7. SPE/SPV** – please specify whether SPEs (and of what kind) are included in the general government sector (please list the main SPEs, in case some of them are classified in other subsector than central government, please specify)

See 8.

**8. Specific public units involved in financial activities** – please list the main public units/groups of units and specify their sector classification (e.g. privatisation agencies, defeasance structures, export-import bank, development banks, etc.)

Defeasance structures put in place by central government carry out a certain type of financial activity but they themselves are not really exposed to risk. They are therefore classified under general government (for example the defeasance of Credit Lyonnais, placed as an ODAC).

The SPPE (Corporation for State Equity Holdings), whose task is to strengthen companies' equity base, is classified under central government.

SFEF (Corporation for Financing the French Economy), created at the end of 2008 to resolve the liquidity crisis in the interbank market, is classified as a financial intermediary.

FSI (Strategic Investment Fund) is classified as an ODAC.

COFACE (French Export Credit Agency) is in the financial institutions sector. COFACE / State flows are monitored on a regular basis.

The French Development Agency is classified under financial companies but part of its assets (managed on behalf of general government) are on the State's balance sheet.

**9. Other specific units** - please specify whether other specific units and of what kind (e.g. debt management agencies, market regulatory agencies, joint ventures) are included in general government sector (please list the main institutions, if possible by subsectors)

Not applicable.

## 6. Time of recording

This section describes the time of recording for taxes and social contributions, EU flows, military expenditure, interest and other transactions (subsidies, current and capital transfers and financial transactions).

The time of recording is defined in ESA2010 §1.101. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

### 6.1. Taxes and social contributions

Council Regulation 2516/2000 amended the Regulation on European system of national and regional accounts in the Community (ESA) 95 as concerns taxes and social contributions and clarified the rules concerning both the time of recording and the amounts to be recorded.

#### 6.1.1 Taxes

This section describes the methods of recording of taxes on an accrual basis. The time of recording of taxes is defined in ESA2010 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

*1. Please detail the data sources used: cash data, assessment data, receivable, payable, write-offs, other data needed for compilation of individual taxes, separately for the first and second EDP notification, in case they differ.*

In public accounting, amounts received in the course of year  $n$  are available. Extra-accounting information, which is needed to move to recording on an accrual basis, can also be used. A preliminary evaluation of these extra-accounting elements can be made as soon as the provisional account is available.

For State taxes, for example:

- The source data are the tax revenues that have actually been received by the General Budget in the course of a financial year.
- For repayments, exemptions and write-offs, data are available in General Budget expenditure, programme 200, "Repayments and exemptions in state taxes".

*2. Please shortly describe which of the following methods you use:*

- A. Assessed amounts adjusted by a coefficient*
- B. Assessed amounts recorded entirely as revenue, the amount of taxes unlikely to be collected is recorded as capital transfers*
- C. Time adjusted cash amounts which are attributed to the period when the activity takes place.*

Method A is never applied.

Method B is implemented in most cases. For example, in the case of taxes issued via the list of taxpayers for the state, the difference between amounts issued and the gross amount collected is dealt with as credit / debt related to the taxpayer (OPD995 "Capital transfer for write-off").

In some cases, method C may be used (e.g. VAT). For income tax, the taxpayer's credit / debt is adjusted from recoveries received in n for activities in n-1 and recoveries for activities in n where settlement received in n+1. Recoveries for n that will be received in n+1 are estimated for the provisional and semi-definitive accounts, by applying the recovery rate observed for recoveries in n for n-1, with anything remaining to be recovered for year n. For a definitive account, the amounts to be recovered in n+1 for activity in n are known.

*3. Please indicate which institution collects the information and which institution compiles the data for EDP tables and related questionnaires.*

The DGFIP is responsible for upstream data collection. INSEE is responsible for validating data transmitted in relation to EDP notifications and related questionnaires.

*4. In case the coefficient is used, please specify who decides on the coefficient and on which basis.*

Not applicable.

*5. Please describe how you record the following: reimbursements and refunds, final settlement, interest on late payments, fines and penalties for non-payment, tax amnesties and tax credits.*

Reimbursements and refunds:

- For taxes in respect of production, these are recorded when the activity giving rise to the tax receivable occurs;
- For income tax and taxes on property, these are recorded when the tax receivable is established.

Final settlement:

- For taxes on production, these are recorded when the activity giving rise to the tax receivable occurs;
- For income tax and taxes on property, these are recorded when the tax receivable is established.

Interest on late payment:

See "Fines and penalties".

Fines and penalties for non-payment: recorded when the tax receivable is established, in D75 with the tax.

Amnesties: recorded when the cash payment is made.

For example, in the case of the State:

- Reimbursements and refunds are treated as shortfall.
- Increases and prosecution costs can be isolated because of the state of development of operations on direct taxes and are dealt with in income taxes.
- Write-offs are allocated to capital transfer for write-off (D.995).

Tax credits :

Non-payable tax credits are recorded as negative revenues. Payable tax credits are recorded as revenues, exactly as if the credit was non-existent. This means that the sum of amounts deducted from the tax bill and amounts paid back to taxpayers is recorded as revenues, on a cash basis. As a counterpart, subsidies or social benefits (depending on the tax credit scheme) are recorded as expenditures.

*6. Please mention the time when the final data for the year  $t$  should become available. Possibly, a table specifying the requested information on individual taxes could be provided.*

The definitive data for the national accounts concerning year  $n$  are available in  $n+3$ .

In the case of central government:

- budgetary receipts for taxes for year  $n$  are even available from about 12/01/ $n+1$ , also the amounts for reimbursements and refunds.
- Extra-accounting information for issuing tax demands (including for applying increases and prosecution costs) are available in their semi-definitive version during February  $n+1$  (April for the definitive version).
- the amount of the Employment bonus (PPE) for households below the tax-free threshold is only determined for the semi-definitive account.

### 6.1.2 Social contributions

The time of recording of social contributions is defined in ESA2010 §4.94 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

*1. Please detail the data sources used: cash data, assessment data, receivable, payable, write-offs, other data needed for compilation of social contributions, separately for the first and second EDP notification, in case they differ.*

For all accounts except the provisional, we have direct information on an accrual basis, with details: accrued income, accrued liabilities, cancellations.

*2. Please shortly describe which of the following methods you use:*

- A. Assessed amounts adjusted by coefficient*
- B. Assessed amounts recorded entirely as revenue, the amount of social contributions unlikely to be collected is recorded as capital transfers*
- C. Time adjusted cash amounts which are attributed to the period when the activity takes place.*

Method C is used.

In practice, the actual compulsory social contributions collected by the social security funds are for the most part paid on a monthly basis, with one month's delay, and much less on a quarterly basis, paid in the month following the quarter due.

The actual compulsory social contributions (D6111) collected by the social security funds (S.13141) are assessed to determine the amount due, i.e. when the work is carried out (month of activity).



The amounts due are given by the accounting offices of the different schemes. In their accounts, the social security schemes write off some defaulters. These amounts are recorded under accounting items as follows: 6741: debt waivers, 6742 debt reductions, 6743: debt cancellation under the operation D995 "non-recoverable taxes and compulsory social contributions".

Thus we estimate that there is no "accrual/cash" discrepancy in relation to contributions collected by the social security funds.

*3. Please indicate which institution collects the information and which institution compiles the data for EDP tables and related questionnaires.*

The DGFIP is responsible for upstream data collection. INSEE is responsible for validating data transmitted in relation to EDP notifications and related questionnaires.

*4. In case the coefficient is used, please specify who decides on the coefficient and on which basis.*

Not applicable.

*5. Please describe how you record the following: reimbursements and refunds, interest on late payments, fines and penalties for non-payment, amnesties.*

Reimbursements and refunds:

- For taxes in respect of production, these are recorded when the activity giving rise to the tax receivable occurs;
- For income tax and taxes on property, these are recorded when the tax receivable is established.

Final settlement:

- For taxes on production, these are recorded when the activity giving rise to the tax receivable occurs;
- For income tax and taxes on property, these are recorded when the tax receivable is established.

Interest on late payment:

See "Fines and penalties".

Fines and penalties for non-payment: recorded when the tax receivable is established, in D75 with the tax.

Amnesties: recorded when the cash payment is made.

*6. Please mention the time when the final data for the year  $t$  should become available.*

The definitive data for the national accounts concerning year  $n$  are available in  $n+3$ .

## 6.2. EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts. Eurostat, after the consultation with Member States, released a decision in February 2005. The ESA2010 Manual on government deficit and debt Chapter II. 6 “*Grants from the EU budget*” provide further details concerning the recording of these flows.

### 6.2.1 General questions

*1. Please describe which central agency is involved in/designated to receive payments from the EU for all flows in Structural funds, Agricultural funds, and Pre accession funds. Please provide names and sector classification in national accounts (In case S.13 please mention sub-sector).*

EU flows cover EU structural and investment funds and GNI contributions.

Receive payments from the EU for all flows in Structural funds are recorded in Central government financial accounts :

1. State Government (S13111) accounts for the European Regional Development Fund (ERDF) and the European Social Fund (ESF);
2. Services and Payment Agency (ASP in S13112) for European Agricultural Guarantee Fund (EAGF), the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries fund (EEF).

And more marginally, some European subsidies are managed by local government (departments and regions).

GNI contributions are recorded in State Government in financial operations (F89) on an accrual basis because the source is General statement of Accounts. In non-financial accounts, the source is on a cash basis and there are corrections in order to record on an accrual basis (D76). These corrections are in table 2A.

The public accounting can permit to split the EU flows between adjustments for GNI and EU structural and investment funds (all recorded in F894). But it is not possible to distinguish the flows for all structural funds.

*2. What institution is the source of data for EU flows (the agencies mentioned under point 1 (balance sheets, profit and loss accounts, other?)/Ministry of Finance/within budget reporting).*

The source is public accounting.

*3. Indicate if you are able to collect data on EU flows on central/state/local government level?*

Central and local government.

4. *Specify whether you have reliable data on date of expenditure (are you on a claim or time of expenditure basis?).*

The source is public accounting so it is reliable data. Inflows and outflows are recorded in a financial operation (F89), the management of Structural funds have no impact on general government's B9.

As mentioned in MGDD part II.6 "Grants from the E+EU budget", when European Commission decide that payments of France are not consistent with accounting rules ("*refus d'apurement communautaire*"), an expenditure of State Government is recorded (D9) the year of the decision of European Commission, so with an impact on B9.

5. *Specify if you have information on the final beneficiary (government, non-governmental unit).*

We have information on final beneficiary : when it is government units like local government or central bodies it is recorded as investments grants (D92) which improve B9.

6. *Specify whether you are able to distinguish these for national accounts purposes. In public accounting, funds management for EU are recorded for State Government in the account "464 - Fonds européens et autres fonds communautaires", in "443 - Opérations particulières avec l'État, les collectivités publiques et les organismes internationaux » for ASP and in « 444 - Opérations avec la communauté européenne» for local government.*

In National account, those flows are recorded in F89.

7. *Specify whether you able to distinguish advances/reimbursements.*

The receivables are recorded in assets and the amounts executed by French government (advances) in liabilities.

8. *Are amounts from the EU entering the working balance? Please specify for central/state/local government level. Please provide information asked above for all funds: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), The European Fisheries fund (EEF) the European Regional Development Fund (ERDF), the European Social Fund (ESF), Cohesion Fund).*

Please see answer 1.

9. *Where is the accrual adjustment done in EDP tables 2 (receivables/payables, other adjustments)? Please provide above asked information for all funds.*

The accrual adjustment for GNI contribution is recorded in table 2A in line "other account receivable", more precisely in the item "*Revision RNB budget UE*".

An accrual adjustment is recorded in table 2A in line "other accounts payable" when there is a "*refus d'apurement communautaire*" (see answer 4).

10. *Are you able to quantify both receivable and payable data or do you simply carry out the neutralization on a cash flow basis (net receivables)?*

11. *In case advances are received, are these recorded as an asset of government? Where is this money kept (Treasury account (separate, not separate), another account)?*

*12. In case an advance is an asset of government, is there a matching payable recorded in EDP T3?*

*13. Could you please describe where you make the adjustments in EDP tables for the third resource?*

*Please provide further information on EU flows recording in public and national accounts, if relevant.*

### **6.2.2 Cash and Schengen facility:**

The time of recording of payments received by the beneficiary Member States through Schengen and Transitional Facilities would be accounted according to the Eurostat decision on EU flows, while the time of recording of Cash-flow Facility is when the transfers are to be made by the Commission. In practice, in this particular case, the amounts would be recorded as revenue in the years in which they were received by the beneficiary countries.

*1. Specify if your country received cash through transitional or Schengen facility.*

*2. Please describe the recording of cash and Schengen facility in national accounts in and in EDP tables (time of recording, assets/liabilities, EDP table line if adjustment is necessary).*

### **6.2.3 Jeremie/Jessica**

The European Commission and the European Investment Bank Group and other International Financial Institutions on financial engineering in cohesion policy, the European Commission drew up new initiatives for improving access to finance of European corporations. These initiatives require the involvement of EU governments (as in the case for other cohesion and structural policy instruments). EU Member States implement the JEREMIE and JESSICA initiatives by establishing a Holding Fund funded through their Structural Fund receipts from the European Commission and national contributions. The Holding Fund (HF) can be managed either by the EIF or by other financial institutions, according to the EU Structural Funds legislation applicable. In this context, the "Managing Authorities" can award management either directly to the EIF or any national institution which benefits from public procurement exemption under national law through a grant agreement, or indirectly by way of tender to a financial institution through a service contract. Holding Funds can be set up either as "ring-fenced blocks of finance" or as bank accounts managed by the Holding Fund manager on behalf of and in the name of the Managing Authority, or as an independent legal entity (Special Purpose Vehicle – SPV).

*1. Indicate if you have the Jeremie/Jessica programmes implemented in your country.*

*2. In which sector is the Holding Fund classified?*

*3. What is the proportion of the Holding Fund funding from government and Structural Funds?*

*4. What is the nature of government transfer to the Holding Fund (loan, deposit, grant)?*

*5. Who is the final beneficiary from national accounts point of view – government, non government unit (Holding Fund, other)?*

#### **6.2.4 Market Regulatory Agencies**

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilize prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

*1. Indicate if you have MRAs in you country.*

*2. Where are these classified?*

*3. In case these are classified in S.13, how do you record changes in inventory?*

*4. Specify whether units are created to capture changes in inventory.*

*5. Do those units have the form of a quasi-corporation or notional unit?*

*6. Where are these classified?*

### 6.3. Military expenditure

The ESA2010 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered.

ESA 2010 paragraphs 20.190-20.192 define the rules for the statistical recording of military equipment. Chapter II.5 in Part II of the ESA 2010 MGDD details the rules concerning the recording of military expenditure.

#### 6.3.1 Types of contracts

*Please describe the following:*

1. *Data sources used for compilation of military equipment expenditure*
2. *Types of contracts used by military forces for the procurement of military equipment (if possible, please, give an indication on the frequency and on the average share in equipment expenditure)*
  1. *Arrangements within the government sector (manufacturing by government units)*
  2. *Sales agreed in advance with industrial suppliers, with or without government pre-financing*
  3. *Long-term rental contracts (please describe the nature of the lessor - industrial supplier, special purpose entity, etc. - and the coverage of the contract as regards services provided during the contract)*
  4. *Trade credits (payments after delivery)*
  5. *Purchasing through an international special agency*
  6. *Others*
3. *Please mention which institution (Ministry of Defence, Ministry of Finance, other) provides the data to INS for the recording of military equipment*

The data used are as follows:

- first, data concerning payments (in cash) are taken from public accounting and are transmitted by the DGFIP;
- second, data concerning deliveries and payments for heavy equipment provided by the Ministry of Defence.

All contracts correspond to the second option.

#### 6.3.2 Borderline cases

1. *Please describe any borderline cases relating to classification of military goods or other equipment used by military forces.*  
Not applicable

### **6.3.3 Recording in national accounts**

*1. Please describe the time of recording in national accounts and EDP tables for each of the above mentioned types of contracts: 1.1; 1.2; 1.3; 1.4; 1.5; 1.6.*

For heavy equipment, the data used refer to deliveries provided by the Ministry of Defence. The state working balance is therefore adjusted for the difference between deliveries and cash payments for this heavy equipment.

For light equipment, we hypothesise that there is no gap between payment and delivery. We therefore use the cash data provided by the DGFIP directly.

## 6.4. Interest

This part aims at describing accrual adjustment for interest.

ESA2010 paragraph 20.178 reads: "In the system, interest is recorded on an accrual basis, i.e. interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding"

ESA2010 MGDD part II, chapter II.4 is dealing with some practical aspects of the recording of interest.

### 6.4.1 Interest expenditure

**Table x Availability and basis of data on interest**

Instrument	S.1311		S.1312		S.1313		S.1314	
	State	OCGB	Main unit	OSGB	Main unit	OLGB	Main unit	OSSB
<b>Deposits (AF.2)</b>	Cash and accrual	Accrual	M	M	Accrual	Accrual	Accrual	Accrual
<b>Debt Securities (AF.3)</b>	Cash and accrual	Accrual	M	M	Accrual	Accrual	Accrual	Accrual
<b>Loans (AF.4)</b>	Cash and accrual	Accrual	M	M	Accrual	Accrual	Accrual	Accrual
<b>Other accounts receivable (AF.8)</b>	Cash and accrual	Accrual	M	M	Accrual	Accrual	Accrual	Accrual

Cash/accrual, M (not applicable) or L (not available)

Please complete the table above and provide a description.

1. What data sources are being used?

#### **Central government**

The source data are:

- budget accounting (cash-based) and more precisely the accounting data of the General Budget and the Special Account "State debt and cash management" (programme 903). These are the data used for the transition into national accounting and for coding counterparty operations and sectors.
- general accounting (accrual-based). For the Annex Budgets and the Public Authorities, individual balances are extracted from the data warehouse and are then used for national accounting. An accounting balance extracted from the data warehouse is also used for accrued interest not yet due.
- data provided the French Treasury Agency, which manages the debt and the state's cash holdings. It is the AFT that informs the accountants at the DGFIP of which operations to incorporate into the State accounting, regarding debt and state cash. The file sent by the AFT gives the amounts of the debt burden both in accrual-based and cash-based accounting.

#### **Other sub-sectors**

For the ODACs, local government and social security funds the source data are collected from the accounting source according to the procedures and methods described above.



*2. Is data on interest cash, accrual or both?*

**Central government**

Data for interest expenditure in the non-financial account are calculated using cash-based accounting. An adjustment is then made to obtain the amount of interest on an accrual basis: this is attached to the Real Treasury Transactions sub-sector (S.131114).

In budgetary accounting, we record: interest burden, indexing expenditure, expenditure associated with management of debt and accrued coupons. Costs and products associated with premiums and discounts and losses and gains from repurchase are not included for budget purposes.

In general accounting, interest is recorded on an accrual basis.

In order to be accrual-based, the adjustment consists of adding to the interest (D.41) the difference between the amount of interest using the accrual method and the amount of interest with the cash-based method. The file sent by AFT gives these amounts. They can also be found in the source accounting data from the DGFIP (from variations in accrued interest not yet due accounts in general accounting).

**Other sub-sectors**

For the other sub-sectors, data are recorded using the accrual method.

*3. Please indicate whether data on instrument by instrument basis available to the NSI.*

**Central government:** Information is provided by instruments. In particular, with the AFT file accrued interests on coupons can be broken down and redistributed between OAT and BTAN, which is not possible with the accounting data at source.

**ODAC:** information from public accounting does not allow for interest payments to be broken down by instrument.

**APUL:** information from public accounting does not allow for details of interest payments to be given by instrument, except for accrued interest not yet due (ICNE) (account 7622 – Products of other financial long-term assets, inclusion of ICNE).

**ASSO:** information from public accounting does not allow for details of interest payments to be given by instrument, except for units that prepare their accounts according to the accounting framework for credit establishments (CADES, FRR).

*4. Indicate if you have information on interest in State/Local government and social security funds subsector.*

Information obtained on local government and social security funds comes from public accounting in accordance with the procedures and methods described in detail above.

*5. Please clarify, whether the principle of recording accrued interest under instrument is being followed for all instruments? If not, where interest is allocated (F.8 or other)?*

For all the sub-sectors, accrued interest not yet due is recorded in detail in general accounting, by means of instruments.

6. As a general practice, are amounts for accrual adjustment on interest the same in EDP table 2A and 3B. If not, are you able to reconcile those?

The line “difference between interest paid(+) and accrued (EDP D.41)(-)” in table 2A takes into account:

- accrual adjustments to received interest;

- capital indexing

unlike the line in table 3B with the same title. In addition, although the amount may be minimal, accrued interests not yet due in the strict sense of the ODACs are not recorded in the line “difference between interest paid(+) and accrued (EDP D.41)(-)” in table 2A whereas they are in the line of the same name in table 3B.

## 6.4.2 Interest Revenue

*Please describe:*

1. *Source data for interest accrued and received.*

### **Central government**

For interest received, the source data are:

- budget accounting (cash-based) and more precisely the accounting data of the General Budget and the Special Account “State debt and cash management” (programme 903). These are the data used to move into national accounting and to code counterparty operations and sectors.

- general accounting (accrual-based). For the Annex Budgets and the Public Authorities, individual balances are extracted from the data warehouse and are then used for national accounting. An accounting balance extracted from the data warehouse is also used for accrued interest not yet due.

In the same way as for interest paid an adjustment is made for accrual based accounting (in S.131114) from variations in the accrued interest not yet due accounts in general accounting.

### **Other sub-sectors**

Information obtained on local government comes from public accounting, and is directly accrual based according to the procedures and methods described above. The same is true for the ODAC and the social security funds.

2. *Where are related accrual adjustments implemented in EDP tables?*

The adjustment appears in table 2A on the line “accrued interest not yet due”.

## 6.4.3 Consolidation

*Please describe:*

1. *How you implement consolidation on interest?*

2. *What source data is used for consolidation?*

3. *Indicate whether consolidation is applied for all subsectors.*

4. *How does consolidation impact B.9?*

## Time of recording -Interest

Consolidation on interest is implemented from outstanding assets held by general government bodies over other general government bodies, as recorded in the annual financial accounts. For each type of instrument and for each year, an average interest rate is determined, obtained from standard financial data. For example to determine the interest rate to apply to short-term debt securities, the average of the BTF rates is used.

Supplementary information is also used. For example, to support the ACOSS cash flow, at the end of the years the state buys commercial papers issued by ACOSS for € bn then sells them all back at the beginning of the following year. Such an operation is considered not to generate any interest.

Finally, based on public accounting data (“special accounts” nos. 66141 and 66142), we know the total amount of interest paid by the state to correspondents at the Treasury. This amount is distributed proportionally among the holdings of the sub-sectors of general government bodies and other institutional sectors (mainly public-sector firms and the rest of the world).

Consolidation concerns all sub-sectors: however, it is generally the State that pays the interest and the other sub-sectors that receive. In the case of the social security funds, considerable flows of interest can be seen between bodies in the same sub-sector (e.g. CADES which holds ACOSS commercial papers).

The impact of general government on B.9 overall is nil. The impact of the state on B.9 is negative.

### 6.4.4 Recording of discounts and premiums on government securities

*1. Please specify whether flows associated to premium and discount enter the Working balance of EDP tables 2 and on what basis are those flows (cash/accrual/other).*

*2. In case the working balance includes premium/discount, where in EDP table 2 are these flows neutralised?*

*3. Do entities reported under "other government bodies" in EDP tables 2 issue debt above/below par?*

*If yes, where in EDP tables 2 is the accrual adjustment recorded?*

*4. Specify whether premiums and discounts are spread over the life of an instrument.*

*5. How are premiums treated in national accounts (as revenue or as negative expenditure)?*

*6. Specify whether the repayment of discount is identifiable from the repayment of debt?*

We talk about an issue premium when subscribers buy securities above their nominal value (value that covers repayment of the capital when the security reaches maturity) and discount when the opposite happens. A premium is a cash flow gain for the State, a discount is a cash loss.

## Time of recording -Interest

In the notification tables, premium and discount amortisation is treated in the same way as accrued interest not yet due in the strict sense of the term.

1. The working balance is not affected by premiums and discounts.
2. Premium and discount amortisation (which is an adjustment to switch from cash-based accounting to accrual-based) is recorded in table 2A in the designated line (“difference between interest paid (+) and accrued (EDP D.41) (-”).
3. Yes, but these units (CNA and SAGESS) keep accrual accounts allowing for an appropriate recording of discounts and premiums.
4. The difference between the issue value and the redemption value is dealt with in interest across the lifetime of the instrument. In accrual-based accounting, we consider that the security has two interest components: the first corresponds to the nominal coupon and the second to the spread of the premium or discount over the life of the security. The amounts are provided by public accounting and by the French Treasury agency.

In the financial accounts premiums (or discounts) are recorded in a specific operation (AF38: accrued interest not yet due). On issue, we record under operation AF38 in liabilities a flow equal to the amount of the premium (+AF38) or the discount (-AF38); the same amount is recorded implicitly in the assets in cash flow (AF2). The amount recorded on issue under operation AF38 is then amortised over the life of the security as a counterparty to the interest recorded in operation D41.

5. Paid interest is recorded as negative when it concerns a premium and positive when it concerns a discount.
6. With early redemptions, premiums (or discounts) that are still to be spread beyond the repayment date are incorporated in their entirety into instalments in the period and the outstanding amount that remains at the end of the period is adjusted as a result.

## 6.5. Time of recording of other transactions

### 1. General questions

*- do you record all transactions on accrual basis according to ESA2010 rules? Indicate any deviations from **ESA2010** rules.*

As far as possible, we follow the recording dates recommended in ESA2010. Sometimes the accounting sources are not available on the appropriate dates, for example for subsidies (see below).

*- do you use accrual data sources or do you use cash and make accrual adjustments?*

For central government, the main source used is budgetary accounting which is cash-based. For the ODAC, APUL and ASSO, the accounting sources are accrual-based.

*- how do you ensure that accrual data coming from financial statements are in line with ESA95 rules (e.g. for GFCF, subsidies, investment grants and other transfers, dividends, etc)?*

The bridge tables between public accounting and national accounting take account, as far as possible, of the ESA recommendations in terms of recording dates. For example for GFCF, it is possible to differentiate in the accounting between:

- advance expenditure before delivery, which is dealt with under financial operations F.81;
- and fixed assets associated with delivery, which are dealt with as a non-financial operation P.51.

*- indicate if accrual non-financial flows are consistent with F.7 recorded in financial accounts.*

For ODAC, APUL and ASSO, the sources are accrual-based and are incorporated into the financial and non-financial accounts: accounts payable and receivable F.8 are therefore consistent with the dates when the non-financial operations were recorded.

For the State, the main source used for the non-financial account is budgetary (cash-based) and the source used for the financial account is accrual-based (General Budget). Adjustments are made in both parts of the account to ensure consistency in the recording dates, but some differences may remain.

*- indicate whether you check if all receivables, as booked in public accounts, are finally cashed (e.g. revenue from fees, penalties, etc)*

INSEE does not monitor accounts receivable one by one to check whether they have been paid, but the public accounting officers do, and apply waivers (which are expenditure in national accounting) if necessary.

*- it was observed in some countries that payables (and so expenditure) have not been always booked in public accounts due to different reasons (exceeded limit of the budget, insufficient*

*funds to pay subsidies, etc). Are you aware of such cases? How do you ensure that all payables are taken into account? Are public accounts audited in this respect?*

No, we have no knowledge of any such cases. There are no accounting reasons to justify not recording an expenditure to be paid. Audits by the Court of Audit (for the State), by external auditors (social security funds) or by regional Courts of Accounts (APUL) check the truthfulness of the accounts in this area.

*- specify if you are aware of accumulated arrears / payables of government?*

No, we are not in a position to separate commercial liabilities into “delayed payments” (i.e. usual and acceptable) and “late payments” (i.e. excessive).

*2. In particular, please specify the time of recording of the following transactions in your national accounts by sub-sectors (separate description by sub-sectors is only needed when the recording differs among sub-sectors:*

*- subsidies payable*

ESA2010 requires that subsidies should be recorded “when the transaction or the event (production, sale, import etc.) which gives rise to the subsidy occurs.” In practice we follow public accounting when recording subsidies paid by general government bodies.

- For the state, budgetary accounting is used (cash-based). Adjustments to accrual-based can be made for the largest operations. In the case of payable tax credits, subsidies are recorded when the amounts to be paid are acknowledged by the fiscal administration.

- for the other sub-sectors (ODAC, APUL, ASSO), accounting is accrual-based, which means that subsidies are recorded as soon as the unit recognises its obligation to pay, regardless of the payment date.

*- current and capital transfers payable*

For current and capital transfers, we also follow public accounting. For accrual-based sources, acknowledgement of the obligation to pay determines the date the operation is recorded. For the state (budgetary source), adjustments to accrual-based may be applied for the largest operations. For example, for a transfer between the State (cash-based accounting) and an ODAC (accrual-based accounting), we will apply the dates used in the ODAC accounting and make an adjustment for the accrual method (D.7 or D.9 with a counterpart F.89) to the State accounts.

*- gross capital formation*

ESA2010 specifies that Gross Fixed Capital Formation (GFCF) should be recorded “when the ownership of the fixed assets is transferred to the institutional unit that intends to use them in production”. When accrual-based sources are available (ODAC, APUL, ASSO which represent the great majority of GFCF for general government bodies), the ESA principle is indeed applied. The exceptions to this rule concern:

- financial leasing (for which there is an imputed change of ownership) and leasing with purchase option: the user becomes the owner the moment he takes possession of the goods;

## Time of recording -Time of recording of other transactions

- fixed assets under construction are recorded gradually, as the assets concerned are produced, and which constitute the GFCF for own use.
- Down payments on acquired fixed assets, which are paid when proof of partial execution or delivery of a tranche is provided.

Advance payments for purchase orders for fixed assets are classified as flows net of debt, in F.81 (commercial credits and advances).

For the state, the main source used is budgetary accounting (cash-based), but adjustments to accrual-based are made in the case of PPP, recorded using the accrual-based general state budget.

*- dividends (and interim dividends) receivable*

Dividends are recorded as receipts as soon as the decision to pay has been taken by a company (e.g. decision at the shareholders general assembly). Interim dividends also follow this rule: they are recorded as soon as the decision to pay has been taken and are not shifted to correspond to the payment of the final dividend of the financial year.

*- social benefits payable*

Concerning social benefits (paid for the most part by the social security funds), there are two types:

- social transfers in kind (D.63). Social security reimbursements are recorded on the “date of treatment” i.e. when the good or the service requiring the reimbursement occurs, even if the reimbursement occurs later. Other services in kind (social actions and housing) are usually recorded when the beneficiary is due to receive the benefit.
- social benefits other than social transfers in kind (D.62). These benefits are recorded when they are due to the beneficiary, regardless of the payment date. For example, retirement pensions for the last quarter of year N are recorded in the national accounts for year N, even if they were in fact paid in January of year N+1.

*- possibly other transactions non-financial transactions*

*- financial transactions (when cash is not paid at the time when the transaction in financial instrument took place, e.g. privatisation)*

Accrual-based adjustments are used for the sales of shares, in order to separate the transaction in F.5 (signature of the sale) from any later flows in F.2 (settlement of the sale). The same for debt issues, where the dates used are when the securities were issued and not when payment was made (there may be a few days difference, which may span two different quarters or even, very rarely, two different calendar years).

*For each transaction*

- *Please detail, separately, the basic and supplementary (if relevant) data sources used. Specify any accrual adjustments you make to the basic data sources.*

## 7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA2010), 2013 edition<sup>6</sup>.

### 7.1. Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt as well as of deficit. The accounting rules are explained in the Chapter VII.4 on Government guarantees of the ESA2010 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

#### 7.1.1 Guarantees on borrowing

##### 7.1.1.1 New guarantees provided

###### *Recording in public accounts*

*1. Provide some background information and explain the mechanism related to guarantees; which units provide guarantees, who are beneficiaries, existence of guarantees on borrowing and on assets, etc.*

#### **Central government**

The State may provide a guarantee for a body when it wants to facilitate a borrowing operation, by guaranteeing to repay the lender if the debtor should default.

Conditions for granting a State guarantee are set by Article 34 of the Organic Law of 1 August 2001 on Finance Laws (LOLF) which states that “*the Finance Law for year (...) authorises the granting of guarantees and sets the conditions*”. Thus new guarantees by the State can only be granted on the basis of a provision in the Finance Law. They are subject to a loan guarantee ceiling per operation. The scope of the guarantee has to be clearly measured when it is granted, by attaching it to a specific financial operation, providing a maximum amount and limiting it in time.

The State agrees to reimburse the capital and/or pay the interest on the amounts guaranteed according to the provisions of the contract.

In 2016, the main beneficiaries of this guarantee were: the EFSF (European Financial Stability Facility), the SFEF (Corporation for Financing the French Economy), Dexia, FGAS (Social Guarantee Fund), UNEDIC (National Inter-Professional Union for Employment in Industry and Commerce) and the AFD (French Development Agency).

<sup>6</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-GQ-13-006/EN/KS-GQ-13-006-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-GQ-13-006/EN/KS-GQ-13-006-EN.PDF)



### APUL

Guarantees provided by local authorities are governed by articles L2252-1 *et seq.* of the General Local Authorities Code. There is a ceiling imposed on guarantees of 50% of the authority's actual income. In addition, the "division of risks" rule states that the debtor may not be granted a guarantee greater than 10% of the total amount of annuity that the authority may guarantee. Finally, the risk sharing rule stipulates that the authority cannot guarantee the entire loan granted to the beneficiary: the threshold is 50% apart from exceptions mentioned in the Law (e.g. social housing, associations).

Guarantees are mainly extended to the housing sector, then public works and lastly associations.

*2. Are the related accounting records on government guarantees kept exclusively in government public accounts? Or are there any kept by a unit outside government?*

No *ad hoc* unit or institution outside the scope of general government is involved in the debt mechanism guaranties that general government may put in place.

*3. Is the information on government guarantees made public? If yes, what details are published?*

Although the guarantees are off-balance-sheet commitments in terms of public accounting, guarantees granted by the State are published in the general government account, which produces an almost exhaustive list of "commitments made within a framework of well-defined agreements". The information made public varies according to the type of guarantee. Nevertheless, the scope of the guarantee, the beneficiary likely to activate the state guarantee, the legal basis, the amount of guarantee issued and where necessary the amount of guarantee called are provided.

*4. Specify a typology of guarantees: on assets (e.g. deposit, export insurance, housing loans, student loans, other) and on borrowing (public corporations, other), etc.?*

The expression "commitments made in the framework of clearly defined agreements" covers four types of commitment, all of which have contractual or legal documents binding the State to a third party:

- 1- guaranteed debt ("guarantees granted by the State in compliance with article 34 of LOLF");
- 2- guarantees associated with missions of public interest;
- 3- guarantees of liabilities;
- 4- financial commitment by the State.

Debts guaranteed by the State in compliance with article 34 of the LOLF stood at €163 bn at the end of 2012, of which €10.5 bn were denominated in foreign currency. They were only granted on the basis of a provision in the Finance Law. The six most significant represent an outstanding total of €61 bn. They cover guarantees granted to the EFSF and Dexia as part of its liquidation, guarantees for agreements previously underwritten by SGFGAS ex-FGAS (Society to Manage Guarantee Funds for Social Home Ownership), guarantees granted to the AFD (French Development Agency) for its activities promoting economic development in poor or indebted countries, guarantees to UNEDIC for its loans, guarantees for securities issued by the SFEF.

Guarantees associated with missions of public interest are granted by the State to public or private operators dealing with the mechanisms of insurance or debt consolidation, the protection of savers or guarantees on behalf of central banks. This includes, in particular: guarantees for COFACE, responsible for supporting and financing French exports, for risks that are not covered by markets like political risks, the risk of non-repayment of export credit etc., guarantees extended to Natixis and the AFD for loans authorised to foreign states and those granted by the CCR (Central Reinsurance Fund) for its insurance and reinsurance activities covering exceptional circumstances (natural catastrophes, assassination attempts, nuclear accidents, credit-insurance risk, etc.). This list also includes protection guarantees for savers with savings plans (regulated savings, home purchase savings) and exchange risk cover promoting African central banks.

Guarantees of liabilities include in particular commitments to multilateral development banks and in respect of callable capital of the ESM.

Guarantees linked with commitments by the State on financing arrangements, especially including commitments linked with co-financing contracts (town and country planning), development aid (Loans to foreign States – Reserve fund for emerging countries, C2D - contracts for development and debt reduction) and other commitments such as loans granted by the State to the IMF but which are not drawn.

*5. How are granted guarantees recorded in public accounts?*

#### **Central government**

All “commitments made within the framework of a clearly defined agreement” may be recorded in the State accounts, as long as they can be quantified objectively. If not, a written description of the commitment is provided as an annex to the account.

For quantifiable commitments, these are recorded on off-balance-sheet accounts (accounts in class 8). More particularly, for guaranteed debt, these are found in accounts 8011 “Debt guaranteed by the State – Loans in euros” and 8012 “Debt guaranteed by the State – Loans in foreign currency”. These off-balance-sheet accounts are credited when a contract is signed between the States and the entity that is the beneficiary of the guarantee.

The Budgetary Control and Ministerial Accounting (CBCM) Department of the Ministry of Finance provides INSEE with a detailed file of off-balance-sheet accounts 8011 and 8012, by beneficiary entity, with debit and credit flows for the year.

Guarantees associated with missions of public interest are recorded in account 802, guarantees of liabilities in account 803 and financial commitments by the State in account 804.

*6. Indicate any cases of debt assumption at inception.*

In France, the SAAD debt (Special Account to Amortise SNCF Debt) which is guaranteed by the State was identified as a public debt.

*7. Specify cases when since inception, government pays regularly interest.*

We have no knowledge of any such cases.

### ***Recording in national accounts***

*1. What kind of data and details on guarantees provided by government are available for statisticians?*

The department at INSEE dealing with the general government account has the following information: name of the company that is beneficiary of the guarantee, end of year outstanding amounts, any calls on guarantees by companies, amounts of these calls, their date, any interest received and provisions made.

*2. How are guarantees provided by government treated in national accounts?*

The guarantees are considered as contingent (or conditional) assets, in that several conditions need to be present for a non-financial or financial operation to take place.

Contingent assets or liabilities are therefore not recorded in the balance sheet nor in the public debt in the sense of Maastricht.

When the guarantee is called, i.e. when the State takes on the debt, a debt assumption is recorded with a capital transfer (D.99) for the amount being called, which affects the B.9. The counterparty in financial operations may be an F.4 or F.3 liability if the guarantee call applies to all of the remaining debt (capital transfer in kind) or a decrease in F2 in the case of a partial call (capital transfer in cash). The B.9 is affected.

*3. Indicate any cases of debt assumption at inception in national accounts.*

Assumption of the debt by the State must be recorded when it is issued:

- If the company is in financial distress and it appears from the outset that it will not be able to pay the debt for which the guarantee has been allocated to it;
- Or if repeated payments by the State to the beneficiary company have been noted over more than three consecutive years (either in the form of direct debt repayment of the debt, or by paying the company subsidies with which to repay the debt).

The SAAD debt (annex service to amortise the SNCF debt) was thus identified as a public debt in 2007. For several consecutive years, the State had repaid the SAAD debt in the form of annual subsidies.

*4. Specify the recording in national accounts of cases when, since inception, it is foreseen that government will pay regularly interest.*

We have no knowledge of any such case.

#### ***7.1.1.2 Treatment of guarantees called***

### ***Recording in public accounts***

*1. How are guarantee calls recorded in public accounts? Mention and describe all possible cases:*

- expenditure?
- claim?

*- nothing since early repayment is expected?*

### **Central government**

Off-balance-sheet accounts (8011 and 8012) are debited when the guarantee is activated.

When the guarantee is activated, budgetary accounting is also affected. These amounts are in the General Budget, programme 114 “Guarantee calls by the State”.

There are two possible scenarios in public accounting:

- When the State anticipates a recovery by the failing company, it activates the guarantee temporarily. It is recorded as a financial asset which will have no impact on the working balance.

- when the State acknowledges that the beneficiary of the guarantee is insolvent, it activates the guarantee definitively and declares that the debt is irrecoverable by recording a charge in the accounts. In addition, a provision for risk against future activation of the guarantee for capital outstanding is factored into the accounts.

In public accounting, a temporary enforcement may become definitive or may finish with a recovery by the company and reimbursement of the guarantee that was called.

The Budgetary Control and Ministerial Accounting department (CBCM) of the Ministry of Finance provides INSEE with a detailed file of guarantee enforcements, by entity.

### **APUL**

To date there is no centralised feedback with information on guarantees issued by APULs. No more recent information

*2. If a claim is recorded, is recoverability regularly assessed in public accounts and reflected via provisions?*

Claims are recorded in public accounts within the framework of a temporary enforcement of a guarantee (see above). As long as the enforcement is temporary, the guarantee call does not lead to a provision being recorded. However, this temporary enforcement may become definitive after a reassessment of the situation of the guarantee beneficiary and this may lead to a provision being recorded against the risk of a future activation of the guarantee for the capital outstanding.

*3. If a claim was recorded, have there been any related debt cancellations recorded in public accounts? What are the rules in public accounts for recording of debt cancellation or write-off?*

When a claim is recorded in the public accounts (still within the framework of a temporary enforcement of a guarantee), no debt cancellation is entered as a mirror image. If it transpires that the credit recorded in the public accounts was questionable and that a debt cancellation or a write-off should be recorded, then the enforcement of the guarantee would become definitive. The State depreciates the asset that it holds and makes a provision against the risk of a future activation of the guarantee for the capital outstanding.

*4. Have there ever been recorded in public accounts an assumption of the outstanding amount of debt? When, why, whose debt?*

ERAP (Petroleum operations and research enterprise) received a State guarantee from 2007 and was monitored under the heading "account 801". In 2008, after the liquidation of ERAP, the State took back its debt, resulting in it being removed from account 801.

### *Recording in national accounts*

*1. How is a guarantee call recorded in national accounts? Describe all possible cases and explain when and why a guarantee call is recorded as:*

- expenditure (partial call - cash payment)*
- claim against the guaranteed unit or against a third party*
- assumption of the whole outstanding debt*
- other (e.g. nothing is recorded, equity injection...)*

*Indicate also counterpart transactions.*

Guarantee activation is recorded as capital transfer (D.991) "Debt guarantees and cancellations").

In accordance with the Eurostat recommendations, in national accounting the temporary activation of a guarantee is considered identical to a definitive activation. Any recovery by the body that is the guarantee beneficiary is only noted afterwards. In the financial accounts, this results in a payment of liquidities (F.2) or, if the repayment is spread over time, the recording of a claim in the form of long-term credit (F.42) in general government assets.

*2. Who decides on the way of recording, on the basis of what information, decision, etc? Is this decision taken independently by statisticians? To what extent is it based on public accounts recordings, government decision, etc.?*

Guarantee calls are systematically treated as capital transfers D.99.

*3. If a claim is recorded in national accounts,*

- indicate if recoverability is assessed by statisticians.*
- is the claim recorded at its nominal value or is an "effective" value estimated? If the latter, how is the estimation done?*
- indicate any related debt cancellations recorded in national accounts. When, who decided, why? Specify if it is always linked to recording in public accounts.*

Generally (contrary to public accounting), no assets are recorded in national accounting (see previous reply).

*4. How do you treat repeated guarantee calls?*

We follow public accounting practice to find out the moment when a guaranteed debt is entirely assumed by the State. Unless the debt is completely assumed by the State, guarantee calls are treated on a case by case basis as capital transfers D.99.

*5. Have you recorded assumption of the outstanding amount of debt? When, who decided?*

The SAAD debt (Special Account to Amortise SNCF Debt) was assumed in its entirety from 2007 (impact on the debt reprojected from 1993). The reclassification was at the request of Eurostat, on the grounds that a State subsidy was enabling this unit to pay the interest and some of the principal of the debt every year.

6. *Cases of regular call for payments of interest by GG on behalf of debtor – describe treatment in national accounts.*

We have no knowledge of such cases.

#### 7.1.1.3 *Treatment of repayments related to guarantees called*

##### ***Recording in public accounts***

1. *How are repayments by the original debtor/third party recorded in public accounts:*

- revenue?
- financial transaction?
- it depends- explain further.
- both – revenue and financial transaction? Explain further.
- nothing?

Repayments by entities have an impact in terms of budgetary accounting and general accounting. In budgetary accounting, they are recorded as receipts by the General Budget (we debit account 4672781 “Accounts to be debited, other financial fixed assets to collect – current year” and, for the amount paid by the entity, we credit account 2761 “Activation of guarantees” from line 2413 “Repayment for claims guaranteed by the State”).

##### ***Recording in national accounts***

1. *Explain in detail how repayments by the original debtor/third party are recorded in national accounts.*

In national accounting, a capital transfer (D.99, State receipts) is recorded in the non-financial account. In the financial account this capital transfer becomes a claim (long-term credit F.42) held by the State over the entity (or/at a later stage a repayment of the loan in cash + interest).

#### 7.1.1.4 *Treatment of write-offs by government in public accounts of government assets that arose from calls, if any*

1. *Provide some details and explain how they are recorded in national accounts.*

In the public accounts, when a claim has become irrecoverable it is depreciated and a charge is recorded (account 655). In national accounting, the D.99 expenditure has already been recorded from the moment the guarantee was called. The depreciation is therefore not assumed.

#### 7.1.1.5 *Data sources*

1. *Specify whether individual data on stocks of guarantees and related flows (calls by year and by beneficiary) are available. If only aggregated or partial data are available, specify further.*

For the State, individual data on guarantees and related flows make up the source data for public accounting and they are centralised by the DGFIP/DGTreasury. These individual data are available to INSEE.

2. Do related flows enter the WB, or are these recorded in extra budgetary accounts (EBA)? If the latter, explain further.

These flows are integrated into the working balance.

3. Indicate if you have related information at state and local level.

There is no centralised feedback of information at local government level.

### 7.1.2 Guarantees on assets

Please complete the section on guarantees on assets via answering the questions from the section 7.1. on guarantees on borrowing.

Among the guarantees provided for COFACE, the “credit insurance” system could be considered as a guarantee on assets: it covers exporters against the risk of a break in their contract, or banks against the risk of non-repayment of export credits granted to foreign buyers.

There is no monitoring in a class 8 account of the guarantees granted to COFACE. Monitoring is therefore non-accounting. When the guarantee is called, the amounts activated are debited from account 655 “Charge resulting from activation of the guarantee” in budgetary accounting and account 262 “State account COFACE” in general accounting.

#### 7.1.2.1 New guarantees provided

##### *Recording in public accounts*

##### **Central government**

Guarantees associated with missions of public interest are granted by the State to public or private operators dealing with the mechanisms of insurance or debt consolidation, the protection of savers or guarantees on behalf of central banks.

This includes, in particular: guarantees for COFACE, responsible for supporting and financing French exports, for risks that are not covered by markets like political risks, the risk of non-repayment of export credit etc., guarantees extended to Natixis and the AFD for loans authorised to foreign states and those granted by the CCR (Central Reinsurance Fund) for its insurance and reinsurance activities covering exceptional circumstances (natural catastrophes, assassination attempts, nuclear accidents, credit-insurance risk, etc.). This list also includes protection guarantees for savers with savings plans (regulated savings, home purchase savings) and exchange risk cover promoting African central banks.

For guarantees relating to missions of public interest, in addition to the scope of the intervention, a State intervention threshold (franchise) and/or a guaranteed quota may also be set. Regulated saving by private individuals is totally guaranteed by the State. A call on a

## Specific government transactions - Guarantees, debt assumptions

guarantee gives rise to a counterparty record of a claim in the State accounts for the beneficiary entity.

The way in which guarantees are recorded and called and any special provisions for charges are more or less the same as described above.

### **APUL**

To date, there is no centralised feedback with information on guarantees issued by APULs.

#### ***Recording in national accounts***

Guarantees are considered as contingent (or conditional) assets, in that several conditions need to be present for the operation to take place. Contingent assets or liabilities are therefore not recorded in the balance sheet nor in the public debt in the sense of Maastricht

When the guarantee is called, i.e. when the State takes on the debt, a debt assumption is recorded with a capital transfer (D.99) for the amount being called, which affects the B.9. The counterparty in financial operations may be an F.4 or F.3 liability if the guarantee call applies to all of the remaining debt (capital transfer in kind) or a decrease in F2 in the case of a partial call (capital transfer in cash). The B.9 is affected

#### ***7.1.2.2 Treatment of guarantees called***

##### ***Recording in public accounts***

An intervention charge is recorded in account 655 “Charges resulting from activation of the “State” guarantee” from the time a loss is observed resulting from the activation of this “State” guarantee, and as a counterpart:

- Either a claim is recorded in account 2761 “Activation of guarantees” against the defaulting third party, when the activation of the guarantee is temporary.
- Or a debt is recorded in account 456 “Debts resulting from activation of guarantees” when the activation is definitive.

When the guarantee enforcement is definitive, account 2976 “Depreciation of other fixed asset claims” records the depreciation of various financial claims resulting from the enforcement of the State guarantees, either because of a diminution in their value or because of an increase in the depreciation already noted, as both of these can be reversible.

##### ***Recording in national accounts***

Guarantee activation is recorded as capital transfer (D.991) “Debt guarantees and cancellations”).

In accordance with the Eurostat recommendations, the temporary activation of a guarantee is considered identical to a definitive activation. Any recovery by the body that is the guarantee beneficiary is only noted afterwards. In the financial accounts, this results in a payment of liquidities (F.2)

The claim is recorded with the value attributed by the public accountants after appreciation (F.42+) or depreciation (F.42-).



Specific government transactions - Guarantees, debt assumptions

#### 7.1.2.3 Treatment of repayments related to guarantees called

##### ***Recording in public accounts***

Repayments by entities have an impact in terms of budgetary accounting and general accounting. In budgetary accounting, they are recorded as receipts by the General Budget (we debit account 4672781 “Accounts to be debited, other financial fixed assets to collect – current year” and, for the amount paid by the entity, we credit account 2761 “Activation of guarantees” from line 2413 “Repayment for claims guaranteed by the State”).

##### ***Recording in national accounts***

In national accounting, a capital transfer (D.999, State receipts) is recorded in the non-financial account. In the financial account this capital transfer becomes a claim (long-term credit F.42) held by the State over the entity (or/at a later stage a repayment of the loan in cash + interest).

#### 7.1.2.4 Treatment of write-offs

See 7.1.1.4

#### 7.1.2.5 Data sources

See 7.1.1 5

### **7.1.3. Standardized Guarantees**

1. Please identify the existing schemes of standardised guarantees.
2. Describe what are the data sources for stocks and transactions (guarantee calls, repayments) relating to the standardised guarantees.
3. Please explain on which basis the provisions on calls (F.66) are estimated (are provisions made by guarantee providing units in their accounts used).

1. The State provides standardised guarantees on some housing loans, namely the « *prêts destinés à l’accession sociale à la propriété* » (PAS, social housing loans) and « *prêts à taux zéro* » (PTZ, zero interest loans). In practice a general government agency, the « *Société de Gestion du Fonds de Garantie à l’Accession Sociale à la Propriété* » (SGFGAS), acts as an intermediary between the banks and the State to manage the distribution of the guarantee in case of calls.

2. The main data source consists in the provisions recorded in the State accounts. Cash payments from the State to the FGAS and from the SGFGAS to banks are also available.

3. Provisions from public accounting are used to estimate F.66. The change in provisions from 31/12 year N to 31/12 year N+1 have therefore a B.9 effect, which adds to what was already accounted for in cash in ESA95.

## 7.2. Claims, debt cancellations and debt write-offs

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA2010 and further clarified in the Chapter III.2 on Capital injections and Chapter VII.2 on Debt assumption and cancellation of the ESA2010 Manual on government deficit and debt.

### 7.2.1 New lending

*1. Explain briefly what kind of loans are granted by government, who are beneficiaries, at what interest rates are loans granted, maturity, which government units can grant loans and which not, etc.*

Loans and advances granted by central government are recorded in special accounts (i.e. outside the general budget), in the financial support category. The interest rate linked to loans that have been granted cannot be lower than the rate for Treasury bills with the same maturity date or failing that, the closest maturity date. No exceptions can be made except by a Council of State decree. The different cases are described in more detail below:

#### “Loans to banks and foreign governments”

Loans to foreign governments included in this programme are granted for development aid, and since 2010 have also been granted to Member States in the Eurozone (to Greece, in fact). When these loans are granted as development aid, the purpose is to help carry out infrastructure projects, following agreements made through the Paris Club (and through the Dakar I and II agreements) to reschedule the debt held by government. Loans granted to the French Development Agency (AFD) are also recorded, whose purpose is to promote economic and social development. To determine the interest rates to be applied to loans that have been granted, reference is usually made to the rate for securities issued by government and with the same maturity date. However, loans to foreign governments may depart from this principle with interest rates closer to a level lower than Treasury bills.

#### “Loans and advances reimbursable under certain conditions”

This group contains mainly arrangements to provide support to companies (especially in innovative or exporting sectors). They are only required to reimburse the government if the financed project is successful.

#### “Loans and advances to private bodies”

At the end of 2012, funds for this programme stood at €207 M. it was in this programme that the loans granted by government to French motor manufacturers in 2009 were classified. These loans were for €6.25 bn, and two-thirds were repaid in 2010 with the remaining third in 2011. The 6% rate applied was lower than that agreed by the private banks at the time. They brought the government €0.7 bn in interest.

“Advances to various government services or bodies managing public services”

Also included in the account for financial support are advances granted to various government services or bodies responsible for managing public services: these are separate from government for the purposes of a specific project for which they are responsible. These advances, which are non-remunerated, are consolidated in the public accounts. Advances granted to the Services and Payment Agency (ASP) for the prefinancing of subsidies under the Common Agricultural Policy (CAP) are the main item of expenditure.

“Advances to territorial authorities and their public institutions”

These include loans granted by the government to authorities in need of immediate cash and advances on the amount of their direct local taxes. The interest rate is zero. At the end of 2012 this amount stood at €0.5 bn.

“Loans and advances to private individuals”

These are loans and advances for housing government officials and loans for economic and social development.

*2. Specify whether you have direct data on transactions on new lending and on the related repayments, or are net transactions derived from the stocks?*

Data from public accounting are individual data recorded and monitored as flows (debits and credits) and stocks. The data that are received by INSEE are more aggregated: in particular the financial flows are almost always net and debits and credits cannot be recreated from them.

*3. If data on transactions and also stocks are available, are these integrated data sources?*  
Yes.

*4. What data (details) are available for statisticians?*

Data are available individually programme by programme and account number by account number, in net flows. By applying bridge tables, they can be associated to a financial instrument and a suitable counterparty. With this level of detail the Banque de France and INSEE are able to produce the general government financial accounts. On the other hand, information on debits and credits has to be requested specifically from the DGFIP, which is a constraint when completing some of the notification tables (annex 1 table 3 and annex 3 table 8).

*5. Do you consider regularly recoverability of a loan when it is granted? If yes, how it is done, does it relate only to big amounts, or for all cases, or only for specific units? Explain further.*

INSEE does not carry out evaluations on the quality of the credits recorded in the public accounts.

In public sector accounting, when it observed that there is a risk of non-recovery of a claim, a partial or total depreciation of the asset in question may be decided on. This happens only after a strict assessment of the risk. This assessment is based on the nature of the debtor, the claim and the position of the government vis-a-vis this debtor. When the debtor is a foreign government, these depreciations indicate the situation and anticipate probable cancellations

## Specific government transactions - Capital injections in public corporations

that stem from France's international commitments (Paris Club, HIPC initiative – heavily indebted poor countries -, bilateral commitments). The risk of non-recovery is assessed at least once a year and concerns all beneficiaries of loans. For loans to private individuals, it is up to the lending bodies to apply the depreciations if necessary.

6. *Have there been any cases of granted loans which were recorded as a transfer (expenditure) in national accounts instead of financial transaction? If yes,*
- who decided about the treatment?*
  - why?*
  - which units were involved?*

No.

7. *Specify integrated data on stocks and transactions in F.4 available for all GG units, including state and local level.*

Yes, integrated data on stocks and transactions are available for central government, ODAC, APUL and ASSO.

8. *Are there any cases when government claims are kept in books of public corporation (it means outside GG)? If yes, specify.*

Not to our knowledge.

*Please ensure that it is always clear when the description relates to public accounts and when to national accounts recording.*

### 7.2.2 Debt cancellations

1. *When, under which circumstance is a debt cancellation recorded in public accounts – legislation, official decision – at what level, decision of public accountant, provisions, ...?*

#### Central government:

Debt cancellations may be the result of bilateral or multilateral decisions:

a) multilateral cancellations are decided on by applying the recommendations of a meeting of the main creditor countries in favour of developing countries, approved by article 1 of the agreement of 26 January 1960 which established the International Development Association. Launched in 1996 by the World Bank and the International Monetary Fund, the purpose of the Heavily Indebted Poor Countries (HIPC) initiative is to reduce the debt burden of these countries to sustainable levels. It has been discussed in the Paris Club. To receive assistance from the initiative, countries must declare their debt burden unsustainable and must meet certain criteria;

b) France also grants additional debt cancellations to HIPC on a bilateral basis.

Article 64 of the Amending Finance law for 1991 is amended regularly to increase the ceilings for authorisations for debt cancellations. The latest amendment, in article 127 of the Second Amending Finance Law for 2008, set the ceiling for multilateral cancellations at €16.7 billion, and the ceiling for additional bilateral cancellations at €1.85 billion. This authorisation applies to loans that countries receive and also to loans covered by their guarantee. The ceilings are cumulative, i.e. all previous cancellations are taken into account.

In the public accounts, debt cancellations are tracked as “real Treasury transactions”, i.e. non-budgetary. In the national accounts, debt cancellations are recorded under D.99 in the non-financial accounts. Their counterparty in financial transactions is a decrease in assets in F.4 (these cancellations always relate to loans). Debt cancellations have a negative impact on the central government B.9.

*2. Specify the official rules for public bookkeeping on debt cancellation. When could a claim be cancelled?*

A depreciation is observed when a probable loss appears, i.e. when the asset value is less than the nominal repayment value. Provisions for risks and charges are made in anticipation of completing the agreement. These probable losses result from international cancellation agreements underwritten by the government and mentioned in question 1.

*3. How does it come to your knowledge that there was a debt cancellation?*

Debt cancellations are communicated by the “Financial fixed assets” department of the CBCM (Budgetary Control and Ministerial Accounting department), part of the DGFIP, then incorporated into the public accounts.

*4. What is the impulse for recording a debt cancellation in national accounts? Is it always based on government decisions and/or recording in public bookkeeping records?*

The decision to record a debt cancellation in the national accounts originates with government decisions and records in the public accounts.

*5. Explain cases when a debt cancellation is recorded on the basis of a decision of statisticians.*

These cancellations always originate from governmental decisions. There have been no cases where debt cancellations resulted from decisions taken by INSEE.

*6. Do you record debt cancellation also on F.8 other accounts receivable? Specify.*

Debt cancellations impact on the F.4 in the financial accounts.

*7. In case you use accrual data sources, specify if you could identify flows on debt cancellation. Indicate if the details are available.*

In public accounting, with individual data, debt cancellation flows can be identified. However, with the data normally used by the Banque de France and INSEE to produce the general government financial accounts, flows corresponding to cancellations cannot be specifically identified.

*8. How do you treat loans or F.8 other accounts receivable which are clearly non-recoverable, but there is no official decision on debt cancellation?*

Through the auditing process carried out by the Court of Audit, public accounting officers ensure that they produce as accurate an inventory of government assets as possible. When a

claim is non-recoverable, a provision for risks and charges is made as soon as the uncollectability diagnosis becomes clear.

*9. For the latter case, do you record accrued interest revenue?*

Debt cancellations affect capital as much as interest. As a result, when a claim is judged to be non-recoverable, the provision should take account of the cancellation of accrued interest flows.

*10. In case you use accrual data sources, is accrued interest on bad loans an “other claims” (e.g. AF8) included in revenue and so in national accounts?*

Yes.

*11. Specify whether you have data on debt cancellations, stocks on bad loans and related accrued interest revenue available at all government levels.*

In the area of general government, only the government takes the initiative to cancel debts.

*12. Do you investigate significant differences between the change in stocks of claims and transactions in order to identify possible occurrence of a debt cancellation? How do you treat these differences?*

The accounting sources used have flows/stocks incorporated.

*13. What is the time of recording of debt cancellation in national accounts?*

The national accounts are based on the accrual-based general accounting for recording debt cancellations.

*14. Specify whether the amount of debt cancellation include also interest accrued.*

Yes, debt cancellations do include interest accrued.

*15. In the specific case when foreign claims, governed by the Paris club agreements or by other agreements, are maintained in the books of public corporations instead of in those of the Treasury, have you recorded a capital transfer in the accounts of government at time of debt cancellation? Specify further.*

We have no knowledge of any such cases.

*16. How do you treat in national accounts provisions on claims from public bookkeeping records ?*

Provisions for risks and charges are not included in the national accounts.

### **7.2.3 Repayments of claims**

*1. Recall briefly the recording of repayments of claims in ESA2010 accounts - general case.*

In the financial accounts, repayment of a claim results in a payment of cash F.2 into the government assets and a reduction by the same amount in the F.4 government assets. Since this is a strictly financial operation, it has no impact on the deficit.

2. *How do you record receipts from repayments of claims which were previously cancelled?*  
Receipts from repayments of claims that were previously cancelled appear in the national accounts as a record of a capital transfer reducing the deficit (D.99 received) and in the financial accounts as a cash payment F.2.

3. *How do you record repayments in kind, e.g. via delivery of goods and services or via transfer of assets? Do you record an expenditure?*

We do not know if such cases exist.

4. *Where do the related data come from? What kind of data and details are available to statisticians?*

#### 7.2.4 Debt write-offs

1. *How are recorded in national accounts debt write-offs (loan or F.8) which are booked in public accounts? When, under which circumstance is a **write-off** recorded in public accounts? Specify under which conditions a claim could be **cancelled** (and not written-off) in public accounts. Specify the related official rules applied in the public accounts bookkeeping.*

Write-offs are recorded in other changes in volume. Debt cancellation is decided on either bilaterally or multilaterally. If it is unilateral and done by the debtor, then we talk of a debt repudiation. A write-off occurs when the creditor realises that a claim that he holds will never be recovered, especially when the counterparty has gone bankrupt.

2. *How does it come to your knowledge that there is a debt write-off?*

Write-offs are usually available from public accounts within the framework of accounting data collection described above. They are associated to account numbers and given titles such as “non-recoverable claims”.

3. *Specify whether you have information available for all government units, also at state and local level.*

Yes, information is available for all sub-sectors.

4. *Have you recorded debt write-offs in national accounts (via other changes in volume account), which have not followed public accounts recordings?*

No, not to our knowledge.

5. *If yes, explain further why, when, who decided, what units were involved, etc.*

Not applicable.

#### 7.2.5 Sale of claims

1. *Have there been any cases of sales of bad loans AF.4 (including foreign claims)? If yes, provide details, focus on the valuation issue (nominal value versus the sale price), and specify the treatment in national accounts.*

Sales of bad loans AF.4 have been made by defeasance structures set up by the government and incorporated within the scope of general government (e.g. the Consortium de Réalisation which was responsible for disposing of the Crédit Lyonnais portfolio).

Assets taken by the defeasance structure are recorded at their market value. In fact the aim of the defeasance structure is to liquidate as quickly as possible and in the best possible conditions (i.e. limiting losses ultimately guaranteed by government) assets considered to be illiquid.

*2. Have there been any cases of sales of well performing loans?*

*If yes, provide details, focus on the sale price versus nominal value, and specify the recording in national accounts.*

In the case of a well-performing loan, it is customary to record a nominal holding gain (K.11).

*3. Have there been any cases of sales of claims in AF.8 (including foreign claims)?*

*If yes, provide details and specify the recording in national accounts.*

No.

*4. How does it come to your knowledge that there was a sale of a claim?*

The information source is data from public accounts.

*5. Specify whether you have information available for all government units, including at state and local level.*

Yes, financial data are available for all sub-sectors.

### **7.3. Capital injections in public corporations**

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA2010 paragraphs 20.197-20.203 and clarified in the Chapter III.2 on Capital injections of the ESA2010 Manual on government deficit and debt. These chapters devotes considerable space to set the operational rules for the recording of capital injections in national accounts either as transactions in equity (financial transaction = financing = “below-the-line”), or as capital transfers (non-financial transaction = expenditure = “above-the-line”).

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances as capital injections, and to be classified in certain cases as a non-financial transaction (predominantly capital transfer D.9); cf. MGDD III.2.3.2.2.

*1. How does it come to your knowledge that there is a capital injection (either in cash or in kind)?*

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

*2. Specify whether you have knowledge about capital injections in kind (both in non-financial or financial assets)?*



In principle, the government injects movable or immovable property into “public institutions”, some of which are ODACs (generally government bodies (APU)) and some of which are non-financial enterprises (NFE, excluding APU).

If the beneficiary of the capital injection lies outside the scope of general government:

These units are usually national public institutions (State operators) classified in the institutional sector of non-financial enterprises. We consider the situation where the State anticipates a “return on investment” from the injection of goods. In accordance with the recommendations of the MGDD, no non-financial transaction is recorded, a participation should be written into assets F.5 of the government and into liabilities F.5 of the unit concerned.

If the beneficiary of the capital injection falls within the scope of general government:

Again, we consider the situation where the state expects a return on investment. However, since the beneficiary unit is in general government, it is not possible to record a liability F.5 on its balance sheet. As no flow is recorded, it is as if the capital injection has given rise to no transfer of property. Capital injections between APUs do not affect the assets of the units concerned.

*3. How do you apply the capital injection test (both to the ones in kind or the ones in cash)?*

- a. who does it,*
- b. when,*
- c. from what data sources do you have data,*
- d. do you apply it for only big amounts or all cases?*

The capital injection test is carried out by the state every year when the provisional account is prepared (March n+1). If the company’s profit and loss for year n is not yet known, the test is applied to the profit and loss of the previous year. The case is then reexamined when the semi-definitive accounts are presented (March n+2), by incorporating the company’s profit and loss for year n<sup>7</sup>.

The data used are the following:

- capital injections by the state, available in the account, “State financial participation” provided by the DGFIP;
- company profits and losses from the previous years, available in the report on the State as shareholder provided by the State participation agency (APE)<sup>8</sup>, also their own financial reports.

For each company receiving a sizeable capital injection (over €50 million), checks are made to see if the company usually (i.e. most years) makes a profit or a loss. Any unusual results are examined particularly carefully.

If the company is judged to be unprofitable (i.e. frequently runs a deficit), the capital injection is recorded in D9. If the opposite is the case, this injection is recorded in F5.

*4. How do you control capital injections at the local/state government level?*

We do not monitor capital injections at local level in any specific way, as these operations are not common and represent only small amounts.

<sup>7</sup> The test cannot be applied in time for the September notification as the new version of the APE report that is used (see hereafter) has not yet been published.

<sup>8</sup> See [http://www.ape.minefi.gouv.fr/sections/rapports\\_sur\\_l\\_etat/rapport\\_de\\_l\\_etat\\_ac9656](http://www.ape.minefi.gouv.fr/sections/rapports_sur_l_etat/rapport_de_l_etat_ac9656).

5. How do you record capital injections into quasi-corporations?

Not relevant for France.

## 7.4. Dividends

The accounting rules are set out in ESA2010 paragraphs 20.205-20.207. It is recalled, that the ESA2010 Manual on Government Deficit and Debt chapter III.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as superdividends, i.e. transaction in shares and other equity (a capital withdrawal). It also sets out that the resource available for distribution by a unit (a corporation) is the *distributable income* of the unit, as defined in the ESA2010, paragraph 4.55.

Total distributions could therefore comprise one part recorded as distributed income of corporations, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA2010 table 2 and table 8 within “other property income” category, and the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

1. What is the data source on dividends received by the government (central/state/local)?

**Central government**

Cash dividends received by central government are recorded in budgetary accounting in the General Budget receipts. The Budgetary Control and Ministerial Accounting Department of the Ministry for Finance sends details of cash dividends received by the state to the DGFIP, by individual entity.

Concerning stock dividends, the information is to be found in the general accounts. These stock dividends are then recorded under the sub-sector Real Treasury Transactions (= S.131114).

For the other sub-sectors, data on dividends are extracted from the public accounts following the procedures and methods mentioned above.

2. When and how do you apply the superdividend test?

a. who does it,

b. when,

c. from what data sources do you have data,

d. do you apply it for only big amounts or all cases,

e. What kind of profit do you use (e.g. Ordinary income, income before tax)? Please provide the reference to the accounting standards and the name of the profit category in english and in the national language.

The superdividend test is carried out by INSEE in March when the provisional accounts are prepared: if the dividend paid to the state exceeds the profit and loss for the entity, the difference is treated as a financial operation. For the state, INSEE has all the individual payments. The profit and loss used is the net total from the previous year (not the “share of the group”).

3. Specify if government receive interim dividends.

Some companies pay interim dividends, for example in December every year EDF pays a first instalment for the current year.

*4. How are interim dividends recorded?*

Interim dividends are considered as receipts as their distribution is decided by the company.

*5. How do you test dividends on state/local government level?*

The test is not carried out for local public administration as in the dividends received we do not know the amounts paid company by company.

## **7.5. Privatization**

The accounting rules are set out in ESA2010 paragraphs 20.210-20.213. The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter V.2 indicates that such indirect privatization proceeds are not government revenue. MGDD chapters V.3 and chapters V.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Specifically, chapter V.3.1 of the ESA2010 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set- up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

The main issue is: what is the relevant sector classification of this sort of unit managing privatisation and possibly making grants to other enterprises? Should this activity be considered as taking place on behalf of the government?

*1. Indicate if there is a separate institutional unit/ extra-budgetary fund involved in privatization.*

*Please provide the name both in English and in your national language.*

*Where is this unit classified?*

When a privatisation (or a sale of shares) takes place, the receipts from this transaction are recorded in a special purpose account (Special purpose account - Financial Portfolio of the State, compte d'affectation spéciale « Participations financières de l'État » or CAS PFE).

The unit is classified in S.131112, within the state government account (S.13111).

*2. Indicate if privatization income goes through the working balance.*

Yes, all share sales are included in the CAS PFE balance and then in the working balance (which combines the general working balance and the balances of the special purpose accounts).

*3. If yes, where do you make the neutralization on B.9 in EDP table 2A?*

Receipts from privatisation impact the working balance: the neutralisation is applied in the financial transaction section included in the working balance on the line "Equities, sales (-)".

*4. Specify whether you can separate privatization and sale of shares at state/local government level.*

We do not have this information as we are not able to identify companies controlled by local government individually.

*5. Specify whether you record transactions in F.5 due to privatisation on an accrual basis (when the cash is paid in tranches).*

In the public accounts, there is not necessarily any adjustment for accrual-based accounting.

In the national accounts, however, an adjustment for accrual-based accounts is made, in order to record the entire transaction for the first year in F.5, with a counterparty in F.8. In the following years, the only transactions are in F.8 / F.2.

## 7.6. Public Private Partnerships

The term “Public-Private Partnerships” (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific “dedicated assets”, such that the non-government unit builds a specifically designed asset to supply the service. The accounting rules are set out in ESA2010 paragraphs 20.276-20.282 and clarified in the Chapter VI.4 of the ESA2010 Manual on government deficit and debt.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which is explained in Chapter 15 of ESA2010.

As a result of the methodological approach followed, in national accounts the assets involved in a PPP can be considered as non-government assets only if there is strong evidence that the partner is bearing most of the risk attached to the asset of the specific partnership. In this context, it was agreed among European statistical experts that, for the interpretation of risk assessment, guidance should focus on three main categories of risk: “construction risk” (covering events like late delivery, respect of specifications and additional costs), “availability risk” (covering volume and quality of output) and “demand risk” (covering variability of demand).

PPP assets are classified in the partner's balance sheet if both of the following conditions are met: the partner bears the construction risks and the partner bears at least one of either availability or demand risk, as designed in the contract.

If the conditions are not met, or *if government assumes the risks through another mechanism*, (e.g. guarantees, government financing) then the assets are to be recorded in the government's balance sheet. The treatment is in this case similar to the treatment of a financial lease in national accounts requiring the recording of government capital expenditure and borrowing. In borderline cases it is appropriate to consider other criteria, notably what happens to the asset at the end of the PPP contract.

*1. Indicate if PPPs common in your country.*

In France there have been PPPs in the form of long-term administrative leases since 1988 and partnership contracts since 2004. Their number is increasing steadily.

*2. How do you distinguish PPPs from concessions or operative lease?*

To distinction between PPP, concessions and operative lease is straightforward because they correspond to different legal objects in France.

PPPs in the sense of community law correspond in France to partnership contracts and equivalents (CPE):

They include the partnership contract, the long-term administrative lease (BEA), the long-term hospital lease (BEH), the temporary occupation permit (AOT), this third option may or may not be accompanied by a rental agreement with option to purchase.

a) Partnership contract (CP)

The partnership contract (CP) is a long-term overall contract for the design, construction, operation, financing and maintenance of an asset. The duration of the contract is linked with the lifetime of the asset (99 years maximum). The aim is to optimise the performance of both the public and private sectors simultaneously in order to run projects for optimal costs and as quickly as possible, in particular by putting in place innovative financing by the private partner, using several types of payment. All levels of administration, whatever their tasks, can use a partnership contract. The public body is the owner of the assets of the project, with some exceptions. The private partner is paid using public funds spread over a long period with the possibility of commercial revenue in addition. These payments include the cost of funding infrastructure. The design of the project may be handled by the public authority or by the private partner (partially or totally) and may include a transfer of risk to the private partner, including the construction and performance of the service provided.

Partnership contracts are governed by the law, mainly by the Order of 2004 amended by the Laws of 2008 and 2009: this stipulates that the partnership contract must fulfil three basic conditions if it is to be allowed. The project must be complex in the sense that the public body is not in a position to define unaided and in advance the technical means to meet its needs or to make the financial or legal arrangements for completion of the project. The project should be a matter of urgency, and finally it must meet a comparative economic efficiency criterion.

b) The long-term administrative lease (BEA) and the long-term hospital lease (BEH)

The long-term administrative lease (BEA) and the long-term hospital lease (BEH) are older instruments than the CP. These leases concern only local authorities and public health establishments, but since Law no. 2010-853 of 23 July 2010, government bodies may also draw up such agreements (mainly for missions involving the police, justice and defence). They differ from the CP on several points. Firstly, with the long-term administrative and hospital leases (BEA and BEH) it is possible to transfer the right to build on a public plot of land to a private partner. These agreements typically cover the construction sector, with coverage limited most of the time to managing the maintenance of the facilities. They offer less flexibility for additional revenue (from users) and innovative forms of funding. Lastly, they offer a less comprehensive framework for awarding contracts (it is not compulsory to have the contract assessed beforehand by the support mission to public-private partnerships - maPPP). However, since the Decree of 31 December 2011, which introduced the same advertising and competition rules for the BEA and the BEH as for the CP, they are implemented in a similar way to the CP.

c) Authorisation for temporary occupation of the public domain (AOT) and rental agreement with option to purchase (LOA)

The AOT introduced in 1994 mainly covers the right of a private body to construct and become the owner of a building on public land. The building is then rented to the public body. Ownership of the building is transferred to the public body when the AOT contract expires. The LOA is a severable act, with an associated AOT, which states that the public body has a purchase option on a building before the AOT contract expires. The state and the local authorities may sign AOT/LOA for missions related to the police, justice or defence.

*3. Is there a specific unit established in your country to deal with PPPs?*

**Central government**

The support unit for public-private partnerships (maPPP) is the dedicated expert body attached to the Treasury and assigned by the government to supervise the setting up of partnership contracts and equivalents. This unit has the most comprehensive data on the subject and carries out baseline studies. Data collection on partnership contracts is exhaustive;

this is not the case for the other types of contract where the obligation to provide feedback to the maPPP is less strict.

The role of the unit is to validate preliminary assessments of projects prepared by the contracting authorities (Ministries, territorial authorities, etc.). These evaluations establish whether it is appropriate (technically, financially, economically and socially) to use the partnership contract for a specific project and the sustainability of the budget in the long term over the lifetime of the projects.

maPPP supports public sector bodies in preparing, negotiating and monitoring partnership contracts. To do so, it produces an orientation guide, analytical tools and methodology sheets for use by general government bodies. It also monitors the implementation of a number of projects once the partnership contracts are signed, in order to gain feedback and to make potential improvements to the PPP framework.

### **Local government**

The maPPP coordinates with the Prefectures and the Interregional Centre for Control of Legality, providing legal advice for local government, checking the legality of contracts and assessing the potential risks that may result in the same framework as for general government.

#### *4. At what level you are aware of PPPs – central, state, local?*

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

For the state and ODACs, the Budget Department provides the DGFIP with a file containing details of all PPPs that have been signed (type of contract / duration / date of signature / amount of investment / rents, etc.) for a given accounting year, and the PPP that have been delivered over the same period.

However, as some of the data about PPP are missing from state budgetary accounting, data from the state general account (accrual-based) are put in instead, which are more detailed and which give the amount of GFCF, amortisation, rents and hence make it is possible to determine their impact on the deficit and the debt.

For the APUL and ASSO, there is currently no exhaustive monitoring of signed PPPs. However, changes in accounting instructions from 2011-2012 now result in a more systematic monitoring.

For the ASSO:

- From 1 January 2012, the accounting schemes applicable to BEH were aligned with those for public/private partnership contracts applicable to public health establishments since 2011.
- As for the partnership contracts, balance sheet accounts were now created for the long-term hospital leases to strengthen the fairness of the financial statements. The principle was that the investment share should now be immobilised (hence it should appear on the assets side); the counterparty on the liabilities side was at first and essentially, a financial debt.

#### *5. If there is no specific unit, how does the NSI get to know new PPP projects?*

PPP's are identified from public accounts, and from data from the Budget Department for PPP's that have not yet been delivered.

#### *6. Who is assessing the risks associated and who bears the risks? (NSI, special unit)*

The maPPP assesses the risk associated with the signing of the PPP by the state and public establishments. Prefets are responsible for doing this for local government and they usually call on the maPPP and the Interregional Department for Legality Control in Lyon.

*7. Indicate if the NSI gets the contracts and assesses the risks or if it is another unit providing results to the NSI.*

Analysis of the contracts and assessment of the risks are not carried out systematically by INSEE. In fact, the decision as to whether or not to include the assets in the balance sheet of general government is not based solely on a risk criterion, but also depends on the nature of the financial commitment made by the administrative body: the fact that future rents will be eligible for assignment under the Dailly Law (see 9.) likens the public-private partnership to a public loan.

*8. If the latter, which unit is this?*

The Directorate General of the Treasury, to which the maPPP reports, see 6. The Budget department for its part approves the sustainability of the PPP in budget terms before signing.

*9. Specify whether government provides guarantees for the private partner.*

No more information

#### In the context of the economic support plan

In 2008, on a case for case basis, and until 31 December 2010, in the context of a support plan for the economy, the State granted its guarantee against payment to bank loans and securities issued by the SPV (special purpose vehicle) to finance partnership contracts, public service delegations and public works concessions up to a ceiling of €10 bn. This guarantee could not exceed 80% of the total amount needed to finance the project. The concession for the LGV Tours-Bordeaux high speed rail service is the only contract to have benefited from this guarantee.

#### Assignment under the Dailly law for partnership contracts

The assignment of claims under the Dailly law is a mechanism by which a creditor (“the transferor”, generally the dedicated candidate or company created specifically for the occasion) assigns receivables (e.g. the flow of received rents) which it has from one of its debtors (“the assigned debtor”, in this case a general government body), to credit establishments (“assignees”). The authority agrees to pay the amounts whatever happens in connection with the underlying contract (the public authority guarantees the payments) as soon as the construction work is completed. The intention of the private partner is twofold: not to consolidate his debt in his balance sheet and to obtain efficient financing conditions, with the “enterprise” risk being transformed into “sovereign” risk. At the same time, the general government body can reduce the cost of the rent (or to be more precise the “financing” component of the rent) paid to its private partner.

The project to build the new Ministry of Defence at Balard and the construction of the new Paris Palais de Justice include this type of package.

The PPP is said to be “consolidating” when the Dailly assignment covers the majority of the PPP. In this case, which happens most often, assets are recorded in the general government account on delivery, as with a debt; interest flows and debt repayment are recorded in the subsequent years.



## Specific government transactions - Public Private Partnerships

Conversely, the PPP is said to be “non-consolidating” when the Dailly assignment covers only a minority part of the project. Assets are then recorded in the private partner’s account, and rented to general government. This occurs less frequently.

*10. What kind of other government financing is involved?*

Apart from the public guarantee enabling the Dailly assignment (see above), general government bodies do not finance PPPs directly.

## 7.7. Financial derivatives

This part describes the use of financial derivatives and the recording of derivative related flows in EDP tables and national accounts.

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union does not distinguish between the ESA and EDP definition of interest. The Regulation No 549/2013 paragraph 4.47 reads: *Payment resulting from any kind of swap arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Transactions under forward rate agreements are recorded as transactions in financial derivatives in the financial account, and not recorded as property income.*

ESA2010 paragraph 20.133 specifies the treatment of so called of market swaps: *“Lump sums exchanged at inception on off-market swaps are classified as loans (AF.4) when the lump sum is received by government. Off-market swaps are partitioned in the balance sheet into a loan component and a regular, 'at-the-money' swap component.”*

### 7.7.1 Types of derivatives used

*1 Please describe what kind of derivatives are being used by general government (e.g. FRAs, options, swaps (please list what kind of swaps)).*

#### **Central government**

The derivatives used are swaps, as follows:

- negotiable debt;
- debt assumption;
- interest on margin calls.

*2 Please specify whether derivatives are used at the level of "other central government bodies", state/local government, social security funds.*

#### **ASSO**

CADES negotiates instruments on the derivatives markets, in order to manage interest rate risk and neutralise currency risk (interest rate swaps, currency swaps and asset swaps).

FRR also uses derivatives: forward exchange contracts, futures exchange, stock market rates and indexes, commodity swaps.

### 7.7.2 Data sources

*1. What data sources are being used? Indicate if the NSI receives cash or accrual data. Are derivative related flows in national accounts reported on asset, on liability side or both?*

#### **Central government**

The data sources are:

- budgetary accounting (cash-based), accounting data from the General Budget and the Special Account “State debt and cash management” (programme 903). These are used for the transition to national accounting and to code operations and counterparty sectors.

- general accounting (accrual-based). The accounting balance used is taken from the data warehouse.
- data provided by the French Treasury Agency (AFT) which manages the debt and the state's cash holdings. It is the AFT in particular that informs the accountants at the DGFIP of which operations to incorporate into the state accounting, regarding debt and the state treasury.

2. *What are the data sources for derivatives used in "other central government bodies", in state/local government, social security funds? Specify whether appropriate adjustments are implemented in EDP tables.*

#### **ASSO**

For CADES and FRR, the data sources are based on their accounting balances. Both follow the accounting standards for credit establishments (PCEC, banking standards). These data are used to identify interest paid and received through swaps.

3. *In case of swap renegotiations, is the information available and analysed?*

To our knowledge, no such operations have occurred in France.

### **7.7.3 Recording**

1. *Have there been occurrences of off-market swaps (IRS, currency, other) over the period 2000-till now. Please describe the recording practices.*

No.

2. *Specify whether payments resulting from any kind of swap arrangement or forward rate agreements are entering the working balances of the EDP tables 2A-2D. If yes, please confirm that the relevant neutralisation adjustments are made under line "of which: net settlements under swap contracts (+/-) ""?*

In table 2A, payments resulting from swaps are neutralized in "other financial transactions / net settlements under swap contracts". Amounts are cash based as in the budget.

3. *Specify any threshold for swap operations which you apply (i.e. amounts below this threshold are considered negligible and thus rules on off-market swaps are not applied).*  
No threshold is applied.

### **7.8. Payments for the use of roads**

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units. The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a

government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

In France, motorway companies are private units, classified in non-financial corporations (S11) in national accounts, so the payments for the use of roads are revenue to those entities. One unit called “Caisse nationale des autoroutes” (CNA) is included in GG units and in practice bears the debt of two public concessionaries that manage the Mont-Blanc and Fréjus tunnels.

1. *Indicate if you have tolls or vignettes in your country (except for the vignette system for trucks).*
2. *In case you have vignettes, is there a sufficient choice both in terms of selecting specific roads and of choosing a determined length of time?*
3. *How do you classify income from the vignettes (tax, revenue)?*
4. *Where is the institutional unit collecting toll/vignette revenues classified in national accounts?*

## 7.9. Emission permits

There are two main trading systems, where European Union Member States can participate:

The Kyoto Protocol is a 1997 international treaty which came into force in 2005. In the treaty, most developed nations agreed to legally binding targets for their emissions of the six major greenhouse gases.[33] Emission quotas (known as "Assigned amounts", AAUs) were agreed by each participating 'Annex 1' country,

The European Union Emission Trading Scheme (or EU ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. It is one of the EU's central policy instruments to meet their cap set in the Kyoto Protocol. The so-called EU emission Allowance (EUA) is traded.

The ESA2010 MGDD part VI, chapter VI.5 is dealing with the statistical recording of the emission trading allowances.

1. *Are you aware of emission permits (either AAU or EUA) sold by your government? Please specify.*  

Emission permits were sold for the first time in 2013 and a second time in 2014 (€0.2 bn each).
2. *How do you record in national accounts and EDP tables these occurrences of sale of emissions?*

As mentioned in MGDD chapter VI.5, the payments related to emission allowances are recorded as other taxes on production (D29) only in the year of surrender of the allowances. And the difference between the cash received by the government and the time of recording of the tax revenue is recorded as a financial liability of government (account payable F89).

More precisely, in national accounts, the revenue of emission permits sold in 2013 is recorded in 2014 and those the revenue of permits sold in 2014 is recorded in 2015, in the account of ANAH (National Agency for the Improvement of Housing), which is a central government body.

In practice, in ANAH's account the tax revenue is replaced by a transfer (D73) from State Government to ANAH in order to have no impact on ANAH's B9 the year when emission permit are sold. So it is State Government which bears the difference between the sale of permits and the record of the tax in national account.

Then the year when the revenue in national account is recorded, in 2014 for their permits sold in 2013 for example, the revenue is recorded in D29 of State Government.

## 7.10. Sale and leaseback operations

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered as a "true sale" (transaction in GFCF improving B.9) or the transaction is to be treated differently and an asset should remain on government's balance sheet.

Not applicable

MGDD part VI, chapter VI.2 is dealing with sale and lease back operations

- 1. Please provide a description, have there been occurrences of sale and lease back operations over the period 2000-till now?*
- 2. Specify the procedures in place for NSI to be informed on the new operations undertaken by government.*
- 3. Indicate if information is available for Local/State government.*
- 4. Specify if contracts for these operations are available to the NSI.*

## 7.11. Securitisation

Securitisation is when a government unit transfers the ownership rights over financial or nonfinancial assets, or the right to receive specific future cash flows, to a special-purpose vehicle (SPV) which in exchange pays the government unit by way of financing itself by issuing, on its own account, asset backed bonds.

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets.

## Specific government transactions - Securitisation - UMTS licenses

Also if the government compensates the SPV ex-post, although this was not required according to the contract, the operation should be reclassified as government borrowing.

ESA2010 paragraphs 20.260-20.271 establish securitisation operations accounting rules. The MGDD part V, chapter V.5 and the Eurostat decision of 25 June 2007, "Securitisation operations undertaken by general government" are dealing with securitisation operations.

Not applicable

*1. Have there been occurrences of securitisation operations over the period 2000-till now?. If yes please identify what kinds of assets were securitized. How were these operations recorded?*

*2. Indicate if procedures are in place for NSI to be informed on the new operations undertaken by government.*

*3. Indicate if information is available at Local/State government level.*

*4. Specify if contracts for these operations are available to the NSI.*

### 7.12. UMTS licenses

The sale of UMTS licenses is to be recorded as the sale of a non-financial asset (the license) at the time the license is allocated. Thus, sale proceeds have a positive effect on B.9 in the year when the license is allocated. The actual payment of cash payment does not influence the recording of this transaction.

In some special cases, the sale of UMTS could be seen as a rent for the use of a non-financial asset, recorded over the life time of the license. In this case, the impact on government B.9 is spread over the duration of the license.

The ESA2010 MGDD part VI, chapter VI.1 and Eurostat decision of 14 July 2000 on the allocation of mobile phone licences (UMTS) are dealing with the sale of UMTS licenses.

*1. Has there been any sale of UMTS licenses over the period 2000-till now? If yes please explain how these operations were recorded.*

#### 2000 - 2010: 3<sup>rd</sup> generation (UMTS) licences

Proceeds from the sale of UMTS licences has not had an impact in State budgetary accounting, since the corresponding receipts were allocated to FRR (Pension fund reserves).

In national accounting, there was a reduction in the use of "*acquisitions less disposals of intangible non-produced assets*" in favour of capital transfer to the FRR.

#### From 2011: 4<sup>th</sup> generation licences

There is a Special Account "Management and validation of resources obtained through using the broadcasting spectrum" (this Special Account combines programmes 761 "State Debt Reduction" and 762 "Optimising use of the broadcasting spectrum"). It has been in use since financial year 2011.

In 2011, the French government put 4G mobile phone licences in the 2.6 GHz spectrum up for auction.

In October 2011, ARCEP (Telecommunications Regulatory Authority) allocated the first 4G frequency blocks to mobile operators:

- Orange and Free Mobile obtained the largest shares, each with a frequency block of 20 MHz;

- applications by Bouygues Télécom and SFR were accepted, with 15 MHz of frequency.

The total paid by the four operators to obtain these licences was recorded in the Special Account "Management and validation of resources obtained through using the broadcasting spectrum", then returned to the national accounts as capital transfer.

From 2015 : 4<sup>th</sup> generation licences

On 8 December 2015 the French authorities (ARCEP) took four decisions to allocate to four different mobile phone operators specific frequencies in the 700MHz band, giving to them the right ("licence") to use specific frequencies to provide 4G mobile telephony services in metropolitan France.

Frequencies become available for use progressively in specific areas of the French metropolitan territory starting April 2016 and until July 2019. According to the plan, by July 2019 the frequencies will be available for use in the entire metropolitan France.

The four companies paid a lump-sum totalling 2,798 mn EUR.

In national accounts, the revenue is recorded in less expenditure more precisely in "acquisitions less disposals of non-produced assets" (NP) starting in 2016. The percentage of population living within each area is used for estimate the percentage of the revenue that should be allocated each time that the frequencies become available in an area (in 2016, 2018 and 2019).

### 7.13. Transactions with the Central Bank

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes, may generate capital gains for central banks which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions.

It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses can not be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

*1. Please describe transactions between general government and the Central Banks and their treatment in national accounts.*

The state holds the capital of the Banque de France in its entirety. However, the Banque de France is classified as an entity not controlled by the State.

## Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

The Treasury has an account at the Banque de France. The latest agreement signed between the state and the Banque de France (which manages the account of the Public Treasury) dates back to 2002. Details can be found here: [http://www.aft.gouv.fr/rubriques/banque-de-france\\_82\\_lng1.html](http://www.aft.gouv.fr/rubriques/banque-de-france_82_lng1.html)

Furthermore, monetary transaction accounts follow transactions by the state, either in monetary relations with foreign countries or in its role as money creator. There are three of these accounts:

- “Currency issuance”

This account follows transactions resulting from the issuing and withdrawal of currency. It is credited with the nominal value of currency issued and the proceeds of the sale of demonetised currency and debited to the nominal value of currency withdrawn from circulation and the amount paid to the Paris Mint in settlement of their production costs.

The accounting process is as follows: the main flows concern proceeds from currency issuance (or repayments) in mainland France, which represents an increase (or decrease) in the state’s liabilities in currency (F.2101), and proceeds from issuance (or repayments) in the COM which represents an increase (or decrease) in long- and medium-term debts (F.429) to the rest of the world.
- “Transactions with the IMF”

This special account follows financial transactions resulting from government participation in the IMF. These are transactions on the one hand between the government and the IMF, and on the other hand between the government and the Banque de France. These transactions are followed only for informational purposes, given that they have no impact on the state budget or cash flow. The same applies for the national accounts: these transactions have no impact on the B.9.
- “Exchange rate gains or losses”

This account traces receipts and expenditure transactions resulting from:

  - Taking into account all gains and losses noted in public Treasury entries due to fluctuations in foreign currencies.
  - The public Treasury taking responsibility for the net balance of any transactions in the Exchange stabilisation fund (FSC, classified in S.121). Until 1998, this fund was treated as a financial transaction in the national account. From 1999, an agreement between the Banque de France and the government to manage exchange reserves and deal with the accounts has resulted in a change in activity in this fund. From now on the Banque de France holds and manages the government’s gold and currency exchange reserves and includes them in its own balance sheet. The Treasury, meanwhile, covers exchange rate losses from the revaluation reserve of state foreign exchange reserves, then, if this not sufficient, from the government’s gold reserves. If these reserves are still not enough, then support from the public Treasury is brought in to make up for the losses. Receivables from the IMF and SDR holdings are now recorded in the balance sheet of the Banque de France; interest and charges paid to the IMF are thus also moved from the FSC profit and loss account to that of the Banque de France.



Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

- The set of exchange guarantees that accompany some euro holdings or certain commitments by the state due to international agreements or commitments; these transactions are treated as capital transfers (D.99) to the beneficiaries of the guarantee.

#### Dividends paid by the Banque de France:

The Banque de France regularly pays a dividend to its sole shareholder, the government. This dividend can only be paid from the current result of the Banque de France, excluding holding gains on reserve assets (gold, currency) and excluding revenue from the sale of these assets. Holding gains on these assets managed on behalf of the nation are recorded under a heading specific to the liability side of the balance sheet, which in the national accounts contribute to validating government participation. As a result, any payment from the Banque de France to the government which was a result of either holding gains on reserve assets, or the sale of these assets (e.g. from a sale of gold) would be treated as a superdividend, hence a financial transaction (F.5), in other words, reducing the government's stake in the Banque de France (withdrawal of capital).

### **7.14. Lump sum pension payments**

ESA2010 paragraphs 20.273-20.275 define the accounting rules for recording of the lump sum pension payments. The related accounting rules are further described in the ESA2010 MGDD and debt Part III.6 Impact on government accounts of transfer of pension obligations.

#### *1. Have there been any occurrences of lump sum pension payments?*

Yes, there have been three cases of lump sum payments being made to the government by public companies in exchange for transferring their pension obligations.

#### *2. If yes, provide details and specify how it was recorded in national accounts.*

##### i. France-Télécom pension scheme transferred 37.5 bn Francs to the government in 1997.

This France Télécom lump sum was paid to a specifically created ODAC, the FCFFT.

In 1997, a financial transfer of €5.7 bn was recorded, representing the entire amount of the balancing lump sum payment. This resulted in no B.9 effect at impact, in accordance with the ESA2010 recommendations. The lump sum was then transferred from the ODAC, FCFFT, to the government in a series of tranches from 1997 to 2011 (financial operations between general government bodies, with no B.9 impact). From 1997 to 2034, imputed transfers D.759 are recorded from France Télécom to the State.

##### ii. IEG (Electricity and gas industries) transferred a lump sum of €3.06 bn to the CNAV (National Old-Age Insurance Fund for Salaried Workers) in 2005, paid immediately, plus payments over the next 20 years of a pricing levy, the CTA (Contribution Tarifaire d'Acheminement)

The lump sum was recorded as a financial transaction between the IEG and the CNAV, with no B.9 effect of the social security at impact. The amount deducted consisted of the lump sum

Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

of €3.06 bn, plus the updated amount of CTA in 2005, which was a total of €7.7 bn. From 2005 to 2024, imputed transfers D.759 are recorded from the IEG to the State.

iii. The La Poste pension scheme transferred a lump sum of €2.0 bn to the government in 2006

This €2.0 bn lump sum was recorded as a financial transaction between La Poste and a specifically created ODAC, EPRP, in 2006. It was then transferred to the State in three tranches between 2007 and 2009 (financial transfers between general government bodies, with no B.9 impact). From 2006 to 2030, imputed transfers D.759 are recorded from the La Poste to the State.

## 7.15. Pension schemes

*See the previous version of consolidated EDP inventory, section 7.3*

Definition of pensions

Classification of pension schemes

Classification of social insurance pension schemes

Definition of social security schemes

Classification of institutional units supporting pension schemes; borderline cases

Pension schemes in France are classified with the social security institutions (S.13141).

There are two types of compulsory scheme:

- Basic compulsory schemes
- Contractual supplementary compulsory pension schemes: these are defined contribution schemes, where the pensions are established at the time of retirement through a points system.

Each pension fund is limited to a certain type of status (salaried/non-salaried, public/private) and/or a group of professions in the same branch of activity:

- Schemes for salaried workers from the private sector: CNAVTS (defined benefit scheme, based on age at retirement and the number of years of contributions) and the MSA salaried-workers scheme; AGIRC and ARRCO and the MSA salaried workers scheme for the supplementary schemes.

- Schemes for non-salaried workers: mainly the RSI (which includes CNAVPL) and the MSA scheme for farm workers, which deal both with basic and supplementary pensions.

- Basic schemes for the local civil service and the hospital civil service: CNRACL.

Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

- Civil service supplementary schemes: ERAFP and IRCANTEC for non-tenured public service personnel (they contribute to CNAVTS for their basic scheme).

- Special schemes, which concern mainly salaried workers from public-sector firms or national public sector firms. The level of coverage for retirement pensions (basic and supplementary) varies from one body to another: Banque de France, CPR-SNCF, CPR-RATP, PEPS-RATP, ENIM, CAMIEG, CNIEG, National theatres, CRP-CEN, CNMSS, CANSSM, etc.

All the basic schemes and the contractual supplementary pension schemes mentioned above, as they are compulsory, are classified with social security funds (S.13141).

In addition, the FSV (Old age solidarity fund) supplements the income of retirees whose contributions are not enough to entitle them to the minimum pension. This fund is financed by the CSG (generalised social contribution) and the CSSS (salaried workers' social solidarity contribution). It is classified with the social security funds (S.131412).

There are also "autonomous supplementary" schemes, where membership is optional or voluntary and which are therefore not included within the scope of general government: they are classified in S.125 (insurance corporations and pension funds). Institutional units responsible for pension schemes are classified according to their main function and their degree of autonomy in relation to general government and in particular to the social security funds. Thus although they are governed by the Social Security Code, provident institutions (IP) and institutions managing supplementary pensions (IGRS) are classified outside general government, since they are not taxed or monitored by general government.

Finally, non-autonomous retirement schemes like employers' direct schemes are classified with the employer (e.g. State civil service employees with the State).