TRÉSOR
DIRECTION GÉNÉRALE

ANNUAL REPORT 2012

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RÉPUBLIQUE FRANÇAISE

MINISTÈRE
DE L'ÉCONOMIE
ET DES FINANCES

MINISTÈRE
DU COMMERCE
EXTÉRIEUR

Contents

Preface

At both domestic and international levels, the efforts of the Directorate General of the Treasury in 2012 were largely dictated by a complex political and economic environment. At a time of upheaval, particularly in Europe, the Directorate was very much involved in the change of government, following the presidential and legislative elections in May and June.

To inform the new ministers about some of the issues with which the government would be immediately confronted, the Directorate General of the Treasury provided economic outlooks at domestic, European and international levels. The topics covered included the euro area crisis, public finance strategies, competitiveness, employment, support for exports, international governance, and how the government is handling certain complex financial cases, particularly in the banking sector. For each of these areas, where decisions must be made quickly and policies drawn up, the Directorate put forward assessments and proposals, and took part in implementing the strategies chosen by the government.

The Directorate's skills and efforts were particularly brought to bear on three priority issues: the reshaping of Europe, rebuilding French competitiveness and defending France's concept of globalisation.

In Europe, great strides were made in dealing with the euro area crisis and issues of economic governance. The situation has stabilised, thanks to such measures as the introduction of the European Stability Mechanism, commitments by various European governments, the European Council's renewed focus on the growth agenda at its June 2012 meeting and the resolute intervention of the European Central Bank. In Greece, where – following tense negotiations and close Franco-German cooperation – a suitable strategy was put in place by the EU and the IMF, a sustainable path to recovery appears to have been mapped out.

The European Treaty on Stability, Coordination and Governance was enacted into domestic law by a constitutional by-law on budgetary frameworks, and the government was able to borrow money at historically low rates. At the same time, France launched a programme to stimulate its economic competitiveness, particularly via the National Pact for Growth, Competitiveness and Employment. The Pact includes 35 tangible measures to support French businesses, including the Competitiveness and Employment Tax Credit, the Public Investment Bank, and an overhaul of financing and support for exports. A Banking Activity Separation and Regulation Bill was drawn up, with an eye to separating business financing activities from speculative transactions, and to bolstering the resilience of France's financial system.

At international level, France stepped down as chair of the G20 in favour of Mexico. Under Mexico's leadership, the G20 doubled the IMF's resources, set strategies in terms of regulating shadow banking and financial benchmarks, and oversaw the institutionalisation of the Financial Stability Board. Building on the experience it acquired during its term as chair, France urged the G20 to provide impetus for better regulated globalisation.

Throughout the year, the Directorate General of the Treasury sought to reconcile crisis management with longer-term perspectives. By taking a truly constructive and focused approach to fundamental issues, the Directorate, under the authority of its ministries, attempted to build and put forward a reform strategy to encourage growth and social justice in France, integration with solidarity in Europe, and more inclusive governance on a global scale.

To enhance its analyses and compare contrasting viewpoints, the Directorate reached out to the world of academia, to the private sector, to its institutional partners and to the general public. Since education and awareness are vital with respect to the key issues of the day, the Directorate offers discussion seminars, exchanges on its various positions and publications concerning its work.

In 2012, the Directorate's regular partners – economists, legal experts and diplomats – met these challenges with determination, creativity, responsiveness and a collective motivation, whilst always bearing in mind the Directorate's core values of openness, loyalty, commitment and team spirit. This same determination will be our guiding star in 2013.

Ramon Fernandez
Director-General of the Treasury

A brief look at the Directorate…

The Directorate General of the Treasury serves France's Economy and Finance Ministries, making economic policy proposals, carrying out economic policy under the Ministries' authority and defending that policy in Europe and beyond.

Our mandate

- Economic forecasting and **advice on economic policy** and government policy on financial, social and specific industry issues
- **Regulation** of how the economy as well as insurance, banking and financial market institutions are financed
- Bilateral and multilateral **financial and trade negotiations**, and development assistance
- **Support for exports** and foreign investment by French companies.
- Through Agence France Trésor (AFT), management of the government's **debt and cash position**.

Governance

Ramon Fernandez is the Director-General of the Directorate. He is assisted by Claire Waysand, Deputy Director-General and Chief Economist.

The Director-General chairs the Management Committee, which brings together the heads of the Directorate's departments.

Directorate Staff

At 31 December 2012, the Directorate employed **1,520** agents, including **725** in central government and 690 staff working in **117** foreign countries, as part of **133** Economic Departments in French embassies and in French permanent representations to European and international institutions. An additional **105** agents are employed in Regional Directorates for Businesses, Competition Policy, Consumer Affairs, Labour and Employment (DIRECCTE).

A unique feature of the DG Trésor is the very broad diversity of backgrounds among its employees, who belong to over twenty different administrative and technical corps. With **93** different nationalities, diversity also characterises the Directorate's international network: some **15%** of its teams are foreign nationals.

Our values

Our values underpin the efforts of our staff and serve as guidelines for the behaviour that is expected of all. They define the Directorate General of the Treasury and give meaning to its reputation. They serve as reference points in how we handle issues, and offer a common vision of the men and women working for the Directorate.

Openness: Being open means being aware of and attuned to our society's diverse interests, and striving for the greatest possible balance in order to further the public interest as a whole. It also means fostering diversity in the Directorate's staff and recognising this diversity as a vital asset.

Loyalty guides every one of the Directorate's actions. Loyalty to our fellow citizens, which means putting the public interest above all else; loyalty to the government authorities by doing our utmost to carry out instructions; and loyalty to ourselves through a commitment to put forward impartial proposals achieved by rigorous analysis.

Commitment: Commitment is the will to do everything in one's power to serve the public interest, to modernise the economy and to propose lasting solutions to the problems facing society now and in the future.

Team spirit, because whatever his or her position, rank or function, each member of the Directorate has a valid contribution to make. Effectiveness is not achieved merely by accumulating skilled people; it requires combining skills, encouraging interaction and ensuring that the whole team works together towards a common purpose.

Highlights

January

10 January
As part of efforts to reform the governance of the Financial Stability Board (FSB), the Director-General of the Treasury joins the Board's Steering Committee.

26 January
Decree finalising the reform of the status of banking transaction and payment service intermediaries (IOBSP)

February

8 February
The first 2012 Supplementary Budget Bill is submitted to Parliament
Presentation of the 2012 credit insurance policy by the Directorate

15 to 17 February
FATF Plenary Meeting in Paris: adoption of revised Recommendations for International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation. These revisions will help make the FATF more effective in its efforts to protect the international financial system against illegal activities.

March

9 March
Coface launches the assurance prospection premiers pas (market canvassing insurance for SMEs)

13 March
Signature of a framework agreement for the Volunteers for International Business Experience programme

14 March
The Eurogroup formally approves the second bailout programme for Greece

April

11 April
Ministers address the Finance Committee of the French National Assembly about the Stability Programme

20–22 April
Spring Meetings of the International Monetary Fund and World Bank in Washington
Alongside these meetings, the ministers from FATF member countries renew the Task Force's mandate for eight additional years, with the goal of providing continued protection for the international financial system.

May

2 May
The Ecofin Council approves a general approach regarding the EU Capital Requirements Regulation (CRR) and Directive (CRD IV)

8 May
Issue of Decree no. 2012-691 amending the conditions under which foreign investments must receive prior approval, thus ending the pre-litigation procedure instigated by the European Commission in 2006

17 May
Formal handover of authority between François Baroin and Pierre Moscovici

24 and 25 May
Fourth International Economic Forum on Latin America and the Caribbean, in cooperation with the OECD and AFD

June

18 and 19 June
G20 Summit in Los Cabos, Mexico. Agreement to increase the IMF's resources by nearly $460bn

25 June
Ubifrance signs public service delegation agreements with Jordan, Peru, Venezuela, Nigeria and Morocco

29 June
The Paris Club agrees to cancel almost all of Côte d'Ivoire's debt.

28 and 29 June
To stimulate growth in the EU, the European Council adopts a "Compact for Growth and Jobs". Its measures include a capital increase for the European Investment Bank and a pilot phase for the Project Bond initiative.

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July

2 July
The second 2012 Supplementary Budget Bill is submitted to Parliament

9 and 10 July
Social Conference

11 July
National Industry Conference

12 July
Government seminar on financing ecological transition

August

August and September
Organisation of a public consultation on executive pay and corporate governance

22 August
Russia becomes a member of the World Trade Organization

September

14 and 15 September
Conference on the Environment

19 September
Proposed Constitutional Bylaw on Public Finance Planning and Governance submitted to Parliament

26 September
Setting up of the High Council on Social Welfare Financing

28 September
Submission to Parliament of the 2013 Budget Bill and the 2012–2017 Public Finance Planning Bill

October

5 October
Symposium at Bercy in honour of the 40th anniversary of the Franc Zone monetary agreements, in the presence of H.E. Alassane Ouattara, president of Côte d'Ivoire

10 October
Social Security Budget Bill submitted to the National Assembly

12 October
2012 IMF-World Bank Annual Meetings in Tokyo

19 October
Signature by labour and management of a National Multi-Sector Agreement concerning the Contrat de génération initiative

25 October
As part of the initiative in favour of Heavily Indebted Poor Countries (HIPC), the Paris Club agrees to cancel almost all of the Republic of Guinea's debt

November

5 November
Launch of the Forum for Development and International Solidarity

6 November
National Pact for Growth, Competitiveness and Employment

8 November
Announcement of the recapitalisation of Dexia and amendments to the bank's refinancing guarantee

29 November
Europe's foreign trade ministers agreed to begin talks aimed at a free trade agreement with Japan

30 November
Third edition of the Entretiens du Trésor symposium

December

4 December
During an official visit by Nicole Bricq to Ecuador, signing of a loan from the Emerging Countries Reserve (RPE) to build a tram system in Cuenca

10 and 11 December
National Conference to Fight Poverty and Promote Social Inclusion

12 December
The Ecofin Council agrees on a general approach on proposals aimed at establishing a Single Supervisory Mechanism for the oversight of credit institutions

19 December
Pensions Steering Council publishes its financial forecasting report
Introduction of the Banking Activity Separation and Regulation Bill
Vote on a bill concerning the creation of the Public Investment Bank

21 December
The IMF's Financial Sector Assessment Programme publishes its Financial System Stability Assessment of France

29 December
France agrees to provide Banque PSA Finance with a State guarantee. The amount is included in the 2012 Supplementary Budget Act (Article 85).
France agrees to provide Crédit Immobilier de France with a State guarantee. The amount is included in the 2013 Budget Act (Article 108).

Key Figures for 2012

25 entities under Directorate supervision or secretaryship.

Agence France Trésor issues €178bn in medium- and long-term securities, net of buybacks

60 failing businesses employing close to 70,000 people assisted by the Interministerial Committee on Industrial Restructuring (CIRI)

291 texts published in the Journal Officiel (11 opinions, 6 decisions, 199 orders, 68 decrees, 2 ordinances and 5 acts). Responses to 1,216 written questions from MPs.

554 questions from parliamentary committees regarding the 2012 Budget Bill. 221 letters sent by MPs to ministers.

20 texts negotiated at European level with an eye to strengthening sanctions as part of the work of the Financial Action Task Force.

1,330 requests for approval totalling €3.6bn were issued within this context.

45 international benchmarking studies produced by the Economic Departments, representing 2,631 agent-days.

€36.85bn owed to France by foreign governments as of 31 December 2012

€6.94bn of debt treated and €2.28bn of debt cancelled by the Paris Club

€3.75bn in economic and financial development assistance managed by the Directorate

France provides the International Monetary Fund with an additional bilateral contribution of €31.4bn.The loan is made by the Banque de France.

€268 million in loans from the Emerging Countries Reserve.

26 new studies financed by grants from Fasep-Études totalling €15.3 million.

19,332 companies served by the Ubifrance et les Missions Economiques network.

233 guarantee commitments provided by Coface on behalf of the government for a total of €11.6bn.

€10.1bn in contracts signed by French companies that received credit insurance.

1,178 applications for canvassing insurance from SMEs received approval.

8,500 SMEs and VSEs were granted this insurance.

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Bolstering solidarity mechanisms in Europe and around the world

2012 was an event-filled year for Europe and for the euro area in particular, as the sovereign debt crisis continued to be a major pre-occupation for Europeans.

A second bailout programme for Greece became necessary, and the European Stability Mechanism provided recapitalisation for Spain's banking sector. The regulatory framework governing EU budget policy coordination was revised, and the heads of State and government adopted measures to encourage growth in Europe. The crisis galvanised Europeans to work together to implement economic and monetary union – beginning with the banking union project – and motivated them to step up efforts to introduce ever-more effective financial regulation.

The Directorate played a major role throughout, introducing initiatives and putting forward proposals. It was also at the forefront of preparations for delicate negotiations over issues of European solidarity and the financial stability of the euro area.

Building a safer and more mutually supportive Europe

Making the financial system more secure and protecting against systemic risk

Enhancing international solidarity

The integrity of the euro area – critical protection for its members

2012 marked a turning point for Europe. Major concerns, including fears that Greece would leave the euro area, led to efforts to take a more global approach to managing the crisis and eliminate systemic risk.

The Member States and the ECB showed their willingness to do whatever is necessary to preserve the euro area. The June 2012 Euro Area Summit, held concurrently with the European Council meeting, represented a critical stage in the process. While the European Council, at the urging of France, finalised the Treaty on Stability, Coordination and Governance, the Summit authorised the European Stability Mechanism (ESM) to recapitalise euro area banks directly, once a Single Supervisory Mechanism (SSM) has been established under the auspices of the ECB and the EBA. Such a mechanism is the first step towards genuine banking union, which needs to rest on three pillars: integrated banking supervision, bank resolution and deposit insurance.

With the support of the international community, the **other Member States experiencing difficulties** unswervingly committed to redressing their imbalances. Ireland and Portugal both implemented their programmes in exemplary fashion. Spain, which called on European solidarity to rescue its banking sector, also committed to carrying out thoroughgoing reforms with an eye to restoring its competitiveness. Finally, talks were initiated with Cyprus on how a bailout package could be financed.

To sum up, in 2012, action by the Member States and the European institutions, combined with sweeping governance reforms in terms of public finances and economic policy and decisive measures by the ECB, led to very significant progress in the implementation of a consistent, far-reaching policy to resolve the euro area crisis. This in turn led to **lower interest rates across the board**.

France played a vital role in these efforts. The Directorate was at the centre of all of these negotiations, participating in preparatory work and providing support for the Minister at the Eurogroup and Ecofin Council meetings.

Pierre Moscovici, Minister for the Economy and Finance and Ramon Fernandez, Director-General of the Treasury, arriving at the 26 November 2012 Eurogroup meeting

Once again, Greece was a major focal point in 2012. The year opened with the successful restructuring of Greece's bond debt and the adoption of a new bailout package by the European partners and the International Monetary Fund. Political upheaval in the spring, however, led to speculation about Greece's future in the euro area. In the face of this threat, the new Greek government, formed after the June elections, showed its determination to get the country back on track and implement expected reforms. This resolve was rewarded by an end-of-year agreement to continue providing aid, which eased fears all around.

Short-term credit insurance for exports to Greece
Given the current economic and financial climate in Greece, the lack of private insurance coverage for exports to Greece and the expiry of the public-sector support measures for export credit insurance introduced in 2009, the Directorate – like a majority of EU countries and with the agreement of the European Commission – is providing temporary short-term credit insurance for exports.
This measure has been entrusted to Coface, which is acting on behalf of the government, and provides support for the private-sector market. It provides guarantees for exports to Greece that are at least 40% French, and for which the payment time-frames are less than two years. It is designed to support trade relations between French firms and their Greek partners (France is Greece's sixth-largest supplier).

The foundations for a new economic and fiscal governance for Europe

Signature of the Treaty on Stability, Coordination and Governance on 2 March 2012 by the heads of State and government of 25 Member States.
© Council of the European Union

Efforts to reform budgetary governance in both Europe and in the euro area continued in 2012. Such governance had already been substantially strengthened through the introduction of the “six-pack” of economic governance legislation adopted by the EU in 2011.

The Directorate played a major role in preparing two draft regulations and an inter-governmental treaty. The goal was to draw on the lessons learnt from the euro area crisis by creating the necessary conditions to avoid cumulative imbalances, ensure that national public finances are on a sound footing and provide effective oversight by the European institutions.

The Treaty on Stability, Coordination and Governance (TSCG) strengthens budgetary discipline and economic coordination between Member States.

Negotiation of the treaty was launched by the European Council on 9 December 2011. The DG Trésor helped to draft France’s position, and the Treaty was signed on 2 March 2012 by the heads of State and government of 25 Member States.

The TSCG calls for the adoption at national level of a balanced budget rule as well as the introduction of independent national bodies entrusted with overseeing compliance with this rule. It also calls for ex-ante coordination of large-scale economic reform projects that may have an impact on partner Member States. At France’s request, the Treaty was supplemented by a Compact on Growth and Jobs, which was adopted by the European Council in June and ratified by France on 11 October 2012 following an affirmative vote by Parliament. The TSCG entered into force on 1 January 2013.

During the year, the Directorate also contributed to drafting the Constitutional Bylaw of 17 December 2012 on Public Finance Planning and Governance. This piece of legislation enacted into domestic law the regulations required to comply with the Treaty and with two draft regulations (the “two-pack”). Among other things, it created the High Council on Public Finances (see page 37).

The first of the **two draft regulations**, which were put forward by the Commission in November 2011, concerned heightened surveillance of euro area members, and the second had to do with the monitoring regime that applied specifically to euro area members in difficulty – i.e. those receiving financial assistance that must comply with a macroeconomic adjustment programme. Specifically:

- **The first regulation** calls for ex-ante examination by the Commission of draft budgetary plans to ensure they comply with European recommendations, heightened oversight of the fiscal policies of Member States subject to an excessive deficit procedure, and independent drafting of macroeconomic forecasts that serve as the basis for finance bills and stability programmes.

- **The second regulation** codifies the rules applicable to financial assistance and macroeconomic adjustment programmes, in particular the process for preparing the programmes and monitoring their implementation.

The Directorate played a key role throughout 2012 in negotiating these draft regulations, which were definitively adopted in the first quarter of 2013.

The roadmap to Economic and Monetary Union

European Council of 28 June 2012
François Hollande and Herman Van Rompuy,
European Council President
© Council of the European Union

At the European Council of 28 and 29 June 2012, the heads of State and government of the European Union tasked Council President Herman Van Rompuy with proposing, following widespread consultation, a roadmap for the completion of Economic and Monetary Union. Having learnt from the crisis, the goal was to put the European project on an ambitious, long-term footing.

Taking stock of the euro area crisis

The crisis revealed the euro area’s structural shortcomings. The loss of external adjustment instruments once provided by exchange rate or monetary policy lessens the measures at the disposal of Member States to cope with economic contractions and loss of competitiveness. The euro area does not have the tools that, in other monetary areas, can make up for this loss, particularly high worker mobility and automatic fiscal transfers between States. Moreover, the economic and fiscal governance framework was inadequate to keep unsustainable situations from building up in certain Member States, specifically bubbles fuelled by large-scale public and private debt in the environment of abundant liquidity of the 2000s. Although the euro area had a highly integrated banking system, supervision remained largely a national matter. As a result, the Member States were obliged to act as lenders of last resort in the case of bank failures, which led to the downward spiral of contagion linking banking risks and sovereign risks in the euro area.

Bolstering coordination and integration of economic and fiscal policies became a vital necessity. The Stability and Growth Pact was significantly strengthened via the adoption of the “six-pack” and of the Treaty on Stability, Coordination and Governance, to which the Macroeconomic Imbalance Procedure (MIP) mechanism was added. This gave rise to an in-depth examination of fiscal policies and national-level economic reforms launched as part of the European Semester, which in turn led to the adoption of the Council’s recommendations to Member States at the end of June. States that do not correct fiscal or macroeconomic imbalances in compliance with the European framework are liable for financial sanctions.

At the same time, to stabilise the Economic and Monetary Union, it was important to forge greater solidarity between euro area Member States. To this end, bailout packages were introduced and a “firewall” was established to provide financial support to a Member State in difficulty (European Financial Stability Facility and the European Stability Mechanism).

At institutional level, euro area members introduced special measures within the EU, including euro area summits, a greater role for the Eurogroup, and the amendment of Article 136 of the Treaty on the Functioning of the European Union, under which Member States whose currency is the euro adopt shared legislation in the areas of economic and fiscal governance.

These changes raised additional issues about ways to increase the democratic legitimacy of the European system, whose decisions were clearly critical for Member States throughout the crisis. There was also the issue of how to guarantee that the euro area functions properly within the Europe of 27 and the Internal Market.

The central issue of integration based on mutual support

In June 2012, President Hollande put forward the idea of integration based on mutual support, according to which each move towards heightened coordination of national policies should go hand in hand with greater mutual support between Member States.

The Directorate General of the Treasury was heavily involved in this effort. Working with the EU Directorate of the Ministry of Foreign Affairs and the General Secretariat for European Affairs, it drafted the French position and was part of European efforts in the financial arena.

In particular, it worked on the project of giving the euro area its own budget, which would provide countercyclical stabilisation, and on giving a social dimension to the initiatives that were brought to bear in the euro area. With support from Agence France Trésor, the Directorate also assessed various solutions for joint euro-area debt issuance including eurobills, eurobonds and redemption funds.

On two occasions, in October and December 2012, the European Council discussed ideas put forward by the Member States, the European Commission and the Van Rompuy Task Force. In December, the Council requested that, prior to its meeting in June 2013, specific efforts be directed toward the social aspects of Economic and Monetary Union, as well as on the project of a contractual arrangement for economic reforms between domestic and European levels. The Directorate took part in this preparatory work.

European-level banking supervision – the first step towards banking union

European Council of 13 December 2012
José Manuel Barroso, President of the European Commission and Herman Van Rompuy, President of the European Council
© Council of the European Union

The sovereign debt crisis in the euro area provided a clear indication of the need to introduce banking union to break the vicious cycle between banking risks and sovereign risks, and to put an end to the fragmentation of financial markets within the internal market, which hampers growth.

Over time, banking union will be based on three pillars: integrated banking supervision, joint bank resolution and deposit insurance. The Euro Area Summit of 29 June 2012 represented a decisive step towards the introduction of banking union. The heads of State and government of the euro area authorised the **European Stability Mechanism** (ESM) to recapitalise euro area banks directly, once a Single Supervisory Mechanism (SSM) has been established.

On behalf of France, the Directorate took part in the European Council's high-level working group set up to negotiate the European Commission's legislative proposal of entrusting the European Central Bank (ECB) with prudential control over all credit institutions in the euro area and in other Member States who choose to be a part of the Single Supervisory Mechanism . The Directorate also helped pave the way to the agreement to set up the Single Supervisory Mechanism, which was reached on 12 December 2012 at the Ecofin Council and later at the European Council.

The mechanism is expected to cover all credit institutions, with the ECB providing direct supervision of major banks (some 130 banking groups, including the majority of French banks) and closely monitoring the supervision of smaller banks by national authorities. A Supervisory Board, reporting to the Governing Council, was set up at within the ECB. Its role was very strictly regulated in order to maintain the independence of bodies tasked with carrying out monetary policy, which is distinct from tasks associated with prudential control. Thus, a Supervisory Board, with members drawn from the full set of relevant national authorities, will be set up within the ECB. It will carry out the prudential control missions entrusted to the ECB. An arbitration panel, comprised of representatives from the Supervisory Board and the Governing Council, will adjudicate any differences between the two bodies.

The SSM is expected to enter into force in 2013. It will be brought on line gradually, with an eye to being fully operational as of 1 March 2014

Bank resolution

Progress was made in 2012 at both domestic and international levels towards introducing a system for preventing and managing banking crises (bank resolution) (see also the discussion of the Banking Activity Separation and Regulation Bill on page 46).

The idea is to provide the public authorities with new and powerful instruments, and to avoid turning to the public purse when a bank fails.

In June 2012, the European Commission presented a draft European directive that draws on recommendations in this area adopted by the G20 in October 2011. The draft directive proposes the introduction of new tools that can be used by the Resolution Authority that each Member State must set up. It also calls for heightened coordination between the authorities of the various Member States. The directive also contains proposals for financing resolution, with the goal of greater involvement of the private sector in order to limit the use of public funds, and improved cost-sharing between Member States.

Talks on this draft directive have begun in the European Parliament and the Council (where France is represented by the DG Trésor and the Prudential Supervisory Authority). The European Council of December 2012 requested that an agreement on the proposal be found by mid-2013.

Building a safer and more mutually supportive Europe

Making the financial system more secure and protecting against systemic risk

Enhancing international solidarity

Noteworthy progress in drafting European legislation

© European Parliament

The financial crisis revealed the need to bolster the financial system and to protect against systemic risk by avoiding cascading bankruptcies of various stakeholders, including banks and insurance firms.

The Directorate General of the Treasury represented France during negotiations of all of the following pieces of legislation.

Banking: Enactment of the Basel III Accords

In July 2011, the European Commission issued a draft European directive and regulation for enacting the Basel III Accords into EU law.

Negotiations around the drafts (known as the Capital Requirements Directive and Capital Requirements Regulation, or CRD IV-CRR) reached an important milestone with the adoption of a general approach by the Ecofin Council in May 2012.

Following this, discussions with the European Parliament and the European Commission took place under the Danish and Cypriot presidencies of the EU.

The Permanent Representatives of the Member States meet on a regular basis to work out a joint position on the European Parliament's various proposals, specifically those having to do with requirements governing variable remuneration. The draft regulation and directive will be definitively adopted during the summer of 2013.

Insurance: amending regulations to take better account of risk

In early 2012, European discussions concerning reform of EU regulations governing the insurance industry (Solvency II) were slower-paced than had been expected.

The goal of the reform was to achieve a better match between capital requirements for insurance and reinsurance firms and the risks run by these firms in the course of business and during asset allocation. Another goal was to improve and standardise certain aspects of these firms' governance and reporting.

During the summer of 2012, the Parliament, the Commission and the Council failed to come to an agreement on the Omnibus II Directive that would amend Solvency II, and in particular on the package of countercyclical measures put forward to limit balance sheet volatility for insurance firms with respect to their long-term commitments.

At the initiative of the French authorities, who were aware of the consequences of prudential reform on the financing of the economy, an impact study was commissioned to assess the effects of various scenarios on the implementation of these measures prior to final calibration.

Other legislation

For more than four years now, under the leadership of Michel Barnier, efforts to strengthen financial regulation have been carried out under the aegis of the G20 and at EU level. In 2012, significant progress was achieved in a number of areas, including implementation of regulations governing rating agencies, stronger governance for businesses and financial market transparency, gains in the fight against market abuse and insider trading, and improvement in the resiliency of the financial system – market infrastructure in particular.

Credit rating agencies

On 27 November 2012, the European Council and European Parliament reached an agreement on amendments to the rules governing credit rating agencies, which were published in early 2013. These changes add to European legislation, adopted in 2009 in the wake of the subprime crisis, involving stricter reporting requirements in terms of governance and the prevention of conflicts of interest. In 2011, additional rules were adopted, giving the European Securities and Markets Authority direct supervisory powers.

The new legislation, which enters into force in 2013, will allow for tighter control over sovereign ratings, introduce a European system of civil liability for the agencies, reduce regulatory reliance on agency ratings, increase methodological transparency and bolster agency independence.

Transparency

In 2012, following on from the European Commission's publication of legislative proposals in autumn 2011, the Council agreed on its general approach with respect to revision of the Transparency Directive.

By tightening reporting obligations with respect to complex derivative instruments – based on the model adopted in France in spring 2012 – the revised directive provides increased protection against hostile takeovers.

It lightens the administrative burden of listed companies by lengthening the submission deadline for biannual reports from two to three months following the cut-off date, and by stipulating that regulators may only request quarterly reports under certain conditions.

Negotiations with the Commission and the European Parliament on a final version of the directive will take place in 2013.

Tougher sanctions with respect to insider trading and market abuse

A draft regulation adopted in 2011 by the European Commission aimed at adjusting EU rules to take into account new technologies and the realities of the market. Specifically, it expanded their scope to include financial instruments only traded on new platforms and those traded over the counter.

The proposal states that market abuse occurring across both commodity and related derivative markets is prohibited, and reinforces cooperation between regulators.

In July 2012, in the wake of the Libor scandal, these two proposals were amended by the Commission in order to ban and criminalise manipulation of interest rates.

The DG Trésor represented France in negotiations of the Market Abuse Regulation (MAR), and the Justice Ministry oversaw negotiations of the Market Abuse Directive (MAD) with respect to criminal sanctions.

A safe and reliable financial system – improving securities settlement

On 7 March 2012, the Commission adopted a proposal for a Regulation that introduces an obligation of dematerialisation for most securities, harmonised settlement periods for most transactions in such securities, settlement discipline measures and common rules for central securities depositories (CSDs).

CSDs are systemically important institutions for the financial markets. They play a vital role in ensuring the initial recording and the central maintenance of securities accounts as well as the delivery of securities against cash following any trade of securities.

The proposed regulation is a key part of the Commission's plans to improve the safety and the reliability of the financial system.

Like the Regulation of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, and the revised MiFID, it provides a consistent framework in which all systemically important securities processing infrastructure is covered by a shared set of European rules.

Business regulation

Two significant parts of a work programme proposed by Michel Barnier, Commissioner for Internal Market and Services, are currently under discussion in Brussels. They concern:

- Accounting directives reform to improve the quality and comparability of business accounting obligations within the EU. The legislation also includes a section intended to improve information concerning the extractive and forestry industries by obliging firms in these sectors to provide information about payments made to public authorities in countries whose natural resources they are extracting.

- Audit reform to improve the quality of audits, the independence of auditors and competition in this market.

Providing support for financial firms in difficulty

© Dexia

In 2012, the Directorate was heavily involved in efforts to assist several banking institutions, including Crédit Immobilier de France and Banque PSA Finance. For both of these banks, Parliament authorised the government to grant them State guarantees. Working with the Government Shareholding Agency, the DG Trésor also took part in drafting the final rescue plan for Dexia. All three of these cases were the subject of extremely detailed talks with the European Commission.

Banque PSA Finance

In 2012, after it had been downgraded by the rating agencies, Banque PSA Finance (BPF) had difficulties refinancing itself on the financial markets. This was the direct result of the downgrading of its parent company (PSA) in the wake of problems faced by the automobile division. And yet, BPF's business activity – financing sales of Peugeot and Citroen vehicles – was vital to getting the Group's activities back on track. To this end, PSA sought refinancing assistance from both its regular lenders and the French government.

The Directorate drafted an article, which was included in the 2012 Supplementary Budget Bill, authorising the Minister for the Economy and Finance to provide Banque PSA Finance with a guarantee to cover its market issues. The total amount of the guarantee is €7bn for the period 2013–2016. The Directorate was responsible for informing the European Commission starting in October 2012, and drew up a notification by the French authorities, as of January 2013, of a request for rescue aid to allow BPF to issue bonds with State guarantee as of the first half of 2013.

Dexia

Following on from the initial rescue plan in 2008, on 8 November 2012, France, Belgium and Luxembourg agreed on a final restructuring plan for Dexia. The plan calls for a capital increase of €5.5bn, 47% of which will be provided by France, as well as joint refinancing guarantees capped at €85bn.

The European Commission approved the bailout on 28 December 2012, and the entire capital increase, authorised by the 2013 Budget Act, was transferred on 31 December 2012. Dismantling the bank will continue in 2013, with the acquisition of Dexia Municipal Agency by the French government, the Caisse des dépôts et consignations and La Banque Postale. The acquisition will be brokered by the Société de Financement Local (SFIL), a public credit institution mandated to refinance loans granted by La Banque Postale to local authorities and to hospitals (activity that was previously carried on by Dexia).

Crédit Immobilier de France (CIF)

After Moody's placed Crédit Immobilier de France on negative watch in February 2012, the Directorate General of the Treasury held discussions with the bank's management to encourage it to seek backing.

When Moody's definitively downgraded the CIF – implying that there was a risk that the bank could default in the near future – the Minister for the Economy and Finances had no other option but to announce that France would provide a State guarantee, pending authorisation by the European Commission.

The Directorate drafted an article, which was included in the 2013 Budget Bill, authorising the Minister for the Economy and Finance to provide CIF with a €16bn guarantee to cover market issues, and €12bn to cover certain in-house exposures. This guarantee received approval from the European Commission on 28 February 2013. An orderly resolution plan must be submitted to the European Commission by the end of August 2013 at the latest.

© Parlement européen

The Economic and Financial Department of the Permanent Representation of France to the European institutions in Brussels

The department's remit involves promoting and defending France's positions to the European institutions (European Commission, European Parliament, European Investment Bank, delegations of other Member States to the EU, etc.) with respect to economic, budgetary, tax and financial matters, in connection with the DG Trésor.

The department also keeps the French authorities informed as to the current state of European discussions and negotiations. It supports and counsels advisers to the various ministries and other public institutions (Banque de France, INSEE, AMF) during working meetings at the Commission or the Council, and acts as a permanent intermediary throughout regulatory negotiations.

The department is under the joint control of the Permanent Representation of France to the EU and the Director-General of the Treasury.

Its advisers work in the following areas: taxation (both direct and indirect, including the Financial Transactions Tax), government aid and support for competition, budgetary matters (the EU's annual budget, the Multiannual Financial Framework and the Staff Regulations), financial markets, the banking and insurance sectors, the Ecofin Council, Economic and Monetary Union (EMU) and EU external financial assistance.

Some recent cases monitored by the department include banking union (introduction of the Single Supervisory Mechanism, a mainstay of banking union), the Bank Recovery and Resolution Directive, economic governance, the Multiannual Financial Framework, the reform of Staff Regulations and the modernisation of monitoring for State subsidies.

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The Scandinavian model of crisis resolution: what can we learn from the Swedish crisis of the 1990s?

Sweden experienced a serious crisis in the early-1990s, with banks collapsing, a sharp drop in GDP, soaring public debt, loss of the country's triple A rating, and a level of unemployment not seen since the 1930s.

This crisis came after wages and prices had spiralled out of control throughout the 1970s and 1980s, rectified by frequent devaluations. A mismanaged deregulation of credit in the 1980s led to runaway lending and overheating. What began as a property and banking crisis, triggered by an interest-rate hike at the start of the 1990s, then transformed into an economic and monetary crisis.

The Swedish authorities acted on two fronts to deal with the crisis. In addition to tackling the banking crisis immediately and implementing a policy mix designed to restore the economy's key ratios and indicators, Sweden embarked on a vast array of structural reforms covering governance of public finances, freeing-up the economy, reforming the welfare state (pensions especially), as well as steering the country towards a more export-oriented growth model.

After letting its deficit slide during the height of the crisis, as from late 1992, the Swedish authorities undertook a process of fiscal consolidation then stepped up their deficit-cutting drive once recovery had set in. The decision to reform a broad swathe of sectors as part of a single process helped sustain the positive initial effects. Finally, the methods used to design and adopt these reforms ensured their broad acceptance and so established them on a permanent footing.

Twenty years after this crisis, Sweden's economy has performed quite well, several difficulties notwithstanding. It would be hard to take it as a model, because of the factors at work that cannot be reproduced elsewhere, such as the initial depreciation of the Swedish krona (down 23% against the Ecu) and the concurrent boom in global trade. Nevertheless Sweden's experience can serve as an inspiration, particularly as regards the method used.

Building a safer and more mutually supportive Europe

Making the financial system more secure and protecting against systemic risk

Enhancing international solidarity

Coordinated action with respect to the crisis

© Mexican Presidency of the G20

Bolstering the IMF's reserves in light of a weakened global economy and risks that continue to impede growth

In April 2012, the G20 decided to allocate $461bn in additional resources to the International Monetary Fund (IMF).
This increase, more than 9% of which was contributed by France, raises the IMF's total lending capacity from $700bn to $1.1 trillion.
The Fund is now better able to respond to future requests for financial assistance from States that have been adversely affected by the crisis. Combined with the increase in resources for European rescue funds and the creation of the European Stability Mechanism (ESM), bolstering the IMF's capacities contributes to strengthening global "firewalls" designed to restore confidence in markets around the world and bring an end to the crisis.
This move represents the culmination of the project to expand the IMF's resources, which was launched in 2011 under the French presidency of the G20, and which received the continued support of France.
The IMF's additional resources take the form of bilateral loans to the IMF by 39 of its Member States, including most of the countries in the euro area as well as the BRICS (Brazil, Russia, India, China and South Africa). On 12 October 2012, on the fringes of the IMF and World Bank Annual Meetings in Tokyo, the agreement for the French loan, for a total of $31.4 billion, was signed by Pierre Moscovici, French Minister for the Economy and Finance, and Christine Lagarde, IMF Managing Director. Like previous loans to the IMF, it will be underwritten by the Banque de France. The two-year loan, which was authorised by Parliament in the Supplementary Budget Act of 14 March 2012, may be renewed twice for one year periods, for a total maximum term of four years.
Under the American chairmanship of the G8, the DG Trésor made sure that efforts focused on French priorities, which included Africa, food security and climate change. In addition, it helped draft analyses and the message given by François Hollande on the current economic situation at the summit of heads of State and government held at Camp David in June.
The Directorate also worked on the finance chapter of the Deauville Partnership, helped prepare meetings of finance ministers, and led a sub-working group on private-sector access to capital by Partnership countries. G7 Member States continued to meet on a regular basis to discuss economic and financial topics.

The Directorate played an active role in international fora (G7, G8 and G20), taking part in ongoing efforts to provide a coordinated response to the crisis, support strong, sustainable and balanced growth, ensure appropriate regulation for financial stakeholders and products, combat commodity price volatility and coordinate development efforts.

The DG Trésor outlined France's position on important decisions, including increasing the IMF's reserves, strengthening the Financial Stability Board, regulating over-the-counter derivatives, and renewing the commitment to refrain from taking protectionist measures.

Following the very active French presidency of the G20 in 2011, the Directorate's teams worked hard to prepare the many meetings held at director-general and ministerial level, as well as the Los Cabos Summit, held in June under the Mexican presidency. The Economic Departments abroad took part in preparing the work by providing upstream information on the positions of the various G20 member countries, and by passing on France's positions. In addition to preparing meetings, the Directorate's departments took part in technical efforts of the G20's working groups, with an eye to preparing documents and communiqués for ministerial meetings and for the Summit.

The DG Trésor also helped **sustain France's leading role** within the G20 by drafting informal memoranda, intended for the future Russian presidency, on financial regulation, economic policy coordination and how the energy and commodity markets operate. Finally, the Directorate's teams were also active in the area of climate change, as France and South Africa were co-chairs of the G20 Study Group on Climate Finance.

Financing for Reconstruction and Development

Faidherbe Bridge - Sénégal
© AFD - Jean-Christophe Pécresse

France worked at both European and international level to find additional resources for financing development and to make EU trade policy more consistent with an eye to boosting development in the poorest countries.

The Financial Transactions Tax (FTT) was adopted by France in March 2012, and is expected to be taken up by other EU Member States.

In recent years, France has been committed to introducing an international tax on financial transactions. At the G20 Summit in Cannes on 3 and 4 November 2011, a group of countries, France among them, decided to implement this tax to support development, among other projects.

In his speech at the Rio+20 Conference on 22 June 2012, President Hollande defended the tax, and underscored France's commitments when he addressed the UN General Assembly in September 2012.

France favours a gradual, two-stage approach. On 14 March 2012, it adopted a FTT, which taxes share transactions, high-frequency trading and naked sovereign credit default swaps. The 2013 Budget Bill calls for 10% of FTT revenues collected as from 1 January 2013 to be allocated to the Solidarity Development Fund, which is managed by the French Development Agency (AFD). The expenditure planning that the FTT allows should be focused on two major issues: on the one hand, the environment and combating climate change, via financing for the Green Climate Fund and the Rural Water Supply and Sanitation Initiative; and on the other hand, healthcare and pandemic preparedness. Geographically speaking, actions financed by the FTT reflect France's focus on the Sahel region, particularly in 2013.

Over and beyond these efforts, a European FTT should be introduced as part of heightened cooperative efforts between 11 Member States (France, Germany, Italy, Spain, Belgium, Portugal, Greece, Austria, Slovenia, Slovakia and Estonia). In September 2011, the European Commission had proposed an EU-wide FTT, but given the strong opposition from certain Member States (UK, Sweden, and the Czech Republic in particular) it was decided, at the urging of France and Germany, to opt for an enhanced cooperation format in 2012. The 11 participating Member States share a vision that is both ambitious and down-to-earth. This was the thrust of the decision by the Ecofin Council on 22 November 2012 – the first example of enhanced cooperation in terms of taxation, which will be implemented in 2013.

Gold sale profits – a one-time windfall of more than €2bn to benefit low-income countries

In 2012, actions by the Directorate General of the Treasury bolstered IMF support for low-income countries and put it on a long-term footing.

The Directorate was instrumental in the 28 September 2012 decision by the IMF's Executive Board to use the windfall profits on gold sales (carried out by the Fund in 2009-2010) to subsidise concessional lending by the Poverty Reduction and Growth Trust (PRGT). Total profits were DTS 1.75bn, or roughly €2.1bn. This decision echoed a similar decision made in 2009, which took effect in October 2012, to allocate some €800 million in gold sale profits to the PRGT. The PRGT is the IMF's vehicle for providing support to low-income countries by offering concessional loans. Since its creation, France has been the Trust's second-largest contributor, and the most recent decision increases France's contribution by more than €90 million.

Pierre Moscovici's commitment helped mobilise the international community. In September 2012, the Minister and his British counterpart George Osborne sent a letter to the International Monetary and Finance Committee (IMFC) expressing their joint commitment in favour of low-income countries at a difficult moment for the world economy. Their actions rallied the IMF's shareholders to this position. The PRGT, whose resources are largely earmarked for the countries of sub-Saharan Africa, will be able to continue to provide a high level of support to the poorest countries.

Reform of the Generalised Scheme of Preferences – lower EU duties for developing country exporters

The Regulation applying the new Generalised Scheme of Preferences (GSP), which was adopted by the European Parliament on 25 October 2012 and which will enter into force as from 1 January 2014, allows developing country exporters to pay lower duties on their exports to the EU.

Under the "Everything but Arms" (EBA) scheme , exports from Least-Developed Countries (LDCs) enjoy duty-free, quota-free access to the EU, whereas developing countries are granted reductions in standard tariffs, and exoneration for certain products.

The new GSP is in line with France's position, which was the source of this European reform. Thanks to Minister of Foreign Trade Nicole Bricq's spirited defence of this position, advanced emerging countries will no longer be eligible for reductions, and countries deemed to be competitive will lose GSP preferences for certain groups of products.

The reform focuses the EU's unilateral preferential trade programmes on countries most in need. This is the first time that the EU has invoked the principle of differentiation between developing countries with respect to preferential trade.

Similarly, the new mechanism will exclude products from countries that have become too competitive in certain industrial sectors. The reformed GSP thus excludes upper-middle-income countries as defined by the World Bank. This reduces the number of eligible countries from 176 to 90, excluding emerging countries and encouraging exports from the least advanced ones.

Moreover, following France's request, reform efforts also focus on the GSP+ arrangement – which provides additional preferences to countries which ratify and implement international conventions on core human and labour rights, the environment and good governance – by introducing more efficient monitoring of implementation of these standards.

Given this major step forward, and the leverage it creates for future bilateral trade talks with major emerging countries, France supported the reform, which is very much in line with bolstering the EU's trade policy in favour of development.

Focused initiatives

Signature of the first tranche of C2D between France and Côte d'Ivoire, 1 December 2012.
From left to right: Pierre Moscovici, Nialé Kaba, Minister Delegate to the Côte d'Ivoire Prime Minister, with responsibility for the Economy and Finance, and Pascal Canfin, Minister Delegate for Development
©Primature de la Côte d'Ivoire

France is making every effort to help achieve the Millennium Development Goals (MDG) by calling for greater efforts in terms of development assistance, and by helping to rebuild macroeconomic stability and foster growth in developing countries.

France is a major bilateral creditor for developing countries, and is helping to restore sustainable debt levels for poor and developing countries. The DG Trésor chairs the Paris Club, an informal group of 19 public creditors dedicated to seeking coordinated, sustainable solutions to payment difficulties experienced by debtor countries.

After reaching its Completion Point under the Heavily Indebted Poor Countries (HIPC) Initiative, Côte d'Ivoire's debt stock was treated by the Paris Club

On 25 and 26 June 2012, the Executive Boards of the World Bank and the IMF stated that Côte d'Ivoire had achieved the Completion Point under the Heavily Indebted Poor Countries (HIPC) Initiative. This initiative was introduced in 1996 by the IMF and the World Bank, and implemented by international financial institutions and the bilateral partners of the debtor countries concerned. The goal of the initiative is to ensure debt sustainability for poor countries.

Côte d'Ivoire's achievement of its Completion Point under the HIPC Initiative paved the way for the final treatment of its debt stock by the Paris Club creditors. Talks between the Paris Club and the Republic of Côte d'Ivoire, represented by Charles Koffi Diby, Finance Minister, took place on 29 June 2012.

Côte d'Ivoire's public external debt stock owed to the Paris Club, which was treated on the day of the negotiation, was €5.05bn. Following the talks, the Paris Club cancelled 99.5% of this stock, or €5.02bn.

France, Côte d'Ivoire's number one creditor within the Paris Club, wrote off €3.2 billion in debt, which represents 99.4% of the total amount of its bilateral debt. This includes €913 million in trade receivables, based on the multilateral debt relief incumbent on all Club creditors and the supplementary bilateral commitments made by France at the 2001 Yaoundé Summit. Above all, €2.3 billion in Public Development Assistance (PDA) was cancelled, as part of the debt-to-grant conversion mechanism in the Debt Relief and Development Contract (C2D). This procedure, which is a uniquely French initiative, allows partner countries to have their debt repayments reimbursed in the form of grants. The grant money is then allocated to poverty reduction programmes that have been selected by joint agreement between France and the debtor country.

At nearly €3bn (€2.3 billion in debt stock + €0.6 billion in accrued interest), this C2D, which was signed in December 2012, is the largest ever negotiated by France. It will make a significant contribution to Côte d'Ivoire's development, allowing it to make real progress towards its medium-term goal of becoming a genuine "emerging country" and an economic hub for the region. It will also help maintain a close working relationship between France and Côte d'Ivoire.

The "Friends of Syria Group" and support for Syria's political transition

Starting in the summer of 2012, the crisis in Syria has been marked by stepped-up fighting throughout the country, as well as efforts to bring together the Syrian opposition. On 11 November, this resulted in the formation of a national coalition. France immediately recognised the coalition as the legitimate representative of Syria, followed swiftly by all countries committed to Syria's political transition (more than one hundred to date), all members of the "Friends of Syria Group".
Within the Group, the Directorate General of the Treasury was active in two working groups. The first, the "Sanctions" group, which was launched at France's instigation, is working to encourage the largest possible number of partner countries to apply sanctions with respect to Damascus. The second, the "Economic Recovery and Development" group, led by Germany and the United Arab Emirates starting in March 2012, is attempting to draw up an economic roadmap for Syria in the event that the current regime falls. The idea is to lay the groundwork for Syrian reconstruction with representatives of the Syrian opposition, and to rally this opposition in support of a realistic vision of an economic turnaround.

Efforts by the Working Group on Economic Recovery and Development are focused on four key areas, or "baskets": Immediate Impact Measures, Donor Coordination, Economic Policy and Reforms and Business Sector Involvement. The DG Trésor's extensive skill set covers all of these areas.

The most recent meeting of the Economic Recovery and Development group was held in November 2012 in Istanbul. Members discussed the nature of Syria's economic needs, in the presence of representatives of the local councils in the "liberated zone" of Aleppo. Although helping Syria rebuild will necessarily be a long-term effort, these initial talks have helped fuel discussions on how France may best provide support.

Large-scale efforts to meet heightened financing needs in the Mediterranean zone

As in 2011, Mediterranean countries experienced sluggish growth in 2012 due to the convergence of a number of factors. These include political instability, a drop in tourism, and a falloff in foreign direct investment in the wake of the Arab Spring. Other factors include internal structural weaknesses (rentier economies, poor private initiative, a lack of infrastructure and weak regional integration) and an unfavourable external economic environment (the euro area crisis and rising commodity prices).

Because of all this, their financing needs have taken a sharp upturn, the result of widening budget deficits that the IMF has estimated at between $5bn and $12bn for 2012, depending on the country.

Due to the special links between France and its Mediterranean partners, the Directorate plays a key role in providing €1bn in bilateral financing in 2012 alone. This took the form of concessional loans (€870 million) by the French Development Agency (AFD) as well as a €68 million loan to Jordan from the Emerging Countries Reserve (for a project in the water sector). These sums are part of the €2.7 billion in aid for transitional countries for the period 2011-2013, which France announced in 2011. The DG Trésor also continues to provide export credit facilities in the Mediterranean zone, bringing coverage by Coface to €3.5bn by the end of 2012.

The Directorate was also very active at European and multilateral levels to help Mediterranean countries benefit from support befitting the importance of the region.

The European Commission provided more than €1.3bn in 2012 through its Neighbourhood Policy, in addition to €1.7bn in financing from the EIB and €181 million from the EBRD, whose scope of operation was extended to include the Mediterranean. The Directorate also came out strongly in support of greater European assistance to Mediterranean countries and a swift launch of trade negotiations between the EU and transitional countries.

According to the IMF, the Deauville Partnership has already given rise to $17.5bn in financing between 2011 and 2012, in addition to country-specific interventions by the IMF in Morocco and Jordan. The DG Trésor was particularly active with respect to the financing chapter of the Partnership, which resulted in the launch of a Transition Fund for technical assistance representing $165 million in 2012. This fund, to which the Directorate contributed €10 million, has already been used to finance an initial project in Jordan in the water sector.

Support for projects

The DG Trésor has the means to help French businesses finance preliminary studies for infrastructure projects (FASEP-Études), demonstrators of innovative technologies (FASEP Innovation Verte) and infrastructure projects (soft loans from the RPE) in emerging countries. These tools serve as both development assistance and support for exports, and they come with stipulations as to the share allotted to French firms (for example, 70% of French goods and services in the case of an RPE-financed loan).

In 2012, the DG Trésor introduced support for structuring a new export sector. With an eye to extending financing tools to new businesses, boosting France's solar offering abroad and choosing the best projects, a call for solar projects funded by FASEP (€5 million) and the RPE (€100 million) was issued at the end of 2011. By the end of January 2012, 27 applications had been submitted. An ad hoc committee was set up, and representatives from Ademe, the Directorate General for Competitiveness, Industry and Services (DGCIS), the AFD and the Directorate General for Energy and Climate (DGEC) evaluated the projects' technical features

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and ensured they were consistent with other support provided to the solar sector.

Eight projects (four FASEP-Études and four FASEP Innovation Vert) were selected for funding in 2012. They include standard photovoltaic technologies, high concentration photovoltaic systems (similar to the Heliotrop technology which concentrates the sun's energy a thousandfold), medium concentration photovoltaics (technology used by the Soitec and Axiosun firms) and solar thermodynamics. Support for these projects will be either direct (project initiators funded directly by the FASEPs) or indirect (firms included as project partners). Tunisia, Mexico, Brazil and Ukraine will be the recipient countries.

This call for projects provided an opportunity to educate and motivate new businesses (70% of the applications received and 50% of funded projects to date concerned firms new to the tendering process). Its success encouraged the Directorate to take this sector-specific approach to support other exports by other French industries to emerging countries, in addition to France's geographic aid policy.

Improving the benefits from extractive industries in sub-Saharan Africa

At a meeting of Franc Zone finance ministers on 5 October 2012, the Minister for the Economy and Finance announced that France would increase its development assistance to the extractive industry sector, over and beyond the country's involvement in the Extractive Industries Transparency Initiative (EITI). For the African continent, this is a vitally important issue. It is critical to alleviate the expertise imbalance between certain African countries and the firms exploiting those countries' natural resources. Doing so means bolstering the technical and legal capacities of these countries, which would not only speed their economic development, but would also foster greater social justice and respect for the environment.

© Total

To this end, the Ministry for the Economy and Finance and the World Bank made plans to launch the Facility for Fair Exploitation of Extractive Resources in Africa. The Facility will focus on the entire extractive sector (oil, gas, and mining) in African countries, with the goal of providing those countries with technical assistance, from the drafting of legal frameworks through to the assessment of benefits and of social and environmental sustainability at local level. This "vertical" approach to the extractive sector is a particularly innovative one, and will help put extractive resources to work for the sustainable growth of the real economy. France has pledged $10 million for the new Facility.

It will complement the African Development Bank's African Legal Support Facility (ALSF), which finances legal assistance to African countries in all areas of activity. Prior to its forthcoming membership of the ALSF, France has pledged $5 million.

Milestones in the area of development in 2012

In 2012, the Directorate General of the Treasury helped organise a series of international events that put the spotlight on development issues.

The Development and International Solidarity Forum

Between November 2012 and March 2013, the Directorate was heavily involved in preparing the Development and International Solidarity Forum.

The organisational process, which was led by the Minister for Development, involved a broad consultation with the development community (NGOs, elected officials, trade unions, the private sector, researchers, local authorities, etc.) concerning France's development and international solidarity policy.

The Directorate provided input in a number of areas including the post-2015 development agenda, issues of transparency and aid effectiveness, and the consistency of public policies to support development.

The International Economic Forum on Latin America and the Caribbean

The fourth edition of the International Economic Forum on Latin America and the Caribbean, which was organised jointly by the DG Trésor, the Inter-American Development Bank and the OECD, was held at Bercy on 25 May 2012.

This high-level event is one of the rare forums where the participants (500 specialists and non-specialists) can gain exposure to the region's issues via its various stakeholders. The 2012 edition benefited from the presence of the President of Costa Rica, the former president of Chile and seven finance ministers from both sides of the Atlantic. Roundtable discussions tackled issues such as the region's macroeconomic outlook, as well as policies to stimulate productivity and encourage inclusive growth.

Metrocable gondola lift system in Medellin, Colombia
© AFD - Diego Zamuner

This year, the forum was preceded by a symposium – held in partnership with the French Development Agency (AFD) – with the theme, "Perspectives on Urban Transformation". Attendees were able to interact with mayors from Antofagasta, Chile and Cuenca, Ecuador, as well as business leaders from Alstom, RATP Dev and Veolia Environnement.

The goal of the symposium was to discuss the momentum that is needed to bring about sustainable urban transformation on both sides of the Atlantic.

Collaboration with the Foundation for International Development Study and Research (FERDI)

Franc Zone finance ministers requested a study on the gains that regional economic integration could be expected to produce. The study, which was financed by the Directorate and the AFD, was entrusted to the Foundation for International Development Study and Research (FERDI). The resulting report was submitted on 5 October 2012 in Paris, during a meeting of Franc Zone ministers to celebrate the 40th anniversary of financial and monetary cooperation.

The report estimated the additional growth potential in the Franc Zone to be at least two GDP points per inhabitant per year. Based on the report's many recommendations, the ministers identified practical actions to bolster regional integration in the Franc Zone. These actions will be discussed in detail at future meetings, the first of which was held in Dakar in April 2013.

5 October 2012 – Press conference
Franc Zone finance ministers with Pierre Moscivici at Bercy
© Ministères (SG – A. Salesse)

Pierre Moscovici with Anne Le Lorier, Deputy Governor of the Banque de France and Ramon Fernandez, Director-General of the Treasury
© Ministères (SG – A. Salesse)

Forty years of the Franc Zone

The Franc Zone is a space of mutual support and development. It consists of three monetary areas, each with its own central bank and currency: the West African Monetary Union (WAMU), the Central African Monetary Union (CAMU) and the Union of the Comoros.

In its current form, the Franc Zone is a result of monetary cooperation agreements signed by France with each one of these Unions: on 23 November 1972 with the CAMU, 4 December 1973 with the WAEMU and 23 November 1979 with the Comores.

Along with the Banque de France, the DG Trésor wanted to commemorate the 40th anniversary of these agreements on the occasion of the Franc Zone finance ministers' meeting held on 5 October 2012 in Paris.

An ambitious research programme on the history of the Franc Zone, which had been underway since 2011, resulted in a symposium that was inaugurated by H.E. Alassane Ouattara, President of the Republic of Côte d'Ivoire, in the presence of a number of witnesses to forty years of monetary cooperation.

International financial sanctions

International financial sanctions are one of France's foreign policy instruments. They may be invoked with respect to individuals or legal entities, freezing assets and economic resources as well as trade and financial transactions. When invoked against a country, such sanctions restrict or ban trade in specific goods and services. France recognises several types of sanctions:

- Sanctions based on a UN Security Council resolution.

- European sanctions as part of the EU's Common Foreign and Security Policy (CFSP). These take the form of a decision. When a decision is made in an area that falls within the EU's purview, it is implemented by a regulation issued by the European Council or the European Commission that has the force of law in France.

- Sanctions implemented at domestic level: Such sanctions are pronounced pursuant to Articles L. 151-2, L. 562-1 or L. 562-2 of the Monetary and Financial Code based on a decision either by the Prime Minister or the Minister for the Economy and Finance.

In 2012, the European Union tightened sanctions against Iran (oil, petrochemical and gas embargoes, prior approval of transactions, lists of persons, groups, undertakings and entities subject to restrictive measures, and freezing the assets of Iran's central bank) and Syria (freezing the assets of the central bank, restrictions on financial support to the Syrian government and a prior authorisation requirement for items which might be used for internal repression). Conversely, sanctions against Libya, Côte d'Ivoire and Burma were progressively relaxed as relations with these countries improved.

National Contact Point (NCP) for implementation of the OECD Guidelines for Multinational Enterprises

France's National Contact Point is led by the DG Trésor, which has served as both chair and secretariat since the NCP was set up in 2000. 2012 was a particular active year for the NCP – its internal rules were revised, five meetings were held and there were preparations for the annual forum to be held in early 2013. The NCP was active in eight cases, particularly in coordination with foreign NCPs. This positive momentum led to the resolution of six out of the eight cases, and the publication of five communiqués addressing compliance with the guidelines concerning employment, freedom of association and child labour in Uzbekistan. The members of the NCP (six trade union representatives, the MEDEF and several government departments) and the NGO complainants stated that they were satisfied with these results – proof that the NCP provides an effective forum for dialogue.

Combating corruption

The DG Trésor led the review of the Phase 3 Report on France's implementation of the OECD Convention on Combating Bribery of Foreign Public Officials, drawn up by the OECD Working Group on Bribery. Interministerial coordination actions throughout the year (a questionnaire, site visit and negotiations around the report) highlighted France's efforts, even though some of these efforts were found to be unsatisfactory. The OECD was disappointed with the low number of convictions, but several initiatives by the Directorate were spotlighted, including the fight against money laundering, the prevention and detection of corruption, and awareness-raising efforts towards private firms. France has committed to boosting the effectiveness of the fight against cross-border corruption. This will involve continued participation in the work of the G20, which has adopted a new Anti-Corruption Action Plan 2013- 2014. The action plan touches on many points, including promotion of international anti-corruption standards (UN, OECD), the connection with the fight against money laundering (FATF/STAR), promotion of transparency, protection for whistleblowers and the importance of partnerships with the private sector.

The fight against non-cooperative jurisdictions

Since the 2009 G20 Summit in London, France has supported international-level discussion of the fight against non-cooperative jurisdictions in the prudential, tax, and AML/CFT areas.

France's approach consists of promoting, within the G20, a collective pressure on non-cooperative jurisdictions by publishing a list of such jurisdictions (the FATF blacklist). The G20 ministers' support for this topic helped bolster the work of the relevant international organisations (the OECD and the Global Forum for tax matters, the FATF for money laundering and terrorist financing, and the Financial Stability Board (FSB) for prudential matters). The subject of transparency and tax cooperation has been placed on the G8 agenda. The Directorate General of the Treasury is responsible for drafting ministerial positions on this topic for G20 finance meetings; it contributes to outlining the vision of the French authorities in other bodies.

With respect to the fight against money laundering and terrorist financing, the Directorate heads up the French delegation to the Financial Action Task Force, a delegation that includes the Ministry for Foreign Affairs, the Prudential Supervisory Authority and Tracfin. In February 2012, the FATF adopted a new framework for assessing countries' compliance with the FATF Recommendations.

During negotiations, France resolutely defended transparency standards applying to legal entities and trusts. In order to prevent companies and legal structures from being used to launder money by concealing the effective beneficiary of a financial or trade transaction, both banking institutions and non-financial reporting entities must have an accurate understanding of the individuals who effectively control a client company; this is a crucial element in the fight against money laundering and terrorist financing. The FATF's Recommendations 24 and 25 now call for adequate, accurate and timely information on the beneficial ownership and control of legal persons that can be obtained or accessed in a timely fashion by the relevant authorities. Trusts should provide information about their beneficial owners, without having to list them in a register.

Submission of the “Pact for French Industrial Competitiveness” by Louis Gallois to the Prime Minister on 9 November 2012
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2

Restoring growth and employment and reviving France’s competitiveness

For some time now, international and European organisations have pointed up the French economy’s falloff in competitiveness, a fact that has been widely documented by the Directorate General of the Treasury. In recent years, French businesses have watched their market shares erode, despite sporadic efforts to address the fact that production costs are higher in France than in some of its economic partners.

Throughout 2012, the Directorate examined this situation, and put proposed measures to be included in a revitalised productive agreement between employees, businesses and the public authorities. They were submitted to the ministers responsible for the economy, foreign trade and industrial renewal. These proposals contributed to government discussions on the matter, leading to the presentation, on 6 November 2012, of the **National Pact for Growth, Competitiveness and Employment.**

Forecasting and assessing risks

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The DG Trésor is tasked with establishing macroeconomic forecasts for the Ministry, in particular those associated with budget bills and stability programmes, which are submitted to Parliament, the European Commission and the European Union. In accordance with the Constitutional Bylaw of 17 December 2012 on Public Finance Planning and Governance, the government must submit its macroeconomic forecasts to the **High Council on Public Finances**. The High Council's opinion is made public and appended to both stability programmes and budget bills.

The Directorate holds the secretaryship of the National Economic Council. The Council, whose members include the Minister for the Economy and Finance and market economists, meets twice a year to discuss the government's economic forecasts as well as key economic issues for France and its main economic partners.

Short-term indicators, based on a rolling analysis of economic activity indicators, allow in-depth monitoring of the economic situation throughout the year. The growth forecasts of our main trading partners, both in Europe and beyond, help the Directorate assess foreign demand for French goods and services as well as the competitiveness of French businesses in foreign markets.

Domestic forecasts factor in analyses of household, business and public-sector demand. These are included in annual and multiyear forecasts in official government documents.

In 2012, financial upheaval sowed uncertainty in the euro area, while the fiscal cliff was a cause of apprehension in the United States.

Although the threat of a devastating economic crisis gradually subsided, serious doubts remained about the scope and speed of recovery in both France and Europe. A number of international institutes and organisations were obliged to cut their growth forecasts for 2012.

Given this situation, the Directorate fielded a great many demands for assessments and forecasts, particularly in connection with the change of government in May and June of 2012.

After drafting the 2012-2016 Stability Programme, which was submitted to the European Parliament and then to the European Commission and the Council of the European Union in April, the DG Trésor drew up new forecasts for public finance policy discussions. It also contributed to the economic analysis and costing of measures enacted as part of the two Supplementary Budget Bills for 2012 (in February and July), and which were included in the 2013 Budget Bill.

The Directorate then took an active part in drafting the new 2013-2017 Multiyear Public Finance Planning Act. A unique feature of its economic forecasts is that they include a detailed description of public finances. This means that the macroeconomic scenario can be brought into line with the government's revenue and expenditure forecasts.

In addition to forecasting, but closely related to it, the DG Trésor assesses the economic and budgetary impacts of the various measures proposed. To do so, it relies on Mésange modelling.

Mésange[1] (Econometric Model for Simulation and General Analysis of the Economy) is a quarterly macroeconometric model of the French economy

It is used to model the French economy in the form of a small, open economy – the international environment is assumed to be external – with three sectors of activity (manufacturing, non-manufacturing and non-market).

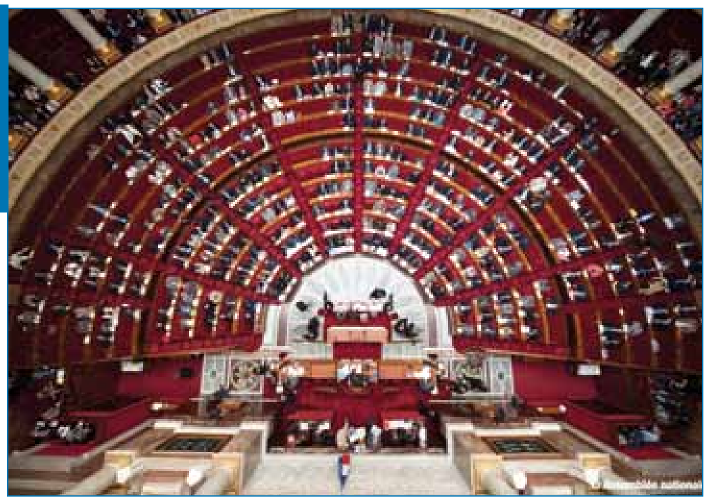
Mésange is a medium-sized model (roughly 500 equations) that features short-run Keynesian dynamics and long-run equilibria based on supply.

Mésange was revised in 2010, and the model's taxation component, which includes the economy's primary taxes and contributions, was expanded. Income tax, corporation tax and transfer payments to households (unemployment and non-unemployment benefits) are explicitly modelled using behavioural equations and expressed in econometric terms.

Using Mésange, the Directorate carried out a great many assessments of economic policies in 2012. These included assessments of the macroeconomic impact of unconventional gas production in France, the impact of lower labour costs for the National Industry Conference, and, within the context of the Gallois report, the impact of the introduction of the Competitiveness and Employment Tax Credit (CICE), which gave rise to discussions with the French Economic Monitoring Centre (OFCE).

(1) A background paper entitled "Le modèle Mésange, nouvelle version réestimée en base 2000" provides a description of the model and of a large number of variables. It can be downloaded from tresor.economie.gouv.fr.

A new fiscal framework to get France's public finances back on track



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During 2012, France took measures to slash its structural public deficit (2012-2013).

Beyond 2013, the government has committed to achieving structural budget balance by 2016-2017. This commitment was included in a Multiyear Public Finance Planning Act that was approved by Parliament at the end of December 2012.

This Planning Act takes into account the new requirements set out in the Constitutional Bylaw of 17 December 2012 on Public Finance Planning and Governance.
The Bylaw enacts the provisions of the European Treaty on Stability, Coordination and Governance (TSCG) into French law.

A structural balance rule consistent with the Stability and Growth Pact at European level, and applicable to all government departments, was introduced at domestic level. The goal is to direct the structural balance towards a target that will allow the government to meet its public finance objectives, while allowing automatic stabilisers to do their work.

Doing so avoids restrictive budgetary policies that would dampen growth at a time of economic downturn, and allows France to continue improving the structural position of its public finances during growth phases. The TSCG also calls for the creation of an independent body to monitor compliance with this rule and its corrective mechanism, ensuring a return to the original trajectory if there is any deviation.

The Bylaw also incorporates the obligation to set up an independent body whose remit is to produce or to endorse macroeconomic forecasts underlying budget estimates. This obligation was included in a European Regulation, adopted in early 2013, on the strengthening of economic and budgetary surveillance of Member States.

Working in collaboration with the Budget Directorate and the Social Security Directorate, the DG Trésor contributed to discussions of this extremely important reform concerning public finance governance. The Bylaw calls for the creation, by 1 March 2013, of a High Council on Public Finances, tasked with providing an independent public opinion on the government's economic forecasts as drawn up by the DG Trésor. These forecasts will be used as the basis for Stability Programmes, Budget Bills, Social Security Budget Bills, Supplementary Budget Bills and Public Finance Planning Acts. The High Council's opinion will be appended to documents submitted to Parliament. The Council will also issue an opinion on the consistency of preliminary articles in draft financial legislation with the multiyear public finance trajectory contained in the Planning Act. These introductory articles, established by the Constitutional Bylaw, will allow effective and structural net public balance forecasts for all government departments to be submitted for parliamentary approval.

Fiscal consolidation striking a balance between reining in public expenditure and reforming mandatory contributions

© Parlement européen

From both these perspectives, the DG Trésor has helped to shape the government's choices.

Controlling public expenditure is primarily a matter of budgetary rules that make it possible to set multi-year spending caps. The Directorate took part in discussions of these budgetary rules at both domestic and European levels. Once the rules have been decided upon, they must be enforced. Although government spending is "monitored" by the Budget Directorate, the Directorate General of the Treasury oversees the spending of other government departments for the purposes of assessing and providing assistance. The Directorate submits its assessments to the National Healthcare Expenditure Targets (ONDAM) early warning committee, along with other directorates.

Early in the process, setting spending caps requires knowledge of what is required to meet overall public finance objectives. To achieve this, the Directorate's public finance forecasts give the government the basis on which to define the efforts to be made, particularly with respect to spending.

Different forecasts have different time frames: for budget bills, they are made for the following year, whereas for the Stability Programme and the Public Finance Planning Act, forecasts are medium-range. Finally, long-term forecasts are required for the work of the Pensions Steering Council. At European level, long-term forecasting involves playing an active role in the Brussels-based Working Group on Ageing Populations and Sustainability. Every three years, the Group publishes a report presenting age-related budgetary projections for all European countries using harmonised methods. The latest three-year report was published in 2012. It shows that France is relatively well-positioned in comparison with other countries with respect to the expected increase in age-related expenditures (pensions and dependency care along with healthcare, education and unemployment). The Directorate's representatives to this Group contributed to discussions on the macroeconomic framework underlying these projections and on the methods to employ. Pension spending forecasts were carried out by the Directorate, in close collaboration with the general secretariat of the Pensions Steering Council.

Lastly, whenever there is discussion of measures that affect public spending, the Directorate provides its expertise in economic analysis and costing. This was the case with social security benefits (the measure on long careers that was enacted in 2012, or savings measures on health insurance, for example) and with infrastructure (social-economic analysis of the profitability of investment projects). The DG Trésor also took part in discussions on more general cost-cutting themes, and in late 2012 contributed to talks that led to the government introducing the Government Modernisation Programme.

Tax measures

The DG Trésor played an active role in drafting the 2013 Budget Bill, which called for a €20bn increase in mandatory contributions shared equally by households and businesses. The latest and most detailed studies, including those by the IMF, show that consolidation based primarily on increasing revenue in the short term takes less of a toll on growth and jobs than curtailing expenditure. In the first stage of the adjustment process, the focus was placed on tax increases that targeted as far as possible those most able to pay. The DG Trésor in particular assessed the distributive effects of these measures on both households and businesses.

With respect to households, the introduction of a 45% income tax bracket, the reform of income splitting (quotient familial) and the adjustment of the wealth tax scale raised contributions from the most well-off taxpayers. For those less fortunate, the revision of graduated tax relief (décote) more than made up for the effect of the income tax scale freeze. The impact of these targeted tax increases on demand was less than it would have been in the case of an across-the-board increase, since the wealthiest households consume less in relation to their income than other household categories. The 2013 tax reform also brought taxation of earned income into line with taxation of investment income.

As regards corporate taxation, reform efforts focused on reducing the least effective tax loopholes from which the largest firms were deriving benefit. This involved widening the corporation tax base while narrowing the implicit tax rate gap between large and small businesses: heightened use of tax base rules mean that large firms enjoy a lower tax rate than others. The measures included in the Budget Act (particularly the cap on deductibility of financial expenses and limits to losses that may be carried forward) bolster the neutrality of the tax system and help to narrow this gap.

France's ratings

Rating agencies – commercial institutions that assess the creditworthiness of sovereign borrowers – analyse available public data and discuss issues with Agence France Trésor (AFT) and other departments of the Ministry for the Economy and Finance. In January 2012, Standard & Poor's cut France's rating by one notch: from AAA to AA+ with negative outlook, based on a risk analysis focused on cohesion problems within the euro area. On 23 November 2012, S&P affirmed both the rating and the outlook, while stressing its favourable opinion of the various reforms carried out by France in the course of the year.

On 13 February 2012, Moody's confirmed France's AAA rating but changed the outlook to negative. On 19 November 2012, it downgraded the country to a AA1 rating with negative outlook, pointing to threats to France's growth potential and doubts as to the predictability of the country's resilience to future euro area shocks. After having added a negative outlook to its AAA rating of France on 16 December 2011, Fitch confirmed this rating on 14 December 2012. It retained the negative outlook but welcomed the National Pact for Growth, Competitiveness and Employment announced by the government. Finally, On 7 June 2012, the Canadian agency DBRS maintained France's rating at AAA level with stable outlook. These decisions had no serious consequences on France's refinancing costs, and did not prevent a variety of investors from purchasing French debt – the year 2012 witnessed historically low financing rates.

The markets appear to have anticipated the downgrades, and a number of investors conducted their own in-house analyses, of which the agencies' ratings were only one factor. Based on their own assessment of France's creditworthiness, many investors told the AFT that they did not share the agencies' view.

Managing the State's debt and cash positions in the best interest of taxpayers and under the most secure conditions

The trading floor of Agence France Trésor
© Ministère (SG – A. Salesse)

Agence France Trésor played a vital role in a year still buffeted by strong financial tension and large-scale changes in the euro area, and in which financing costs were historically low.

Agence France Trésor (AFT) caters for the government's cash requirements and, each year, draws up the issuance programme for medium and long-term debt in the form of OATs (fungible Treasury bonds) and BTANs (Treasury notes) that are used to cover France's medium-term and long-term debt repayments as well as the government's projected deficit.

The AFT is the main point of contact between the Ministry for the Economy and Finance and the financial markets, and in 2012 it continued its efforts to explain France's economic policy to investors and thus justify its pursuit of a vigorous and secured debt issuance policy.

In 2012, it issued €201.5bn in gross medium- and long-term bonds, less the redemption of €23.5bn in bonds maturing in 2013 and 2014 (which will be used to improve the country's debt profile), for a **net issuance of €178bn** (down slightly from €184bn in 2011).

The issuance programme was implemented with **historically low financing costs** during auctions of BTFs* (fixed-rate Treasury notes), OATs and BTANs. The combination of events throughout 2012 – including the various interventions by the European Central Bank to support the banking system, increased consistency of governance in the euro area, and renewed appetite by investors for sovereign debt offering higher quality and better returns than others – helped ease rates. From July 2012, rates on BTFs maturing in three, six and 12 months remained negative until the end of the year. Moreover, the AFT's new benchmark 2-, 5-, 10-, 15-, and 20-year bonds offered lower coupon rates than previous benchmark bonds. Ten-year yield spreads between France and Germany, which had reached 190 basis points when market tensions in the euro area peaked at the end of 2011, had fallen to roughly 60 basis points by the end of 2012.

In all, annual medium- and long-term financing costs came in at **a record 1.86%**, compared with 2.53% and 2.80% in 2010 and 2011 respectively, and with a historic average yield of 4.15% for the period from 1998 to 2007. Annual short-term of financing costs also dropped to a record low of 0.08%, compared with 0.45% in 2010, 0.81% in 2011 and an average of 3.10% for the period 1998 to 2007. This situation resulted in significantly lower debt servicing costs compared with forecasts in the initial Budget Act (€46.3bn against a forecast €48.8bn).

The AFT is accompanied by **20 government securities primary dealers (SVTs**). These are banks whose missions, which are stipulated in a charter, include overseeing the proper functioning of primary issues, ensuring the liquidity of the secondary market in French Treasury securities and promoting them to investors. The Minister for the Economy and Finance, acting on the recommendation of the Director-General of the Treasury and a selection committee, renewed the mandates of the 20 SVTs (four French, seven North American, eight European and one Japanese) for the period 2012-2015.

Management of the government's cash position in 2012 featured the continued reduction in outstanding short-term debt. Short-term debt now represents 12% of total negotiable debt, compared to 18.7% at the end of 2009. This decrease was made possible through active pursuit of the cash resource pooling policy which concerned an additional €7bn in 2012, And more than €18bn since 2010.

Producing accurate, high-quality central government accounts that provide faithful representation

The DG Trésor plays an active role as part of the Government Audit Office's examination of the government's accounts.

In 2012, given the sensitive nature of a number of topics (Dexia, CDC, identification of State guarantees, Greece, etc.), a number of discussions took place with an eye to providing the Government Audit Office with accurate answers, with respect to both form and substance.

The 2011 accounts were certified in May 2012, entailed 50 meetings, more than 80 questions from the Audit Office, and some 120 requests contained in about 30 audit observations issued by the Audit Office.

The significant workload necessitated by the work of the Audit Office and the strict statutory deadlines for establishing the government's accounts requires total control of procedures, flawless organisation and a high degree of responsiveness in processing responses to the Audit Office's questions.

Identification of State guarantees

Given rising budget constraints and the effects of the financial crisis, government intervention with respect to economic stakeholders is increasingly likely to take the form of guarantees. In 2011, debt guarantees totalled €124bn. Although these guarantees are a significant form of leverage, they are nevertheless not devoid of financial risk.
By requiring that the granting of a State guarantee be the subject of specific legislation expressed in a Budget Act, the Constitutional Bylaw on Budget Acts (LOLF) represented a significant step forward. In the same way, the financial information in the notes to the central government's financial statements provides the amount of outstanding guarantees and presents the primary asset insurance schemes, with particular mention of the scope and ceiling of the guarantee. Nevertheless, the certifying authority still has doubts about the comprehensiveness of the list of guarantees and the accuracy of their assessment. As part of the process of certifying the government's accounts, these doubts have given rise to recurring audit observations by the Government Audit Office, which form one of the reservations concerning the accounts for financial year 2011.
In 2012, in conjunction with the relevant government departments, the Directorate committed to establishing a single tool for identifying State guarantees and to drawing up a special set of guidelines. This tool, known as TIGRE (Inventory Table of State Guarantees) is currently being rolled out. Under the leadership of the Secretariat-General of the DG Trésor, the Table is filled in by the various entities that manage guarantees, but also by other ministries responsible for monitoring these topics via an annual survey. The set of guidelines has been the topic of discussions with the Directorate's partners and is expected to be completed in 2013.

Grounding our efforts in an in-depth appraisal of the current economic situation

Bolstering our fiscal credibility

Refocusing our banking system on the wider economy

Improving consumer information and protection

Motivating French businesses and facilitating their access to financing

Reviving France's competitiveness and making France an attractive place to do business

Continuing reform efforts to encourage growth and social justice

Forecasting and assessing risks

Banking Activity Separation and Regulation Bill

The Bill, which was tabled by the Minister for the Economy and Finance on 19 December 2012 following in-depth discussions and upfront of a number of EU regulations, draws on experience gained from five years of financial crisis and aims to redress shortcomings in both regulation and oversight. With a battery of measures, it sets out to improve regulation of the financial sector and to consolidate its vital contribution to financing the economy.

Financial stability will be improved and government resources better protected, reducing the likelihood that the government will have to bail out failing banks.

The Bill's primary aim is to implement President Hollande's promise to **separate transactions that contribute to financing the economy from speculative transactions**. To achieve this, the Bill relegates proprietary trading activities (transactions by banks that are unrelated to customer service) to a specific subsidiary. Support for the subsidiary by the parent bank is severely restricted and the former may not receive deposits.

The Bill also introduces a banking crisis resolution mechanism comprising a wide range of tools and a system which is one of the most progressive in the field. One thing we have learned from the financial crisis is that special initiatives are needed to both anticipate and handle bank failure in a methodical manner.

Under the Bill, the **Prudential Supervisory Authority** (ACP) is set to become the Prudential Supervisory and Resolution Authority (ACPR). The new Authority will anticipate and handle banking crises using a number of innovative instruments. For example, it may opt to pass on a bank's losses to the shareholders and junior creditors and use the services of the Deposit Guarantee Fund. This Fund is given wider responsibilities and will be renamed the Deposit Guarantee and Resolution Fund.

Another item on the Bill's agenda is to turn the Financial Regulation and Systemic Risk Board into a High Council for Financial Stability that will be France's macro-prudential authority. The Council will carry sufficient weight to enable it to **effectively anticipate threats to financial stability**. It could, in this respect, set additional capital requirements for credit institutions to avoid credit bubbles being created.

The Bill has a number of financial provisions that include heightening the influence of the Autorité des marchés financiers and that of the Prudential Supervisory Authority, bringing French law into line with Regulation (EU) No 648/2012 on OTC derivatives and setting up an industry-wide reference database for Undertakings for Collective Investment in Transferable Securities (UCITS).

There is also a set of measures for the reorganisation of the Groupama group.

Lastly, the Bill sets out to **protect consumers** from unfair banking practices by capping bank commissions and ensuring access to banking services. It also addresses insurance issues such as cover for borrowers and gender equality.

The IMF's Financial System Stability Assessment of France

The Financial Sector Assessment Program (FSAP) conducted an in-depth assessment of the French financial sector during 2012. The FSAP, which operates pursuant to the provisions of Article IV of the IMF's Articles of Agreement, was revamped in 2010 to give it a key role in the IMF's bilateral surveillance work. The Program was initially voluntary but is now mandatory for 25 jurisdictions (including France) with systemically important financial sectors.

This was the second assessment after that conducted in 2005 and it had two main strands. The first involved assessing compliance of French banking supervisory practices with international standards, both in terms of the regulation of banks and insurance companies and the supervision of market activities and payment systems. With the second more forward-looking strand, the IMF took an in-depth look at the French real estate market and domestic banking sector by conducting stress tests and examining adjustments to French banks' business models.

The IMF paper, published in December 2012, drew attention to both the high-quality of French supervisory practices as well as several shortcomings. The provisions of the Banking Activity Separation and Regulation Bill contribute to the remedial work being carried out to address these shortcomings.

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Noteworthy progress

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Information on investment products

In July 2012 the European Commission put forward a proposal for a Regulation on key information documents for investment products.

The proposal is about standardising the pre-contractual disclosure rules for selling investment products to private investors.

It would cover all "packaged" investments that offer investors comparable features whilst having different legal structures (UCITS, life insurance policies, structured securities, structured fixed-term deposits).

Protecting retail investors

Again in July 2012, the Commission presented a proposal for a Directive on depositary functions, remuneration policies and sanctions.

The main goal is Europe-wide standardisation of the duties of coordinated UCITS depositaries as regards financial instruments held in custody.

The proposed Directive would provide increased protection for retail investors by obliging depositaries to maintain a segregated account for UCITS assets, limiting the conditions for delegation of custody functions, narrowing the list of entities permitted to act as UCITS depositaries and specifying the depositary's liability in case of the loss of a financial instrument that is held in custody.

Insurance
Consumer information

With an eye to improving information provided to consumers, during 2012 the Directorate General of the Treasury started elaborating a single register listing intermediaries in the insurance, banking and finance sectors. The intermediaries' database, containing key information on professionals in the sectors, was put online in January 2013 and is managed by ORIAS.

Rates and services

On 18 December 2012, an Order aligned French legislation with the "Test-Achats" judgment of the Court of Justice of the European Union that was handed down on 1 March 2011. With effect from 21 December 2012, the judgment invalidated any gender differentiation for insurance rates and services.

During 2012, together with all the relevant government departments and trade federations, the DG Trésor worked on the enactment of this judgment in national law.

Under the Order, the notion of non-differentiation becomes effective for "new policies" executed after 20 December 2012. However, gender differentiation may still apply for policies taken out prior to that date or renewed by tacit agreement after the deadline. To ensure that French law is compliant on all points with this new concept, the Banking Activity Separation and Regulation Bill contains an amendment of the legislation allowing gender differentiation by ministerial order.

Insurance products and markets

For insurance products and markets, a Natural Disaster Compensation Reform Bill was put before Parliament in April 2012. The Bill aims to bolster the transparency and fairness of compensation arrangements and to foster prevention through responsible behaviour.

The reform of the financing of annuity indexing has been completed. Responsibility for indexing annuities to inflation every year, especially those received by victims of road traffic accidents, had been handed over to the Compulsory Indemnity Insurance Guarantee Fund (FGAO) but the corresponding resources were not allocated. This severely compromised the Fund's finances and its main role of compensating victims of uninsured drivers. For all accidents occurring as from 1 January 2013, insurance companies have assumed responsibility for this indexing.

Lastly, through collaborative efforts with the Social Security Directorate and the Budget Directorate, the restructuring of the arrangements for compensating those contaminated with the Hepatitis C Virus (HCV) through blood transfusions has been included in the Social Security Budget Act. The arrangements provide the legal framework for lawsuits to be instituted directly by the National Office for Compensation for Medical Accidents (ONIAM) against the companies having insured the former blood transfusion centres. The Office can receive the indemnification provided for in the policies taken out by the centres. These new arrangements streamline the current system for compensating HCV sufferers and lay down an instalment schedule for cases in which insurance companies discharge their contractual obligations by paying out a full and final settlement.

Benoît Hamon, Minister Delegate attached to the Minister for the Economy and Finance, with responsibility for the Social and Cooperative Economy and Consumer Affairs at Bercy on 4 October 2012
© Ministères (SG – A. Salesse)

Consumer Affairs Bill

The Directorate General of the Treasury was involved in drawing up the Consumer Affairs Bill. Its purpose is to revamp and bring French consumer law into line with new EU rules and case law. It also aims to ensure application of the rule of law and the effectiveness of regulatory work by the government department responsible for protecting consumers. It incorporates the concept of a class action procedure into French legislation and contains a series of initiatives for better disclosure to consumers and to heighten their contractual rights.

The Directorate contributed to the Bill for the aspects concerning the class action procedure and the credit and insurance measures.

National Pact for Growth, Competitiveness and Employment

Campagne d'information sur le CICE
Ministère de l'Économie et des Finances/Service d'Information du Gouvernement

CICE information campaign - Ministry for the Economy and Finance / Government Information Service (SIG)

A government seminar was held on 6 November 2012, the day after Louis Gallois submitted his report entitled "Pact for French Industrial Competitiveness" to the Prime Minister.

Following the Seminar, Jean-Marc Ayrault unveiled the **National Pact for Growth, Competitiveness and Employmen**t.

The Pact identifies eight competitiveness drivers and contains 35 tangible initiatives. It is based on a strategy to rein in the government deficit and sets out a policy to foster competitiveness.

The government wants to hand the means to ensure competitiveness back to businesses. The flagship initiative, the **Competitiveness and Employment Tax Credit (CICE)**, was designed to enable businesses to hire, invest and grow market shares.

Impact studies and extensive discussions with other economists, in particular with the French Economic Monitoring Centre (OFCE), were conducted upstream of the CICE's introduction.

By cutting labour costs, the tax credit should allow businesses to improve their price competitiveness in a short space of time. The amount of the tax credit is in proportion to the gross payroll (4% in 2013 rising to 6% as from 2014). Salaries of employees earning more than two and a half times the French minimum wage (SMIC) are excluded.

From 2014, the CICE will lead to an average **3% reduction of labour costs** for eligible businesses and an average of more than 4% for staff paid less than two and a half times the minimum wage. When it is up and running, the tax credit will cost the government an estimated 20 billion euros, with half being offset by reducing government expenditure and the other half financed through VAT rate reform and increases in green taxes. As the tax credit can be calculated on the payroll as from 2013, businesses should recoup at least part of their reduced labour costs immediately and alter strategies to reflect this. As and when required, businesses can put this accrued receivable held over the government up as collateral to help get loans from their banks upstream of the CICE which accumulates throughout the year. The Public Investment Bank (BPI) has introduced a special scheme to streamline the "cashing in" of this receivable by very small enterprises (VSEs) and small and medium-sized enterprises (SMEs).

Supplementing the initiatives to enable businesses to rapidly rebuild price competitiveness, the National Pact underscores the need to bolster non-price competitiveness, a decisive factor in the long term. Maintaining initiatives to buttress innovation, overhauling the system for transferring public-sector research to the real economy, heightening skills and streamlining regulations will all help businesses to turn innovations into new goods and services and, thereby, to increase turnover.

Making it easier for VSEs, SMEs and mid-sized enterprises to access quality local funding is one of the eight drivers of the National Pact for Growth, Competitiveness and Employment.

As they currently face many obstacles to securing funding, French SMEs and mid-sized enterprises play only a limited role on international markets.

During 2012, the DG Trésor was actively involved in devising public intervention instruments for businesses.

Establishing the Public Investment Bank (BPI)

Pierre Moscovici at Bercy on 17 October 2012 for the Public Investment Bank launch
© Ministères (SG - P.Bagein)

Starting in July 2012, in collaboration with the Government Shareholding Agency (APE) and the Directorate General for Competitiveness, Industry and Services (DGCIS), the Directorate supervised the groundwork and setting up of the BPI, an integrated public-sector grouping intended to help SMEs and mid-sized enterprises secure funding and expand.

The aim of this key initiative is to establish an integrated public-sector grouping with a financing subsidiary and an investment subsidiary.

Whilst the loan/investment processes remain distinct, the BPI will restructure existing systems and pool government resources earmarked for business expansion.

The new structure, in which the French government and the Caisse des dépôts et consignations (CDC) have equal shareholdings, will involve Oséo group entities, the Strategic Investment Fund (FSI) and the CDC Entreprises and FSI Régions asset management firms. Working to a very tight schedule, the Directorate drew up the Bill providing the legal framework for the new structure. This Bill was placed before the Cabinet on 17 October 2012 and was enacted into law on 31 December 2012. This meant that the first meeting of the Board of Directors of the umbrella company could be held on 21 February 2013.

The BPI is structured so as to ensure strong regional coverage with Oséo's existing departments providing the backbone for the BPI's regional network, comprising representatives from both the financing and investment branches. Regional guidance committees, chaired by the chairman of the regional council, will provide the vehicle for all regions to be involved in the BPI's strategy.

The BPI and exports

The BPI will also have regional export support divisions with teams of international business development specialists. The aim will be to identify businesses with good export prospects and provide long-term assistance and monitoring.

Along the lines of their project managers, staff from Ubifrance will work with BPI staff responsible for financing, equity, loans and innovation, in what will be the single point of entry for exports with streamlined procedures for businesses.

The BPI should also provide broader access to funding for SMEs and mid-sized enterprises through improved coordination of existing public-sector export support entities like Oséo, Coface and Ubifrance.
During 2013, these entities are set to execute partnership agreements with the BPI to formalise the cooperation work.

Reforming taxes on savings to foster growth

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In tandem with the work entrusted to MPs Karine Berger and Dominique Lefebvre by the Prime Minister in October 2012, the Directorate General of the Treasury and the Tax Policy Directorate were part of a think tank on financial savings and how they contribute to financing the economy.

This work follows on from the reforms provided for in the 2013 Budget Act by bringing taxes on part of investment income into line with those on earned income and is part of overall fiscal consolidation efforts. The goal is to pinpoint shortcomings in earmarking financial savings to finance the economy and to suggest reforms to address these shortcomings.

By broadening the think tank's scope to include products with preferential tax arrangements, such as life insurance policies and share savings plans (PEA), the economy's long-term financing requirements should be better catered for.

In a climate of tighter financial regulations, the reform could help adapt regulations on products with preferential tax arrangements accordingly.

The summary report on this work was published in early April 2013.

As regards **regulated savings products**, in 2012 the Directorate developed and introduced two structural reforms, and increased the maximum balances for the sustainable development savings account (LDD) and the Livret A savings accounts.

The first reform was to prevent people from holding more than one Livret A savings account. As from 1 January 2013, when they receive applications to open these accounts, banks must check with the tax authorities that the applicant does not already have one. The procedure will eliminate this illegal practice.

The second, which took effect in August 2012, makes financial flows between credit institutions holding regulated savings and CDC-managed savings funds more flexible. Credit institutions that transfer savers' deposits over to the CDC may now elect to transfer funds and receive them (should savers withdraw part of their savings) on a ten-day basis, rather than one month. Credit institutions should see their liquidity improve.

Besides these reforms, in line with President Hollande's promises and upstream of a more in-depth review of the changing face of regulated savings, the Directorate doubled the maximum balance of the LDD to 12,000 euros on 1 October 2012 and that of the Livret A on the same date and again on 1 January 2013 to 19,125 euros and 22,950 euros respectively for individuals. These increases will contribute to funding social housing. This tallies with both the primary duty entrusted to savings funds under legislation and the government's wide-reaching house-building policy.

Support for corporate distress

The CIRI team
© Ministères (SG – A. Seux)

The Interministerial Committee on Industrial Restructuring (CIRI) helps failing businesses to think up and introduce rescue and expansion packages.

The CIRI intervenes in companies with more than 400 employees. Those with fewer staff are the purview of Industrial Renewal Officials working with the Département Committees for the Examination of Business Financing Problems (CODEFI) and reporting to the Prefects.

The CIRI was set up in 1982 in the wake of industrial restructuring and helps failing businesses in an out-of-court environment in which anonymity is guaranteed. Its adaptable and responsive structure, geared towards businesses' survival, allows it to oversee and broker the latter's negotiations with their financial and business partners.

Corporate governance

In summer 2012, with an eye to drafting a Bill, the government initiated discussions on corporate governance and coordination of executive pay. During August and September, the Directorate General of the Treasury conducted a public consultation on the major areas in need of reform. These include introducing a shareholders' vote on executive pay, limiting certain compensation items and the issue of directors holding more than one office. The consultation was a resounding success with the Directorate, which received over 60 replies from representatives of businesses, unions, shareholders' associations and legal professionals. The Directorate referred the main issues surrounding the reform to the fact-finding mission established by the French Parliament Law Commission.

The resulting Bill, drawing on policies introduced by the government, is scheduled to be put before the Cabinet then submitted to Parliament during the first half of 2013.

Arnaud Montebourg at Bercy on 19 September 2012
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The CIRI at 30

On 19 September 2012 at Bercy, the CIRI marked its 30th anniversary at a conference to review government assistance to failing businesses. The conference's closing address was given by Arnaud Montebourg, the Minister for Industrial Renewal.

Shifts in the government's industrial policy and in the legal arrangements for dealing with failing businesses over the last three decades were reviewed during roundtables and speeches by business leaders and experts in reversing corporate failure. A booklet entitled 1982-2012, les 30 ans du CIRI was handed out to participants together with the CIRI's 2011 annual report.

Targeting the most promising export markets and sectors

Nicole Bricq at Bercy on 3 December 2012
© Ministères (SG-P.Vedrune)

At the request of the Minister for Foreign Trade, the DG Trésor, working with Ubifrance, conducted a survey of the most promising country-sector combinations for foreign trade. This forward-looking survey took a quantitative approach to assess global demand, estimate increases in imports by country and sector and gauge France's performance for each of them. It also took a qualitative approach by comparing statistics with the actual situation in the 47 countries identified, during the initial phase, as being the most promising between now and 2022.

Although their share of global imports is set to slump (from 70% to 64% between 2012 and 2022), the survey revealed that, in terms of geography, the developed countries, with the EU in pole position, are still the world's main trade stakeholders. Emerging countries will have to content themselves with lower figures (up to 36% from 30% for the same period), but in view of their strong growth, they will provide half of all potential additional imports for the next decade.

The survey also identified agri-foodstuffs, machinery, pharmaceutical products, medical devices, chemical products, energy, aeronautics, railways, New Information and Communication Technologies (NICT), sustainable cities, renewable energies and luxury goods **as the most-promising sectors for French industry**.

On this basis, the Directorate has identified **four promising areas**: agriculture and agri-foodstuffs, health and well-being, sustainable cities and mobility, NICT and services with high value-added.

The results of the survey were presented by the Director-General at a conference held on 3 December 2012 at the initiative of the Minister for Foreign Trade. The Minister elected to focus her work to galvanise, structure and promote French industry in four areas: **"better eating", "better health", "better communication" and "a better urban lifestyle"**. The Directorate and its foreign departments are involved in implementing the strategy. They choose high-priority countries to be visited by the Minister, oversee economic monitoring, take part in the export working groups attached to the sector-specific strategic committees supervised by the Directorate General for Competitiveness, Industry and Services (DGCIS) and, lastly, ensure that the initiatives set forth in the National Pact for Growth, Competitiveness and Employment tie in with the geographic and sector-based priorities.

Export financing in accordance with international best practices

© DR

Public-sector support for exports, which was applied counter-cyclically during the financial crisis and using the same instruments, cannot deliver further. This is due to the effect of structural shifts on bank loans and the fact that the public instruments used by our exporters' foreign competitors foster greater competitiveness.

With this is mind, in June 2012 the Directorate General of the Treasury tabled a programme to bolster the competitiveness of funding for French exports. Drawing on the programme's proposals, a first set of reforms were enshrined in Article 84 of the Supplementary Budget Act for 2012, in line with the National Pact for Growth, Competitiveness and Employment. They include:

- **Increased refinancing protection** providing fresh access to liquidity for banks and more competitive resources for French exporters' customers. The protection will enable investors such as insurance companies and other credit institutions, that wish to avoid taking risks with the entity granting an export credit or with a foreign buyer, to refinance export credits. Such investors will have the risk of bank default covered by Coface. The latter intervenes on the government's behalf without conditions and at first request.

- **Foreign exchange protection on the residual value of aircraft** that will enable more funding for planes to be offered in euros (by hedging the exchange rate risk when assets are sold following bankruptcy), thereby offering a wider range of funding to customers of French aeronautic exporters. Once a premium is paid, Coface will make good the euro/dollar exchange rate difference on the sale of assets registered by the bank in the event of bankruptcy. Under these arrangements, it will be easier for credit institutions and investors to fund the acquisition of aeronautic assets in euros. The currency used on the second-hand market for these assets is the dollar.

- **An unconditional first-demand guarantee** covering the entire amount loaned to purchase aircraft, that is currently only available to Airbus, is extended to **ATR, Eurocopter and Superjet**. This will provide these three companies with a level playing field vis-à-vis their competitors. As the cost of funding their deliveries will be rationalised, at least part of the risk for the government will be offset by collateral on the asset. Until now, these companies could only use ordinary credit insurance arrangements providing insurance for 95% of the funded amount.

The Directorate is currently looking into a scheme for public export credit refinancing as provided for in the National Pact for Growth, Competitiveness and Employment. In compliance with EU law, the scheme will be equivalent to similar arrangements available to foreign competitors, especially German firms.

Other projects initiated by the Directorate during 2012 will become tangible in 2013:

- Using new sources of export funding (insurance companies may grant export credits, export credits made eligible for the German Pfandbrief bond market, guaranteed bond issues to pre-finance aircraft deliveries)

- Providing government support for sales made in France when these compete with tenders buttressed by foreign government financial assistance

- Extending the temporary short-term government guarantee scheme (term of less than two years) for exports to Greece (also refer to page 13).

Assisting French exporters

Nicole Bricq in Nantes for the International Connecting Day on 4 October 2012 © Yvonnik Martin L'Alexandre / DR ©ymla44

A mere 117,000 of France's three million businesses export. 70% of companies that start to export stop after a year.

To address this, the National Pact for Growth, Competitiveness and Employment provides that, under the aegis of the BPI, 1,000 high-growth mid-sized enterprises and SMEs will be given tailored assistance with exports. The Directorate drew up this part of the Pact.

As regards implementation, the DG Trésor is overseeing the work of the BPI, Ubifrance, Coface and the Assembly of French Regions (ARF) so as to **identify the tailored export assistance services** and decide how the new arrangements will be assessed.

At the same time, the Directorate has the fairly difficult task of **deciding which companies** receive special assistance. It is doing this by comparing several criteria with a bearing on their potential as exporters, including size, sector, innovative nature, regional presence and, not belonging to a major group.

In the words of the Pact, the aim is for "a 25% increase in the number of International Business Volunteers **(VIEs)** over three years with broader access to that status for SMEs, mid-sized enterprises and graduates from more diverse backgrounds".

To this end, the Directorate presented a six-point programme for VIEs to the Minister for Foreign Trade. Its aim is to cut red tape in the home country, to formalise social security arrangements, to avoid double taxation, to open VIE status up to those with fewer qualifications ("VIE Pro"), to broaden access to the VIE scheme for SMEs and mid-sized enterprises and to coordinate VIE contracts and "generation contracts" (combining job creation for young people and keeping older workers in employment). The Pact also puts forward the idea of businesses structuring themselves into sectors by, for example, executing **new government-sector contracts** between now and summer 2013. The content of these contracts is addressed in the context of Sector-Specific Strategic Committees (CSFs) under the aegis of the National Industry Council. They should contain export-related commitments concerning, for example, relations between major groups and SMEs and procurement pooling. Within the CSFs, the Directorate is highly active in working parties that focus on exports, particularly in the four priority sectors identified by the Minister (agri-foodstuffs, health, digital technologies and eco-friendly cities).

Prior to the Pact, on 12 September 2012 the government and the Regions issued a joint statement spelling out **the Regions' role** in their own economic expansion, especially internationally. The three-year objective is for the number of exporting SMEs and mid-sized enterprises to increase by 10,000. Amongst other things, the future Devolution Act could formalise these initiatives by introducing regional programmes for international business development (PRIE) and by setting up regional SME reception centres.

Nuclear power, building a world-class export sector

One of the proposals coming out of the Gallois report on competitiveness is to bolster governance and the resources of the Sector-Specific Committees of the National Industry Conference (CNI). The Directorate's October 2012 survey of the most promising country-sector combinations for foreign trade demonstrates the desire to focus government initiatives on sectors.

A salient example of this, involving all the stakeholders (government departments and businesses), is the gearing of the nuclear sector towards exports:

- The first Nuclear Policy Council (CPN) was created in 1975 and it was reinstated in April 2008. It is chaired by President Hollande. The CPN outlines the main drivers of nuclear policy and oversees their implementation, particularly in terms of exports.

A Nuclear Export Committee, this time chaired by the Prime Minister, was set up in September 2012. It is tasked with examining individual export projects. In addition to these two bodies, in 2010 the government established the Interministerial Secretariat for Nuclear Exports (SINI) that works in tandem with the Interministerial Commission to Support International Contracts (CIACI) to draw up and implement institutional support measures.

- As regards businesses, the nuclear sector has structured itself at the initiative of the CPN. In February 2011 a Nuclear Sector Strategic Committee was formed regrouping all the sector's stakeholders. An export working party was also set up and has suggested three main areas in which France's export offer can be improved. Measures include establishing a Monitoring Centre to pass relevant public information on to the sector, promoting the French sector leading to the imminent creation of the GIFEN (Group of French Nuclear Industries) along the lines of the GIFAS (Group of French Aeronautical and Space Industries) and, lastly, bolstering the competitive advantages of the French offer by focusing on training, standardisation and support for SMEs.

The Directorate General of the Treasury was closely involved in the work of all these strategic steering bodies.

EU funding to foster growth

European Council of 28 June 2012
© Conseil de l'Union européenne

At France's initiative, the European Council of 28 and 29 June 2012 adopted the **"Compact for Growth and Jobs"**.

The Directorate was at the forefront of the negotiation and application of the initiatives decided upon. It was involved both in talks on EU legislation and in its capacity as French representative on the Board of Directors of the European Investment Bank (EIB).

The DG Trésor reported back to all French government departments on the exact content and special rules for this new financing.

The Compact mobilises **120 billion euros to boost growth**, broken down as follows:

- A 60 billion euro increase in the EIB's overall lending capacity, through a 10 billion euro paid-up capital increase

- 55 billion euros from reprogramming unused EU structural funds

- Over 4.5 billion euros from investment projects, for which financing on the market will be made possible by the pilot phase of the Project Bond Initiative with credits of 230 million euros from the EU budget

The financing initiatives provided for by the Compact are being implemented. The reprogramming of the structural funds is underway, the legal base for the pilot phase of the Project Bond Initiative was adopted in July 2012 and the EIB's capital increase took effect on 31 December 2012.

This last measure means that the EIB will be able to increase its lending capacity by 20 billion euros per year between 2013 and 2015. At the EIB Board Meeting held on 18 December 2012, the Member States approved the 2013-2015 Operational Plan. The Plan underscores the bank's leading role in the pilot phase of the Project Bond Initiative and widens the scope of intervention of the European Investment Fund (venture capital), in which the EIB is the majority shareholder alongside the European Commission.

These initiatives will have significant ramifications for France. After having discussed with the French Minister for the Economy and Finance, who is a member of the EIB's Board of Governors, the Bank's Chairman informed the Finance Committee of the French National Assembly that the increase in activity should represent EIB lending capacity in France of 7 billion euros per year for the three years covered by the Plan (up 50% compared to 2012). Interministerial efforts have been made since the summer of 2012 to raise project managers' awareness of the Compact for Growth and Jobs in France and to maximise its effect. In this context there have been numerous exchanges with the Commission, the EIB and public and private-sector institutional investors.

France's appeal

In 2011, France remained one of the leading recipients of foreign direct investments (FDI).

With FDI inflow of 41 billion dollars, it was ranked 11th worldwide (as in 2009) and third in Europe, trailing Belgium (89 billion dollars) and the UK (54 billion dollars), but in front of Germany (40 billion dollars). FDI stocks accounted for 35% of GDP in 2011 as opposed to 29% in 2000 showing the extent to which France has opened up since the turn of the century

More than 20,000 foreign companies currently have operations in France and the figures are all the more impressive in light of the global economic downturn and very stiff competition.

One of the key elements of the National Pact for Growth, Competitiveness and Employment's involves increasing France's appeal. With this in mind, a Competitiveness and Employment Tax Credit has been introduced. Its goal is to cut labour costs by 20 billion euros for all businesses. In addition, access to funding and innovation for businesses was streamlined with the creation of the BPI. The Directorate is heavily involved in both these initiatives.

Developing bilateral discussions with the major emerging countries

Jean-Marc Ayrault, French Prime Minister, met with Dmitri Medvedev, President of the Russian Federation, at the 17th Franco-Russian intergovernmental seminar.
© Yves Malenfer/Service photo/Matignon

In 2012, the Directorate continued its efforts to shift the focus of talks on economic and financial issues with emerging countries. Previously, these talks concerned trade matters, but the current goal is to broaden their scope to include economic and financial regulation and to take note of the commitments made by these countries on a global scale, particularly through the G20. When arranged at the right level, discussions on political and administrative affairs can also help support businesses outside Europe.

With this in mind, the Directorate General of the Treasury concentrated on developing French contacts with countries such as China, Algeria and Brazil. The Directorate was also involved in deciding on the economic framework of the new Franco-Brazilian strategic partnership which culminated in the signing of a joint statement by President Hollande and Brazilian premier Dilma Rousseff on 11 December 2012. The partnership provides for a France-Brazil Economic Forum to be held as from 2013. The Forum will be chaired by both countries' Finance Ministers and will address the outlook for businesses, economic cooperation and all economic, commercial and financial issues of mutual interest.

Economic discussions with Algeria were renewed during President Hollande's visit in December 2012. The DG Trésor drafted several agreements which were duly signed. These include a Memorandum of Financial Cooperation and a joint statement on the industrial and manufacturing partnership. A joint economic committee was also set up to permanently monitor all economic relations between the two countries. Industrial co-location through a shared value chain is currently being considered.

The Directorate is working towards developing high-level economic and financial discussions with China to complement the current arrangements which include strategic talks with President Hollande and within the Joint Committee chaired by the Ministers for Foreign Trade. The new discussions should address all economic, financial and industrial issues.

Also of note is the resumption (or stepping-up) of economic talks with countries such as Turkey (third meeting of the Joint Economic and Trade Committee in Paris on 20 November 2012), South Africa (Forum of Economic Dialogue in Pretoria on 22 November) and Venezuela (Third Bilateral Committee meeting in Caracas on 24 November).

A balanced trade policy

Pascal Lamy, Director-General of the World Trade Organization, Karel De Gucht, EU Trade Commissioner and Angel Gurria, OECD Secretary-General, at the Paris launch of the OECD-WTO Database on Trade in Value-Added. © OCDE - Michael Dean

Although multilateral trade talks at the WTO were fairly sluggish in 2012, the year was rich in bilateral trade agreements which the EU has been focusing on in recent years. Tasked with monitoring these talks together with the other relevant government departments, the Directorate continued to defend France's interests within EU bodies and to ensure that the Common Commercial Policy benefits the French economy.

Free Trade Agreement talks took centre stage in 2012

Free trade agreements negotiated by the EU can drive growth and create jobs provided they respect notions of reciprocity, fair competition and balanced liberalisation. The DG Trésor continues to petition the European Commission to ensure that the EU takes full account of the offensive interests of French exporters and handles certain sensitive issues appropriately. We are concentrating on removing barriers to trade, creating good conditions for investment, protecting intellectual property and opening the public procurement markets of non-EU countries.

Key events in 2012

- On 29 November 2012 the Council authorised the Commission to start negotiations for a Free Trade Agreement with Japan. By wielding its influence, the Directorate ensured that a spirit of reciprocity was provided for in the negotiating mandate. The mandate sets out a strict and clear parallelism between the elimination of non-Tariff Barriers in Japan and EU duties, transparent and non-discriminatory opening up of railway procurement and protection of the automotive sector.

- Talks with Canada, which have been ongoing since 2009, moved forward rapidly during the year. That said, negotiations will only be finalised in 2013 as regards the sensitive subjects of agricultural products and audiovisual services.

- Final negotiations for a Free Trade Agreement with Singapore were concluded in December 2012. This represents a centrepiece of the EU's goal of broadening trade links with South-East Asia. The Commission had previously begun talks with Malaysia in January 2011 and with Vietnam in September 2012.

Progress was also made towards opening talks on an EU-US Free Trade Agreement. In a joint statement during the G20 Summit in Los Cabos in June 2012, President Obama, European Commission President Barroso and European Council President Van Rompuy welcomed the Interim Report of the High Level Working Group on Jobs and Growth. Although stumbling blocks such as the issues of collective preferences in respect of agriculture, the cultural exception and public procurement remain, the Directorate took account of them and attempted to pinpoint France's offensive interests in the context of the Transatlantic Free Trade Agreement, especially in terms of non-Tariff Barriers and regulatory convergence. There is no doubt that such an agreement would offer tangible advantages such as gains from economic integration and would represent a geopolitical driver for global convergence of regulations and manufacturing standards.

The turning point for reciprocity in international trade

The European Council of 16 September 2010 agreed on the need for reciprocity in international trade. The idea is to provide a level playing field for negotiations, based on balanced concessions, the notion of mutual benefit for EU and non-EU countries and compliance with fair international trade rules. Together with the Minister for Foreign Trade, the Directorate has been constantly advocating this concept vis-à-vis the European Commission and Council.

As regards public procurement, the concept is specifically underscored in the proposed regulation on access of European Union goods and services to the public procurement markets of third countries. The proposal was adopted at the meeting of the College of EU Commissioners on 21 March 2012 and discussed at first reading by the Council's working parties during 2012. The French authorities and the Directorate were very active in this respect. The proposed regulation's goal is not to close the European market but to open those of third countries by rebuilding the EU's negotiating leverage with respect to its trading partners.

The Commission's proposed system has two main features. Firstly, a contracting authority may apply to the Commission for authorisation to exclude a tender of more than 5 million euros, made by a country whose public procurement markets in the same sector are closed to European firms, from a tendering procedure. Secondly, after having looked into the actual opening of third countries' public procurement markets and following unsuccessful talks to have these markets opened, the Commission may ask the Council for authorisation to exclude tenders from such third countries from European public procurement contracts. The proposal for a regulation also steps up monitoring of abnormally low tenders. Talks are problematic and are ongoing in 2013. Many Member States are circumspect or even opposed to the proposed regulation. For its part, throughout 2012, the DG Trésor worked with the Minister for Foreign Trade at all levels to raise awareness and support this proposal.

Outside the framework of public procurement markets, the Directorate will continue to champion the concept of reciprocity and will table suggestions to extend it to other aspects of foreign trade.

Grounding our efforts in an in-depth appraisal of the current economic situation

Bolstering our fiscal credibility

Refocusing our banking system on the wider economy

Improving consumer information and protection

Motivating French businesses and facilitating their access to financing

Reviving France's competitiveness and making France an attractive place to do business

Continuing reform efforts to encourage growth and social justice

Forecasting and assessing risks

Groundwork for major events

Claire Waysand, Pierre Moscovici, Ramon Fernandez
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Throughout the year, the Directorate contributed its advice and know-how to major economic, social and environmental events. It also helped with the government's appraisal of matters raising significant issues.

Major conferences

National Anti-Poverty Conference

The Directorate was involved in preparations for the National Anti-Poverty Conference, held at the government's initiative on 10 and 11 December 2012. Bertrand Fragonard, head of the working party on "Entitlement to rights, minimum benefits, social energy tariffs and social outreach", tasked the Directorate with costing and assessing the redistributive effects of two major scenarios for assisting low-income households. The first scenario involved a general revaluation of the fixed portion of the Earned Income Supplement (RSA) whereas the second concerned its targeted revaluation. After the Conference and pursuant to the multi-year plan against poverty to promote social inclusion, the Prime Minister announced that he had decided on a 10% increase in the fixed amount of the RSA.

Social Conference

At the Social Conference held in July, the DG Trésor contributed to discussions between the government and labour and management. The roundtable entitled "Ensuring fair and effective compensation systems" was chaired by Pierre Moscovici.

With presentations by Claire Waysand, its Deputy Director-General, the Directorate took the lead on the minimum wage (SMIC) and employee savings as well as producing a large number of in-depth background documents.

Conference on the Environment

The Directorate's suggested measures that were included in the "Ecological Transition Roadmap" at the Conference held on 14 and 15 September 2012. Since then, the DG Trésor has been closely involved in implementing the Roadmap. It has specifically focused on bolstering green taxation, a subject which is being addressed by a special Committee chaired by Christian de Perthuis, an economist specialising in climate change. The Green Tax Committee (CFE) was established on 18 November 2012 by the Minister for the Economy and Finance and the Minister for Ecology. Its members are all the stakeholders (trade unions, politicians, local authorities, businesses, NGOs and university lecturers) represented on the National Council for Ecological Transition (CNTE). The Committee is tasked with providing opinions on how to step up green taxation in line with the National Pact for Growth, Competitiveness and Employment. The Pact provides for at least three billion euros in new revenue from green taxes between now and 2016 to finance the Competitiveness and Employment Tax Credit (CICE). The Directorate is often asked to assess the expected ramifications of the avenues for tax reform explored by the Committee concerning energy and climate, biodiversity and urbanisation, protection of water resources, air quality and waste.

Drawing on the measures announced by President Hollande to make France an environmental leader, the government launched a nation-wide debate on energy transition (DNTE) that will last until July 2013. The debate should be followed by a Programming Bill in the autumn. Several working parties were set up for the discussions and the Directorate contributed to those focusing on energy efficiency and savings, medium-long-term energy mix scenarios, renewable energies and energy transition cost and funding. A White Paper is being prepared on ecological transition funding, under the joint responsibility of the Minister for Ecology and the Minister for the Economy and Finance, with the active involvement of the DG Trésor. Together with the Sustainable Development Commission (CGDD), the Directorate organised a seminar on this subject at Bercy on Thursday 12 July 2012. Several leading experts and representatives of manufacturing and financial firms attended.

International climate talks

The Directorate General of the Treasury was part of the French delegation for international climate talks. It took part in the 18th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) at the Doha Climate Change Conference held from 26 November to 8 December 2012. It is specifically tasked with monitoring issues concerning the future of the Kyoto Protocol, which was extended until 2020 at the Doha Conference, and international climate finance initiatives.

Social affairs

The SMIC

Considerations concerning the minimum wage are also a major issue for the Directorate General of the Treasury. As it does every year, the Directorate took part in the expert working party on the minimum wage and produced studies on changes in the disposable income of households earning the minimum hourly wage, the standards of living of those earning the minimum wage or slightly above and the state of the labour market. The working party's report was drafted jointly with the Labour Market and Employment Policy Bureau and was submitted on 17 December 2012 to the National Commission on Collective Bargaining (CNNC), which is chaired by the Minister for Employment.

At the Social Conference in early July, Prime Minister Ayrault announced the overhauling of the rules for indexing the SMIC. In the framework of the CNNC's "wages" sub-committee, the Directorate contributed to the discussions between the government and labour and management. On 6 February 2013, as a result of this work, a Decree was presented to the Cabinet. The Decree provides for the first major changes to the indicators used for indexing since the SMIC was instituted in 1970.

Pensions

To ensure fair treatment, President Hollande announced his intention to change arrangements for early retirement for people having started work at an early age. Together with the Social Ministries and their departments, the Directorate took part in the joint think tank on this topic with the goal being to map out a satisfactory system and appropriate financing. This work was carried out swiftly with the Decree being promulgated on 2 July 2012.

Housing

Here again the Directorate contributed to the government's review of housing policy. The current trend is for economic discussions to take greater account of property supply constraints. Policy decisions were made clearer by the DG Trésor establishing economic benchmarks for regulation of the property market and stakeholder relations. To mention two examples, the studies covered lessor-lessee relations and transaction-related expenses when property is sold (transfer tax, estate agency commission, etc.).

When the Budget Act for 2013 was being drawn up, the Directorate concentrated its work on the introduction of a tax scheme to encourage owners to put property on the market. The goal is to boost housing supply and stimulate construction. Its work also contributed to groundwork for an Act on releasing publicly-owned land for housing and increasing the requirements for building social housing stock. The aim here is to increase housing supply by fostering the sale of publicly-owned land assets.

As regards propping up demand, the Directorate helped frame new arrangements to encourage buying to let. It was also involved in revamping the zero-interest loan scheme and making it more widely available to potential homeowners with low incomes. Lastly, the DG Trésor contributed to discussions on a temporary rent freeze.

Government modernisation

In December 2012, the Prime Minister convened the first meeting of the Interministerial Government Modernisation Council (CIMAP). The Council decided on a number of strategies for more effective government action complying with public finance commitments.

Drawing on these strategies, the Economy and Finance Ministries drafted a ministerial modernisation and streamlining programme (PMMS) with the active involvement of the Directorate.

The programme is scheduled to be implemented in 2013.

Support and future planning for French industry's strategic sectors

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Following a request from the Minister for Industrial Renewal, the Directorate General of the Treasury was closely involved with the Directorate General for Competitiveness, Industry and Services (DGCIS) in drafting a set of proposals for French industrial recovery.

There are three reasons why industry's share in the French economy has been constantly declining: somewhat higher productivity gains than in other sectors, the outsourcing of certain work to the company services sector and the impact of international competition. The last has been an increasing factor in job losses since the 2000s. French industry's inability to compete with international businesses (including in Europe) is due to ballooning labour and intermediate consumption costs (energy, property, scientific, technical and financial services, etc). This has meant that businesses have seen their margins shrink significantly which affects their ability to invest and spend on innovation. This in turn has led to poorer non-price competitiveness and to manufacturing facilities not being upgraded.

Alongside the Competitiveness and Employment Tax Credit (CICE) intended to restore businesses' margins, the Directorate and the DGCIS provided ministers with proposals for structural initiatives to bolster firms' non-price competitiveness in the long term. The proposals concerned maintaining the conditions for public support for R&D and innovation, improving training and guidance for the highly-qualified workers essential to industry and driving differentiation strategies, for example through marketing, design and operating excellence, enabling manufacturing of more high-end industrial products. Moreover, streamlining and stabilising businesses' tax, legal and regulatory environment, throughout the expansion process, contribute tellingly to competitiveness, fostering both investment and job-creation.

Energy policy

La proposition de loi du député François Brottes visant A Bill tabled by MP François Brottes to pave the way towards a balanced energy system, which was introduced on 6 September 2012, was promulgated by the National Assembly on its final reading on 11 March 2013. It introduces a bonus-penalty system on domestic energy consumption, extends entitlement to social tariffs for electricity and gas and eases regulations on setting up wind farms.

The Directorate provided studies on progressive tariffs and on the various ways in which social tariffs could be extended to four million households experiencing problems paying their energy bills, in line with President's Hollande's manifesto. An Order was enacted in November 2012 to extend entitlement to social tariffs to households eligible for the ACS (supplementary health insurance benefit), in addition to those eligible for the CMUC (universal supplementary health insurance). In real terms, this means that the maximum income levels for eligibility have been raised by 35%. Going back to the Brottes Act, it will extend social tariffs for electricity to eligible customers of energy suppliers other than EDF and broaden the eligibility base by introducing tax-related criteria.

Bonus-penalty system for cars

When the government presented the motor car industry support plan on 25 July 2012, it elected to consolidate the ecological bonus/penalty system to speed up the emergence of low CO2 emission internal combustion vehicles and hybrid and electric cars. The Directorate General of the Treasury was involved in establishing the new bonus/penalty scales and took pains to ensure the system's fiscal balance in terms of bonuses paid and penalties received. It also assessed the repercussions of the system on sales of French and foreign cars. On 1 August 2012, the bonus for electric vehicles was raised from 5,000 to 7,000 euros and from 2,000 to 4,000 euros for hybrids. Bonuses for low emission internal combustion vehicles were increased by 100 or 150 euros accordingly. The scales were carried forward to 2013. The Budget Act for 2013 introduced stiffer penalties for buying high emission vehicles. As an example, the penalty for those emitting more than 200g of CO_2/km was increased to 6,000 euros.

Telecommunications

In 2012, the arrival of a fourth mobile operator stiffened competition on the mobile telephone market and caused businesses to alter strategies. The Directorate spent the year assessing the impact of this new arrival as regards increased consumer spending power and price competitiveness for firms using mobile telephony services. It also examined the ramifications on the sector itself, specifically on investment and jobs, and on the economy as a whole. It contributed to a review of regulation initiatives to improve the functioning of the mobile telephone market such as subsidised mobile devices or the position of virtual network operators.

Significant investments are being made in the telecommunications sector in very high-speed fixed broadband with the rollout of fibre-optic broadband, and in very high-speed mobile broadband (4G). As investment in the sector had increased since the start of 2012, the Directorate was part of the thought process into how stakeholders can be encouraged to keep up this momentum. Following a request from the Minister Delegate attached to the Minister for Industrial Renewal, with responsibility for Small and Medium-sized Enterprises, Innovation and the Digital Economy, the DG Trésor and the Directorate General for Competitiveness, Industry and Services (DGCIS) examined the impact of opening up new radio frequency bands to 4G on the mobile telephone market. The Directorate also helped leverage the government's intangible assets. The DG Trésor was called before the Holdings and Transfer Commission (CPT) following its opinion "on assessing terrestrial broadcast frequencies in the 1800 MHz frequency band pursuant to the inception of technological neutrality". As regards very high-speed fixed broadband rollout, the Directorate took part in discussions on the economic benefits of government capital expenditure on fibre-optic broadband infrastructure throughout France.

Innovation

Innovation has become a cornerstone of economic prosperity, especially technological innovation, which fosters technical advancement and bolsters productivity. French R&D expenditure represents 2.3% of GDP, higher than the EU average but well below front-runners such as Germany (2.8%), the US (2.9%), Japan (3.3%), Sweden (3.4%) and South Korea (3.7%). Over the last decade, businesses' R&D, especially that of SMEs, has lagged behind that of competitors. There is too little interconnection between public- and private-sector research and technological innovations are too rarely marketed. The Directorate submits economic assessments to the Minister for the Economy and Finance concerning the initiatives to implement or reinforce in order to boost French innovation.

Drawing on the assessments' initial findings and as part of the National Pact for Growth, Competitiveness and Employment, the government elected to maintain the research tax credit (CIR) and tax arrangements for innovative start-ups. The Budget Act for 2013 broadened research tax credit entitlement for SMEs to include expenditure on prototypes up to a limit of 400,000 euros. By permanent collaboration with the Minister for Research, the Directorate regularly assesses changes to these mechanisms, focusing specifically on their effectiveness.

The DG Trésor is also involved in discussions on funding innovation (Oséo Innovation, venture capital assistance, etc.), on the emergence of collaborative research ecosystems (clusters, "Carnot institutes", etc.) and on leveraging research through intellectual property or under the Invest for the Future Programme. On behalf of the Minister for the Economy and Finance, the Directorate manages the France Brevets (patents) Fund that was set up in 2011 to foster the marketing of patents. This Fund really took off in 2012.

Carbon assets

During 2012, the Directorate General of the Treasury, managing trade account 913 (carbon asset management) on behalf of the Minister for the Economy and Finance, carried out a number of government transactions on the carbon markets. Working with the Directorate General for Energy and Climate (DGEC) of the Ministry for Ecology, it coordinated the acquisition of greenhouse gas emission allowances to top up the New Entrant Reserve (NER) which was insufficient to meet French industrial requirements. In addition, working closely with Agence France Trésor, the Directorate established the legal, financial and operational framework to allow France to receive revenue from the first CO_2 emission allowance auctions held at EU level. France was one of the first countries "eligible" to take part in the auctions.

Lastly, the DG Trésor contributed to drafting Order 2012-827 of 28 June 2012, one section of which concerns the enactment into national law of EU rules governing surveillance of the primary market for CO_2 emission allowances. France was one of the first EU Member States to implement a heightened domestic regulation system for transactions on the carbon market and sales at allowance auctions.

Fleur Pellerin, Minister Delegate attached to the Minister for Industrial Renewal, with responsibility for Small and Medium-sized Enterprises, Innovation and the Digital Economy
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Expansion of the digital economy

Accounting for more than 4% of French GDP, information and communication technologies impact significantly on the economy as a whole, on users and on government departments. This sector requires special regulation as it is dominated by a handful of powerful networks, offering users a very small choice of service providers, and is characterised by ultra-fast innovation momentum. The Directorate General of the Treasury analyses regulation of the digital economy and its ties with related sectors (online press, culture, Internet service providers). To this end, it was involved in discussions on issues such as taxation of the digital economy or net neutrality.

The digital economy is eligible for a large number of government business support programmes. These include the research tax credit (CIR) and assistance to innovative start-ups (JEI). To make the best use of the government resources earmarked for digital businesses, the Directorate assesses the effectiveness of these programmes.

The management team

3
The Directorate General of the Treasury a modern administration

The Directorate continued its modernisation strategy in 2012. The goal is to improve the quality of service provided thanks to a stronger managerial culture, more quality-oriented, customised HR management, and better staff working conditions.

It further extended external relations to both share and receive feedback on today's pressing economic issues.

As of 31 December 2012, the DG Trésor had 1,520 employees. Of these, 25% were in Category A+, 24.9% in Category A, 13.6% in Category B, and 10.7% in Category C. An additional 6.3% of staff are Volunteers for International Administrative Experience (VIA) and the remaining 19.5% are locally-engaged staff (ADL).

Diversity of backgrounds

This is reflected in the specialisations, statuses and nationalities of staff members:

Corps[2]: The Directorate's staff belong to over 20 civil service corps or have different administrative statuses, reflecting the highly varied range of skills and specialisations: principals, advisors and senior executives (economy), senior executives, public finance inspectors, civil servants from other government departments or the government's grands corps, teachers, former servicepersons and public-sector contract employees.

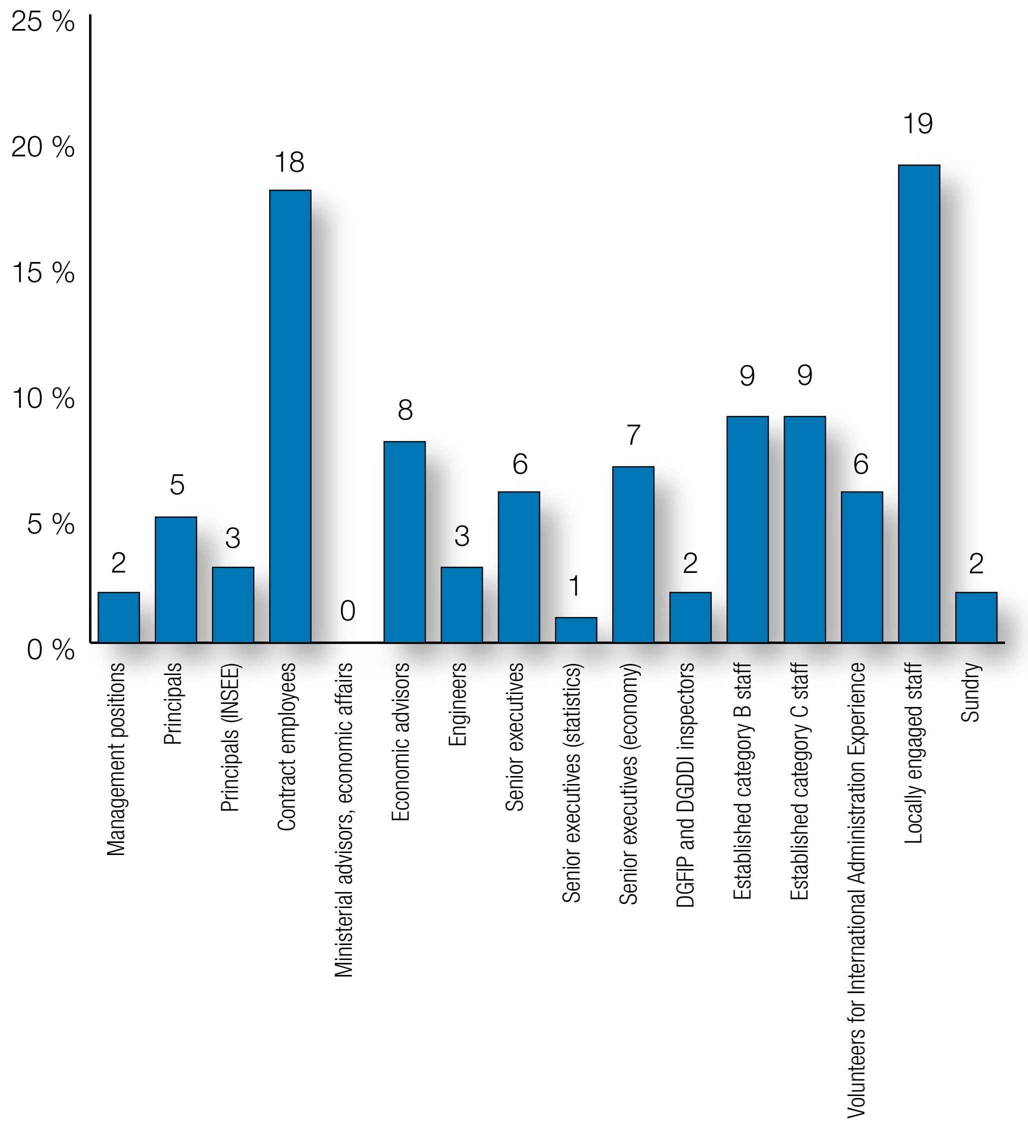
Specialisations: There are 35 specialisations within the Directorate, broken down into 12 professional groups.

Nationalities: 15% of staff are foreigners with 93 nationalities being represented.

2) In France, the central government civil service, comprising all the civil servants working in government departments and government-owned administrative bodies, is divided up into corps identified by specific statuses, responsibilities and pay scales.

Scope: central government departments, regional and international networks

31 December 2012



Ongoing HR reforms

180° and 360° appraisals

For the second year running, the DG Trésor implemented 180° appraisals of the managerial abilities of senior management in central government departments and 360° appraisals of heads of Economic Departments abroad.

These appraisals, which will become an annual fixture, are a vital part of the HR modernisation strategy to which the Directorate is giving priority. The nearly 70% average response rate to the questionnaires bears witness to the interest shown by staff both in Paris and abroad.

Those appraised also embraced the processes as they can draw on the results to hone their management skills.

Over 80% of those questioned stated that they "would like to work with the appraised party again in the future". This shows that, overall, the Directorate's staff have a very positive opinion of their managers.

A special action plan for category B and C staff

This plan is central to the change programme's commitments. It represents more than two years' work during which the expectations of category B and C staff were catalogued.

The action plan addresses these expectations by heightening skill sets through greater access to training and by improving career prospects with incentives for mobility, especially within the DG Trésor.

Professional development also involves helping and better preparing those staff sitting in-house competitions and examinations. The Directorate has already taken account of this by holding meetings to present its departments and in-house preparation panels.

Parenting considerations

The quality of working conditions is one of the pillars of the change programme begun in 2010. As around a third of the Directorate's staff have young children, this factor needs to be taken into account. The DG Trésor began to address this issue by drawing up a "parenting guide", based on discussions and suggestions from the task force on work/life balance, with contributions from the Directorate's staff, and coordinated by the Secretary-General.

The "parenting guide" provides useful information for current and future parents covering the birth of the child and all occasions when children need their parents to be present. It explains procedures to be carried out and the available assistance as well as staff's rights and guarantees to ensure an uninterrupted career path.

The Directorate held its first "children's day" in May 2012. Managers were encouraged to bring their children to Bercy to let them see their parents in their work environment.

Representation for women

Since 2010 the Directorate's HR policy has included measures to increase the role of women. These measures foster work/life balance and career advancement. A notable achievement has been to improve management of maternity leave.

The DG Trésor has also made proactive commitments to bolster the number of women holding senior management positions. In the central government departments, the figure rose from 14% to 26% between 2009 and 2012.

With an eye to implementing the interministerial policy for equality between men and women, the Directorate is preparing a set of measures for 2013 for a sustainable, positive, robust and targeted strategy to establish a pool of women able to take up high-level and managerial government positions.

The charter for relations with ministerial private offices

Two “relationship charters” setting forth joint work methods have been signed by the Director-General with the chiefs of staff of the Minster for the Economy and Finance and the Minister for Foreign Trade.

In these charters, the Private Offices and the DG Trésor provide mutual assurances in terms of lead-times, processes, compliance with procurement procedures and reporting expected deliverables.

External relations

Christine Lagarde, Managing Director of the IMF
and Mario Draghi, President of the ECB,
at the Entretiens du Trésor held at Bercy on 30 November 2012
© Ministères (SG - P. Védrune)

Hosting major events to foster better understanding of key issues

The Entretiens du Trésor address current topics being handled by the DG Trésor’s departments and are aimed at a wide audience. The keynote speakers at these events work for economic or financial institutions, private-sector firms and research bodies. The inaugural symposium in 2010 dealt with Sino-European relations. The 2011 event tackled the international monetary system whilst in 2012 the topic was a European strategy for growth and integration with solidarity. The popularity of the event is borne out each year by the diversity of the audience which is constantly on the rise.

The 5th Annual Entrepreneurs’ Conference

This Conference on “the third industrial revolution and entrepreneurs” was held at Bercy on 12 November 2012. It is part of the Journées de l’Entrepreneur and the Global Entrepreneurship Week (12–18 November 2012), an annual campaign aimed at entrepreneurs in France and 126 other countries.

The following subjects were addressed: Building an entrepreneurial ecosystem and an incubator for French entrepreneurs’ expansion; Do French banks actually help SMEs and how do they need to adapt to the current climate to fund entrepreneurs and the real economy including long-term financing?; A review of entrepreneurial ecosystems and the development of the best-performing SMEs; Taking the long view of entrepreneurship and job-creation; Revamping education to include the concept of entrepreneurship; Successful French market places, to fund the development of the fastest-growing listed and unlisted SMEs, and the BPI’s future role with market stakeholders.

As joint organiser with the Directorate General for Competitiveness, Industry and Services (DGCIS), the DG Trésor was fully involved in the Conference whose keynote speakers included the Economy and Finance Ministers and other prestigious guests.

Contact with academia

The Directorate has ongoing discussions with economists both to share its thought process and to receive feedback.

The Fourgeaud seminar (named after its founder in 1970) is the Directorate General of the Treasury’s symposium on general economic topics. An average of nine seminars with some forty contributors are held each year. These lead to partnerships lasting around a month and a half. Most of the contributors are from outside the DG Trésor and include a large number of researchers. They are invited to present and discuss work in applied economics.

Topics addressed in 2012 were the effectiveness of development assistance, comparative performance levels of young and elderly workers, the knock-on effect of increasing the French minimum wage (SMIC), short-term economic analysis, climate policies, youth, employment and crises, China, foreign trade and growth, wage gaps and the health insurance repayment and funding system. These seminars were widely attended and very open (two thirds of the participants were from outside the DG Trésor), proof that the event is both well-established and well-known.

The Nasse seminar (named after Philippe Nasse, former Forecasting Director and Deputy Chairman of the Competition Council) is a forum in which an economist and a legal professional put forward their opinions on a competition-related topic.

The seminars, organised jointly with the French Competition Authority, take up where the seminars on competition issues held within the Forecasting Directorate since the late 1980s left off. The two participants’ presentations are usually followed by a case study or opinion from the French Competition Authority concerning the session’s topic. There is also a discussion with the audience. These seminars are held three times a year at Bercy and in 2012 they focused on the correlation between industrial policy and competition policy, the railway sector and so-called “two-sided” markets.

The purpose of the Symposium on Employment Policy – Interactions between Economy and Law is to foster dialogue among economists, legal professionals (like the Nasse seminar devoted to competition policies) and the broader relevant academic and professional community on employment policy.

A steering committee oversees the symposium. It has around fifteen members who are institutional stakeholders, experts and professionals of international renown, legal professionals and economists. Anyone interested in employment policies may attend (institutional stakeholders, economists, legal professionals, sociologists, lawyers, elected representatives and civil society players).

The DG Trésor is also institutionally represented in the following organisations

The French Economic Monitoring Centre (OFCE); the French International Economy and World Trade Research Centre (CEPII); Bruegel, the Brussels-based think tank; the Association for the Development of Research into Economics and Statistics (ADRES); the Banque de France Foundation; the Economic Research and Applications Centre (CEPREMAP); the Centre for International Research on Economic Tendency Surveys (CIRET); the Financial Economy Association.

Lastly, in its publications (background papers, Trésor-Eco, Économie et Prévision), the DG Trésor provides a vehicle for exchange with academic economists and with all those interested in economics.

The international network

L’équipe du service économique de Jakarta

The Jakarta Economic Department

Successive waves of reforms have radically altered both the structure and the responsibilities of the Directorate’s international network . As of 31 December 2012, it comprised around 690 staff on 133 sites:
- 26 Regional Economic Departments (SER) whose purview extends to several countries. For certain strategic countries, such as the US, Algeria, Brazil, Morocco and Turkey, there is a dedicated SER.
- 5 permanent representations or delegations to the EU, WTO, OECD and UN
- 71 Economic Departments (SE)
-16 Deputy Regional Department Heads working either in cities with economic weight, other than the capital of the relevant country (Shanghai, Sao Paulo, Houston, Istanbul, etc.), or in capital cities where basic representation is necessary without having a full-blown department (Ulan Bator to help French businesses benefit from Mongolia’s economic boom, Nicosia for ground-

work and monitoring of the Cypriot presidency of the Council of the EU, etc.)
- 10 Economic Department Head correspondents in, for instance, Estonia, Uzbekistan and Laos

The Directorate's Economic Departments now have conferred powers based on executive responsibilities. This manifests itself, for example, in their implementation of France's foreign trade strategy unveiled by Nicole Bricq in December 2012. They are also involved in supporting major contracts, handling market access issues, international trade talks and coordinating the relevant stakeholders in their country of residence.

The Economic Departments' international benchmarking studies aid policy-making. **Forty-five such studies** on diverse topics central to the Directorate's work were completed in 2012. Topics included inter-company loans, rating agencies, funding mutual insurance companies and cooperatives in the EU, strategic metals and social tariffs for electricity and gas.

Expert knowledge in the DG Trésor's international network is bolstered by specialists from other government departments. These specialists are seconded under agreements executed with partners.

For example, the agreements of 31 October 2011 and 9 July 2010, concluded respectively with the Ministry for Agriculture and the Ministry for Sustainable Development, provide for the secondment of 24 advisors on agricultural affairs to 18 Regional Economic Departments and some 20 experts in sustainable development-related fields such as energy, transport and ecology.

Under an agreement executed in 2004 which is currently being revamped, four intellectual property advisors from the French Patent and Trademark Office (INPI) were also seconded to the Economic Departments. These experts strengthen the Regional Economic Departments' skill sets in their area of involvement.
Through the DG Trésor's central administration and its partners, the international network is able to contribute tellingly to economic diplomacy as called for by President Hollande.

International partners

In conjunction with Ubifrance, the Invest in France Agency (AFII) and the French Development Agency (AFD), the Directorate coordinates implementation of its executive responsibilities and the location of its establishments abroad.

Ubifrance is tasked with fostering export market penetration by French businesses. It implements and coordinates information, training, promotion, technical, industrial and commercial cooperation and international volunteer initiatives. Its network counts 1,300 staff employed in 75 offices in 56 countries. It also has a regional coverage system and, to date, has set up partnerships with local operators in six countries under public-service delegation agreements. Over two thirds of its staff work abroad and provide French firms with support for international exports and expansion. In France's regions, under the auspices of the BPI, Ubifrance's business developers will offer personalised long-term assistance to French SMEs and mid-sized enterprises.

The role of the **AFII** is to enhance France's appeal and image vis-à-vis foreign investors. With 155 staff and an international, national and regional network, including 22 offices abroad, the AFII is responsible for promoting, prospecting and facilitating foreign investment in France. The Service Level and Performance Contract for 2012-2014, signed on 23 September 2011, sets specific objectives in terms of volume (1,000 potential investments to be identified and support provided to 300 investment projects). It focuses on the Agency's quality-related strategies including the implementation of value-added and job-creating foreign investments.

A collaboration agreement between the Directorate's network of Economic Departments and the network of AFD agencies was drafted in 2012. It was signed at the AFD network symposium right at the start of 2013 and was the result of a shared desire of the two Director-Generals to boost synergy between the DG Trésor and the AFD. It provides for reciprocal exchanges of services in countries where one of the two parties is not present. Currently, the AFD covers Mali, Niger, Chad, the Comoros Islands and Mozambique for the Directorate whilst the latter covers Armenia, Azerbaijan, Georgia, Kazakhstan, Uzbekistan, Bangladesh and Burma for the AFD. The agreement has two main effects. On the one hand, it is contributing to rebuilding the DG Trésor's African network and, on the other, to the AFD establishing new bases, especially in the CIS and Asia. Broadly speaking, it represents an original way of pooling expertise and know-how, enhancing the complementarity of the two structures' networks.

The Rangoon Economic Department reopened on 3 September 2012 after having been closed for five years.

In summer 2011 the Burmese authorities began an ambitious political and economic reform programme. Visits from European politicians, including Alain Juppé, the French Minister of Foreign Affairs in January 2012 and American statesmen, as well as the return of international financial bodies (IMF, World Bank) demonstrate the international community's desire to support the momentum of the reform process. Economic ties with Burma have been renewed following the gradual lifting of US and EU sanctions.

After having been South-East Asia's wealthiest country in the 1960s, Burma with GDP per capita of $850 is one of the least developed countries. That said, the cards are stacked in its favour owing to its plentiful raw materials, 60 million potential consumers, possibilities for tourism unrivalled in the region and solid regional integration (member of the ASEAN and close ties with China and India).

The outlook is positive in spite of the scale of the challenges. The reforms introduced, in particular that for a new exchange rate system, will foster heightened commercial and financial dealings and will bolster foreign trade. Moreover, the treatment of outstanding debt under an agreement with the Paris Club will reinvigorate international and bilateral funding.

Having taken full stock of these issues, France was the first Western country to re(open) an Economic Department. French businesses have already shown a keen interest and will soon be able to use the services of Ubifrance which is scheduled to open an office in Rangoon.

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FASEP and Coface (credit insurance) funding has already been put in place for Burma. Lastly, AFD aid will buoy up bilateral cooperation in the agriculture, health and water sectors. All these factors should help consolidate France's economic foothold in Burma.

The regional network

In mainland France's 22 regions, the DG Trésor is represented by its devolved departments, the DIRECCTE (Regional Directorates for Businesses, Competition Policy, Consumer Affairs, Labour and Employment).
It also has overseas representation in Reunion and Guadeloupe. The latter office also has jurisdiction for Martinique and French Guiana.

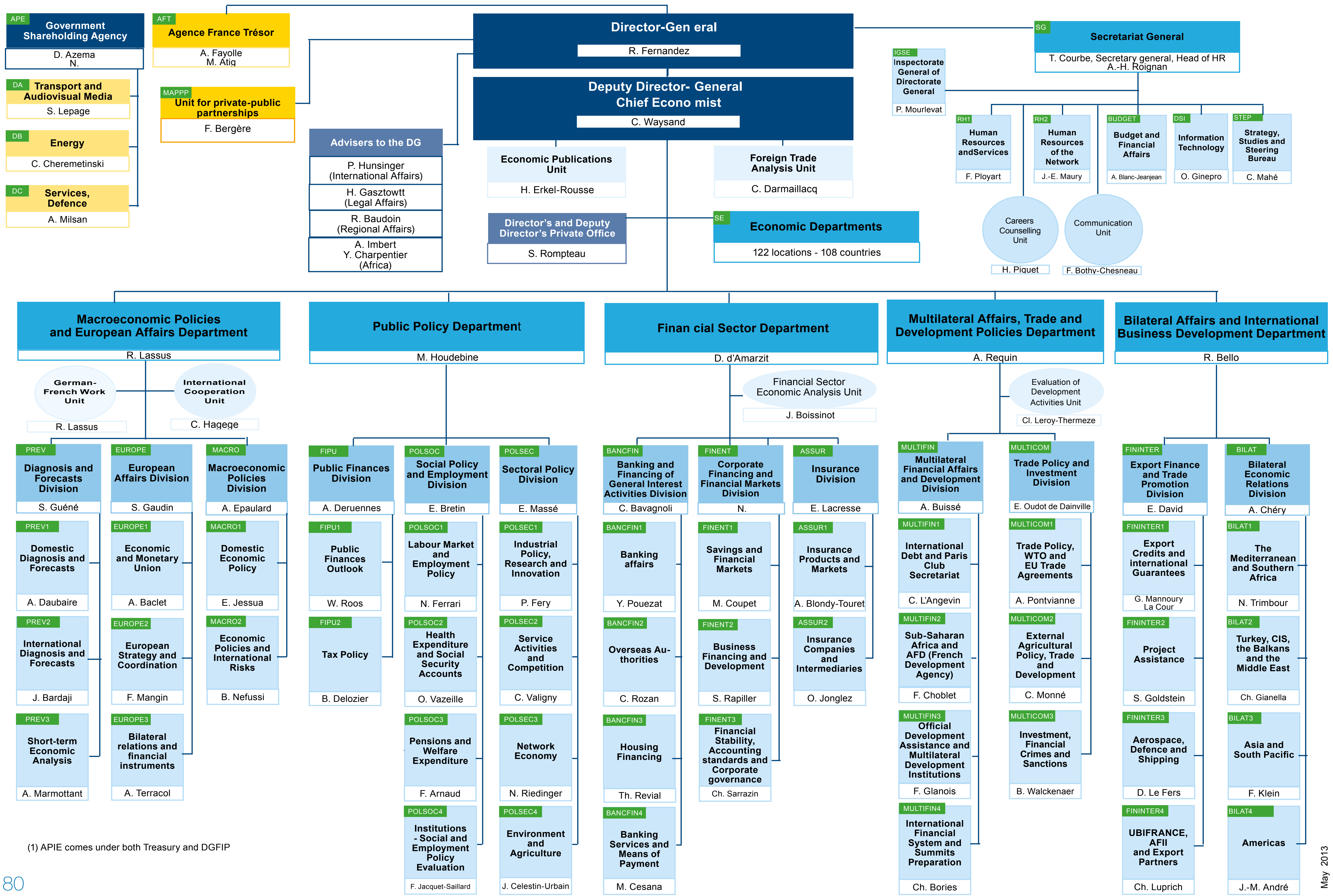
Just under a hundred DG Trésor staff work in these bodies, essentially dealing with foreign trade matters. They advise Ministers on foreign trade issues in their region and work with the region's export stakeholders such as the Regional Council and Chambers of Commerce with an eye to provide exporter firms with the best possible support. They also pass on their knowledge of international markets to their DIRECCTE colleagues who are in constant contact with businesses.

Senior managers act as international advisors to both the Director of the DIRECCTE and the Prefect of the region.

In the regions, this network conveys the three-year goals set by the Minister for Foreign Trade to increase the number of durable exporters by 10,000 and International Business Volunteers (VIE) by 25%. Also, as requested by the Minister, the network is involved in ensuring that Regional Councils assume increased responsibility for steering the support policy for exporter companies. To this end, the Councils, under the aegis of the Assembly of French Regions (ARF), which represents them vis-à-vis the government, have undertaken to establish a regional programme for international business development (PRIE) by mid-2013 in each region.

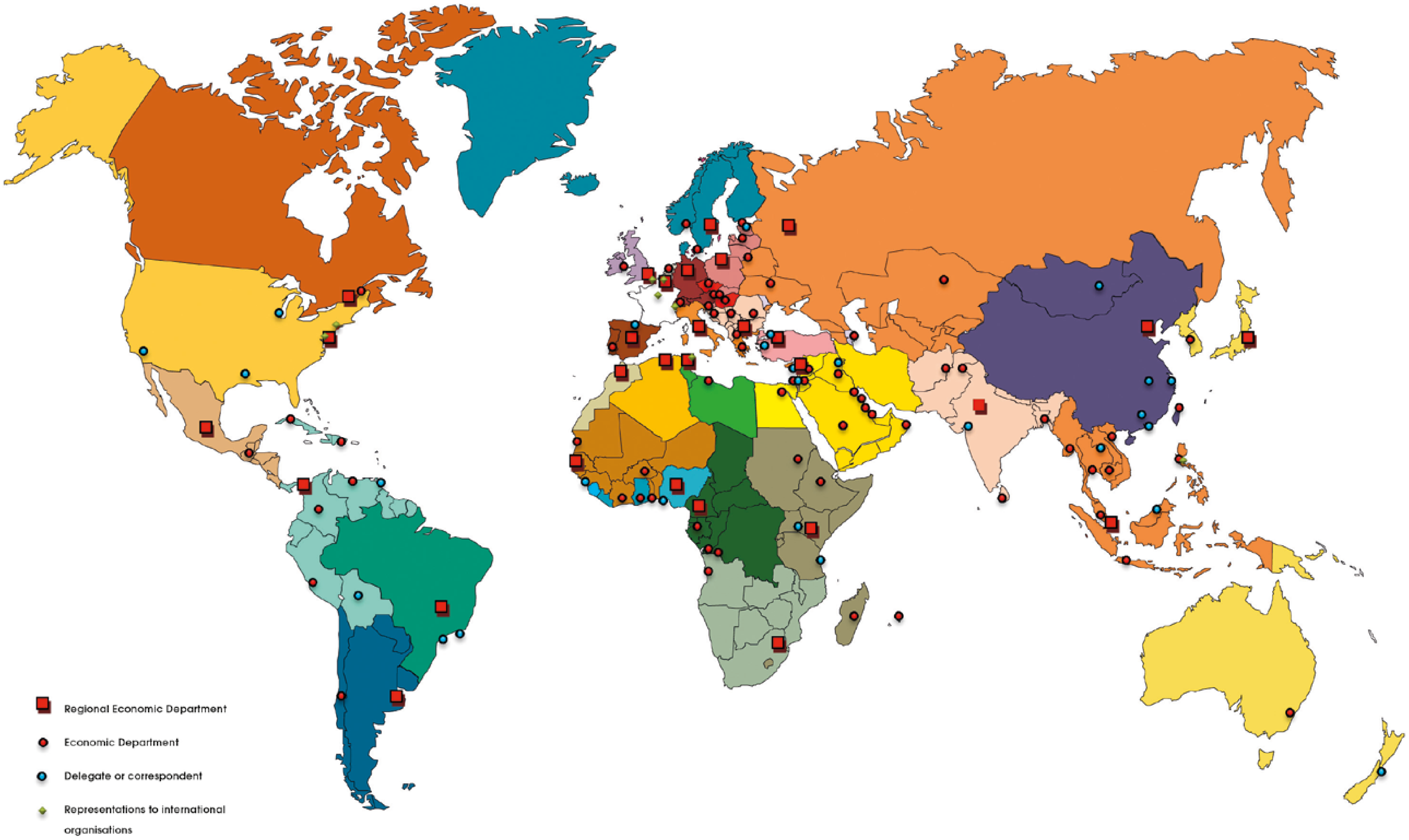
Appendices

Organisation chart – Directorate-General of the Treasury



(1) APIE comes under both Treasury and DGFIP

Location of the DG Trésor's international network



Glossary

ACP	Prudential Supervisory Authority
ACPR	Prudential Supervisory and Resolution Authority (ACP's new name proposed by the Banking Activity Separation and Regulation Bill)
AFD	French Development Agency
AFII	Invest in France Agency. It is responsible for promoting, prospecting and facilitating foreign investment in France.
AFT	Agence France Trésor
AMF	Autorité des marchés financiers
ODA	Official Development Assistance
APE	Government Shareholding Agency
ARF	Assembly of French Regions
ASEAN	Association of Southeast Asian Nations
ECB	European Central Bank
EBRD	The European Bank for Reconstruction and Development was created in 1991. It is the number one investor in its region of operation, which stretches from Central Europe and the Western Balkans to Central Asia. It helps countries in this region to successfully manage the transition to a market economy. In 2011 the EBRD paved the way for the expansion of its mandate to allow for future activities in the southern and eastern Mediterranean (SEMED) region. The Bank is owned by 64 countries, the EIB and the EU.
EIB	The European Investment Bank began operations in 1958, the year the Treaty of Rome took effect. The EIB is the European Union's bank and is involved in working towards the EU's main goals. It is the largest multilateral credit institution in terms of volume of transactions. Over 90% of its operations are focused on Europe and it is also responsible for the financial aspects of the EU's external and development policies.
BPI	Public Investment Bank
BIS	Bank for International Settlements
BRICS	Brazil, Russia, India, China and South Africa
BTAN	Treasury notes. These are fungible Treasury securities with an initial term of two or five years. They are issued by auction on the third Thursday of each month except August and December.
BTF	Fixed-rate Treasury notes with pre-calculated annual coupons. These are fungible Treasury securities with initial maturity of less than a year. They are issued every Monday.
CDC	Caisse des dépôts et consignations
CDS	Credit default swap. This is insurance used to hedge the risk of default, i.e. the risk of full or partial, temporary or permanent, non-repayment of a loan.
CICE	Competitiveness and Employment Tax Credit
CIF	Crédit Immobilier de France
CIMAP	Interministerial Government Modernisation Council
CIR	Research tax credit
CIRI	Interministerial Committee on Industrial Restructuring
Basel Committee /Basel Accords/ Basel III	The Basel Committee provides a forum for international regulatory authorities and has its secretariat at the BIS. The Basel Accords define prudential requirements applicable to banks.
C2D	Debt Reduction and Development Contract
IMFC	International Monetary and Financial Committee
CODEFI	Département Committees for the Examination of Business Financing Problems

Rio+20	This is the short name for the United Nations Conference on Sustainable Development that took place in Rio de Janeiro, Brazil in June 2012 – twenty years after the landmark 1992 Earth Summit in Rio. Its goal was to shape new policies to foster global prosperity while protecting the environment.
FSB	Financial Stability Board members include: Argentina, Australia, Brazil, Canada, China, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Switzerland, the Netherlands, the United Kingdom, the United States and Turkey. - Six regional and international financial institutions (IMF, World Bank, OECD, Bank for International Settlements, Central European Bank, European Commission) - Six international technical standard-setting bodies (Basel Committee, International Association of Insurance Supervisors, Committee on the Global Financial System, Committee on Payment and Settlement Systems, International Accounting Standards Board, International Organization of Securities Commissions)
CPN	
CRD IV	Capital Requirements Directive. The Fourth Directive on capital requirements for banks enacts the Basel III Accords into EU law.
CRR	Capital Requirements Regulation. This Regulation on capital requirements for banks supplements CRD IV for the non legislative part of the enactment of the Basel III Accords into EU law.
CSF	Sector-Specific Strategic Committees
CSD	Central Securities Depositories are systemically important institutions for today's security markets.
DGCIS	Directorate General for Competitiveness, Industry and Services
DGEC	Directorate General for Energy and Climate
Direccte	Regional Directorate for Businesses, Competition Policy, Consumer Affairs, Labour and Employment
SDR	Special Drawing Right (international reserve asset allocated by the IMF and used exclusively by that organisation and relevant countries)
Ecofin Council	The Economic and Financial Affairs Council of the Council of the European Union coordinates and monitors economic policies within the framework of the Stability and Growth Pact: - Structural reforms via the implementation of the Europe 2020 strategy (formerly known as the Lisbon Strategy) - Legal, practical and international issues related to the euro and Economic and Monetary Union (EMU), particularly monitoring the economic and financial crisis - Taxation - Financial markets and financial regulation - Economic and financial relations with third countries - Adoption of the EU budget, jointly with the European Parliament, on a proposal from the Commission
ECU	European Currency Unit
ETI	Mid-sized enterprise
EURIBOR	Euro Inter Bank Offered Rate
Eurogroup	The Eurogroup is made up of EU Member States that have adopted the euro as a single currency. It meets the day before each meeting of the Ecofin Council. Its remit basically consists of coordinating Member States' positions in terms of the current economic situation and the position of the euro area with respect to the global scene.
ALSF	The African Legal Support Facility is an international body tasked with providing better legal protection of the economic and financial interests of its member states. It fosters access to specialist legal firms or legal advisors to help African countries manage their debt and assists them with vulture fund litigation and with finalising fair trade agreements for the extractive industries.
FASEP	The Private Sector Research and Assistance Fund is the instrument used by the Ministry for the Economy to provide assistance for project preparation.
FERDI	Foundation for International Development Study and Research
EFSF	European Financial Stability Facility
FGAO	Compulsory Indemnity Insurance Guarantee Fund

IMF	The International Monetary Fund
Global Forum	The Global Forum on Transparency and Exchange of Information for Tax Purposes is a multilateral framework for both OECD and non-OECD members. The principal goal of the Global Forum is to develop standards with respect to transparency and exchange of tax information. In 2000, the OECD published a list of tax havens, and in 2002 a series of standards was adopted to regulate compliance by States with the newly-created Global Forum. Since 2006, the Forum has produced an annual review of the legal and administrative framework for transparency and information exchange in more than 80 jurisdictions. For the London G20 Summit in 2009, the Global Forum published a list of tax havens, and was mandated by the G20 to overhaul its procedures in order to be able to carry out more in-depth assessments. The revamped Forum adopted a new set of standards and began its new assessments in 2010.
PRGT	Poverty Reduction and Growth Trust
FSAP	The IMF's Financial Sector Assessment Program assesses a country's banking supervisory practices.
FSI	Strategic Investment Fund
FATF	The Financial Action Task Force is an intergovernmental organisation that was created in 1989 by the G7 members. Its goal is to respond to the globalisation of the phenomena of money laundering, which uses cutting-edge technologies that are propitious for faster - and therefore less easily decipherable - money flows.
G7	In 1974, in the aftermath of the first oil crisis, a series of informal five-way meetings (between the US, Japan, France, West Germany and the UK) was organised in Washington. This group was replaced by a G6, with the addition of Italy during the initial summit, at the Château de Rambouillet in 1975, which was convened by French President Valéry Giscard d'Estaing. The six founding heads of State agreed to meet once a year to deal with economic and financial issues in an informal manner. The G6 quickly became the G7, when Canada joined the group in 1976.
G8	In 1997 the G7 members invited Russia to join the group given the significant economic and democratic changes that the country had undergone in the preceding years. With the arrival of the G20 on the international scene, the role of the G8 needed to change, taking care to maintain the specific nature of this venue, which allows direct, informal discussions between the heads of State and government of the most advanced economies.
G20	The G20 was created in December 1999 in response to financial crises that had affected emerging countries in the late 1990s. Originally, the goal was to bring together, once a year and on an informal basis, finance ministers and central bank governors of both industrial and emerging countries to facilitate international economic coordination. At the end of 2008, at the instigation of France, the G20 became a body for economic leadership, bringing together the heads of State and government of G20 countries and leaders of multilateral institutions. It consists of the G7 (Germany, Canada, the United States, France, Italy, Japan, the United Kingdom), Australia, 11 emerging countries (South Africa, Saudi Arabia, Argentina, Brazil, China, South Korea, India, Indonesia, Mexico, Russia and Turkey) and the European Union.
FDI	Foreign Direct Investments
INSEE	National Institute of Statistics and Economic Studies
EITI	The Extractive Industries Transparency Initiative was set up in 2002 with G8 support. It is a voluntary global standard to promote transparency under which governments undertake to disclose revenues from oil, gas and mining at country level. The goal is to heighten transparency to better combat corruption and to bolster producing country governance, especially in emerging and developing countries. In each country, the EITI is represented by a multi-stakeholder group with representatives from government, the civil society and companies. The EITI now has around 30 producing country adherents.
ISF	Wealth tax
LIBOR	London Inter Bank Offered Rate
LDD	Sustainable development savings account
LOLF	Constitutional Bylaw on Budget Acts
MEDEF	French Employers' Association
ESM	European Stability Mechanism
EFSM	European Financial Stabilisation Mechanism

Mésange	Econometric Model for Simulation and General Analysis of the Economy,a quarterly macroeconometric model of the French economy.
SSM	Single Supervisory Mechanism for banks
NICT	New Information and Communication Technologies
OATs	Fungible Treasury bonds are issued for terms ranging from seven to 50 years. They are usually issued by auction on the first Thursday of the month, except in August and December.
OECD	The Organisation for Economic Cooperation and Development
OFCE	French Economic Monitoring Centre
WTO	World Trade Organization
MDG	The eight Millenium Development Goals were adopted by the UN and the major international organisations in New York in 2000 with a target date of 2015. The eight goals are to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability and set up a global partnership for development.
Omnibus	The Omnibus II Directive amends and supplements the Solvency II Framework Directive to bring it into line with the EU's Lisbon Treaty and establishes the EIOPA (European Insurance and Occupational Pensions Authority).
ONDAM	National Healthcare Expenditure Targets
NGO	Non-Governmental Organisation
ONIAM	National Office for Compensation for Medical Accidents
UN	United Nations
UCITS	Undertaking for Collective Investment in Transferable Securities
ORIAS	Organisme pour le registre des intermédiaires en assurance
OTC	Acronym for over the counter markets on which non-standardised derivatives are traded.
Deauville Partnership	Initiated at the Deauville G8 Summit in 2011 to support Arab countries in transition (Tunisia, Egypt, Morocco, Jordan and Libya), its goal is to ensure macro-economic stability and to assist governments with economic transition.
NCP	National Contact Point for the OECD Guidelines for Multinational Enterprises
PEA	Share savings plans
GDP	Gross Domestic Product
PRIE	Regional programme for international business development
LAC	Least Advanced Countries
SMEs	Small and Medium-sized Enterprises
Completion point	See HIPC
HIPC	The Heavily Indebted Poor Countries initiative represents a coordinated action by all international financial stakeholders, including the multilateral institutions, with an eye to bringing the external debt burden of these countries down to a manageable level. Eligibility and progress made within the framework of the initiative are assessed by the IMF and the World Bank. Thus, the IMF's Executive Board and the World Bank's Board of Directors decide whether a country meets the conditions for debt relief under the HIPC initiative, a stage known as the "decision point." The international community then agrees to write off enough of the country's debt – at an exact date called the "completion point" – to allow it to reach a sustainable debt level.
R&D	Research and Development
RPE	The Emerging Countries Reserve is a project assistance instrument of the Ministry for the Economy which provides support to some twenty emerging countries in the form of soft loans backed by sovereign guarantees.
RSA	Earned-income supplement
SMIC	Index-linked minimum growth wage

Solvency II	The goal of the Solvency II Directive (which was adopted in 2009 by the European Council and the European Parliament) is to reshape the prudential framework of the insurance sector. In 2014 it will take over from the Solvency I regime, which was a result of 1970s-era directives. Solvency II will maintain a high level of protection for policyholders, but will update prudential requirements and harmonise the European insurance framework.
GSP	The Generalised System of Preferences is a facility granted to developing countries for lower customs duties for goods entering the EU.
Subprime	A type of mortgage offered in the US before the crisis. Subprime mortgages were granted to individuals with poor credit histories.
SVT	Government securities primary dealers (SVT) are credit institutions accredited by the DG Trésor. They advise and assist Agence France Trésor for all its market transactions, its issuance policy and debt management, and more generally, with any matter concerning the workings of the market.
FTT	Financial transaction tax
TFEU	Treaty on the Functioning of the European Union
TIGRE	Inventory Table of State Guarantees
VSEs	Very small enterprises
TSCG	The Treaty on Stability, Coordination and Governance strengthens fiscal discipline and economic coordination between Member States. It took effect on 1 January 2013.
EU	European Union
EMU	Economic and Monetary Union
CAMU	Central African Monetary Union
WAMU	The West African Monetary Union, Central African Monetary Union and the Union of the Comoros are the Franc Zone's three monetary areas.
VIA	Volunteers for International Administration Experience
VIE	International Business Volunteers

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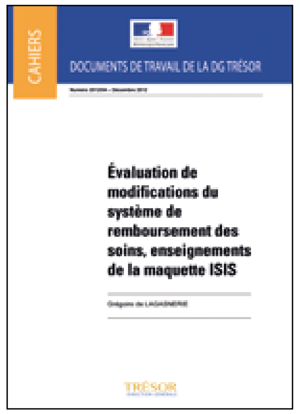

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