

# TRÉSOR

DIRECTION GÉNÉRALE

Directorate General of the Treasury

A N N U A L   R E P O R T   2 0 1 0



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## PREFACE

After the shock waves provoked by the deep economic and financial crisis of 2009, 2010 has been a year full of discussion and negotiation. Those processes reflected a determination to take concerted action in order to set robust international rules and lay the foundations for more sustainable growth. It can only be hoped that that determination will endure.

As always, the Directorate General of the Treasury (DG Trésor) did its utmost to make a positive contribution to the common effort, both by providing the Ministry

for the Economy, Finance and Industry with analyses, assessments and suggestions and by implementing the policies agreed. This past year, the European and international agenda was particularly full. From the agreement creating the European Financial Stability Facility to the debate on strengthening European economic governance, from governance reform at the World Bank and the IMF to the G20's move to establish a framework for strong, sustainable and balanced growth, the need for mutual support and coordination among economies began to take on increasingly concrete form. The growing economic power of what are still termed "emerging" countries proved to be a recurring theme in the discussion process, above all within the G20, whose presidency France assumed in November after the Seoul Summit (along with the G8 presidency as of 1 January 2011).

2010 was also a year of far-reaching economic reform in France. For example, the pension system was reformed to ensure that France's pay-as-you-go scheme would still be effective in 2018; a constitutional amendment setting fiscal spending limits to be submitted to a joint session of both houses of parliament in 2011 was drafted; the electric power market was re-organised; carbon emissions quotas were regulated in Europe; and arrangements for supporting French exports were revamped.

This annual report, which reviews our main activities in 2010, also offers an opportunity to shed light on how the Directorate is organised and what resources are available to it. To sustain the transformation process I initiated in 2009 with Benoît Coeuré, our Deputy Director General, we took many steps during the year to develop the human capital that is so vital to our Directorate and further streamline our structures.

As part of that effort, we also began thinking seriously in 2010 about the values we uphold, with the result that we distinguished four key terms to guide us in our day-to-day operations: commitment, openness, team spirit and loyalty.

We have done our best to sum up what was an eventful year in just a few pages. Under the leadership of Christine Lagarde, the entire staff of the DG Trésor played an active part in our work in 2010.

Ramon Fernandez  
Director General of the Treasury

## A BRIEF LOOK AT THE DIRECTORATE

The Directorate General of the Treasury serves the Ministry for the Economy, Finance and Industry, making economic policy proposals, carrying out the ultimate policy decisions under the Ministry's authority and defending France, in Europe and beyond.

### MISSION

- 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.

In addition, the DG Trésor manages **the State's debt and cash position** through Agence France Trésor (AFT).

### GOVERNANCE

Ramon Fernandez is the Director General of the Treasury, ably assisted by Benoît Coeuré, the Deputy Director General and Chief Economist.

The Management Committee, chaired by the Director General or Deputy Director General, brings together the heads of Directorate departments (Bilateral Affairs and International Business Development; Multilateral Affairs and Deve-

lopment Policies; Financial Sector; Public Policy; Macroeconomic Policies and European Affairs), the heads of Agence France Trésor and the General Secretariat and the Advisers on International Affairs and Legal Affairs.

A representative of the Government Shareholding Agency also attends Committee meetings.



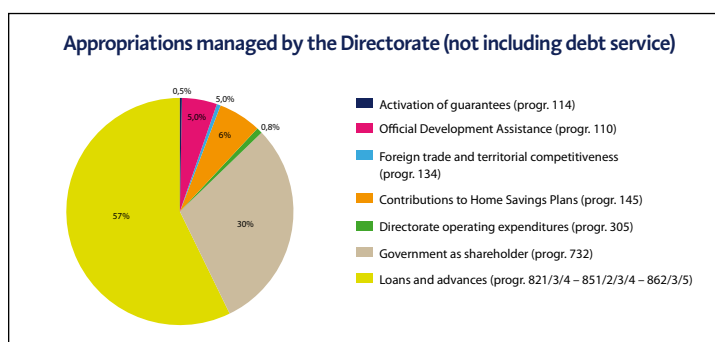
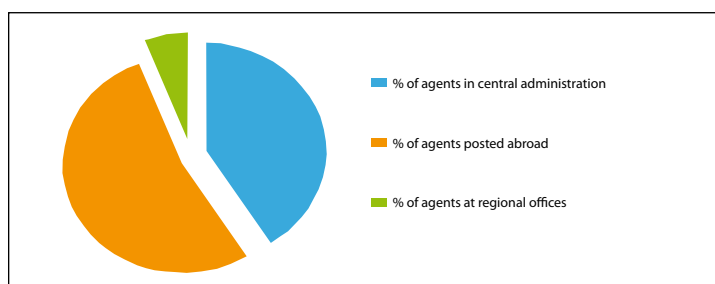
*Management Committee.*

## THE DG TRÉSOR IS ALSO:

- Nearly 1,800 employees serving France's economic policy goals, in France and 120 other countries.
- Responsible for managing approximately 15% of the State budget

The Directorate manages budget appropriations for 35 programmes as defined by the Constitutional Bylaw on Budget Acts (LOLF): 9 State general budget programmes and 26 special accounts (loan accounts, trade account, special account for monetary transactions). In 2010, the Directorate's expenditures under all these programmes combined were nearly €63.4 billion, accounting for 15.4% of total government appropriations provided for in the Initial Budget Act for 2010.

A large share of those appropriations – €40.5 billion – went to servicing the debt. The chart below shows the other main expenditure areas and their relative weights.



## OUR VALUES

**Commitment:** Commitment is the will to do everything in your power to serve the public interest; to modernise the economy; to put forward lasting solutions to the problems facing society today as well as future generations.

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

**Team spirit:** Whatever his or her position, rank or function, each member of

the Directorate has a valid contribution to make. Efficiency cannot be achieved just by accumulating skilled people; it requires combining skills, encouraging interaction and ensuring that the whole team works together towards a common purpose.

**Loyalty:** Everything done by the Directorate must be informed by ethical values. Chief among them is loyalty: loyalty to our fellow citizens, which means giving priority to the public interest; loyalty to ourselves through a commitment to make impartial proposals arrived at through rigorous thinking; and loyalty to the government authorities, which takes the form of doing our utmost to carry out instructions.

## HIGHLIGHTS

## January

## 14 January

Reform proposals that grew out of the DG Trésor 2010 transformation project are put forward. Designed to help the Directorate as a whole function more effectively, these proposals are the outcome of an exercise involving more than a hundred agents for six months.

## 20 January

**Accounting Standards Authority created.** The result has been to simplify France's accounting standards framework.

## 28 January

The first conference on the deficit initiates an effort to analyse public finance, rein in local government expenditure, shape healthcare spending and formulate a constitutional rule on maintaining a balanced budget.

## February

## 6 February

Finance Ministers and Central Bank Governors meet in Iqaluit, Canada, with an agenda centred on the global economy, financial sector reform, development, and Haiti.

## 17 February

**Pensions Steering Council macro-economic scenarios are adopted.** Put forward by the DG Trésor, these scenarios for growth up to 2050 form the basis for projections on the financial condition of the country's retirement funds.

## 28 February

Windstorm Xynthia is met with an unprecedented government response and mobilisation to limit the dramatic economic and human impact of the event.

## March

## 9 March

**The Prudential Control Authority (ACP) is created.** This independent authority affiliated with Banque de France results from the merger of four existing oversight and approval bodies for the banking and insurance sectors. Its brief is to enhance financial stability and protect consumers of financial products.

## 19 March

**DGTPE is renamed the Directorate General of the Treasury (DG Trésor)** to give it a clearer identity and a higher profile, both in France and abroad.

## April

## 14 April

Insurance covers home losses caused by storm. The usual deduction for depreciation does not apply to damaged dwellings in the "no-build areas" in the Vendée and Charente-Maritime départements so that storm victims can obtain higher compensation.

## 22 April

**INNOVEX is established to assist innovative SMEs in building international presence.** Designed to extend the work of France's competitive clusters and provide them with global stature, this programme plays a vital role in the country's foreign trade by making innovation a key to export success.

## 29 April

**Access to bank services for households below the poverty line.** The study the Minister requested of Emmanuel Constans, the Chairman of the Financial Sector Advisory Committee, on access to bank services for households below the poverty line is released.

## May

## 2 May

The Eurogroup agrees jointly with the IMF to an effective support programme for Greece totalling €110 billion.

## 7-9 May

**Summit of eurozone heads of State and special Ecofin Council meeting.** A temporary facility is created to support eurozone stability, and the EU agenda on economic governance, strengthening financial market regulation and combating financial speculation is accelerated.

## 15 May

**An Economic Department is set up in the French Embassy in Haiti.** Following the terrible earthquake that devastated Haiti and the many reconstruction projects initiated, the DG Trésor calls for strengthening its presence in Port-au-Prince to provide for effective interface between multilateral donors and French companies.

## June

## 16 June

The inaugural symposium "Les Entretiens du Trésor" is held on the topic Europe-China: Facing our Common Challenges. Attended by 450 people, this conference and discussion features some twenty high-level speakers who address the industrial, trade and monetary issues at stake in Chinese-European relations.

## 25 June

**The Camdessus Report is submitted.** At the behest of President Sarkozy, a commission including DG Trésor representatives and chaired by Michel Camdessus, the former Banque de France Governor, advocates a new form of governance for France's public finances that makes a "public finance planning framework act" a constitutional requirement.

## 27 June

**G20 Toronto Summit.** At this fourth G20 summit, the country leaders continue with their efforts to build a future based on strong, sustainable and balanced growth.

## July

### 9 July

**G20 symposium on financial regulation.** Organised by the DG Trésor and Banque de France at Bercy, attended by about a hundred representatives of member countries and the leading international organisations, the meeting marks progress in the discussions under way on regulating systemic risk, addressing capital flow volatility in emerging economies and regulating over-the-counter derivatives.

### 21 July

**Decision to complete the transfer to Ubifrance of the task of helping companies export and invest abroad.** By the end of 2012, additional staff and resources will be transferred so that Ubifrance can move from its current presence in 44 countries to establish a presence in 19 further countries.

## August

### 3 August

**Jean-Dominique Comolli** is appointed Commissioner of the Government Shareholding Agency, reflecting the expanding role of the French State as a shareholder.

## September

### 7 September

**The Ecofin Council endorses the financial supervision reform package.**

### 13 September

**The Basel Committee agrees to make banks sounder.** The Basel Committee proposes to multiply by 3.5 the minimum equity that banks have to hold in reserve by gradually raising it from 2% to 7%. Concurrently, the Basel Committee proposes an unprecedented toughening of the oversight of bank liquidity.

### 16 September

**Paris Club.** Liberia reaches its Completion Point under the Enhanced Debt Initiative for Heavily Indebted Poor Countries (HIPC).

### 22 September

**Arrangements for supporting major international contracts are strengthened.** The aim is to strengthen existing arrangements for assisting large companies, while upholding international competition rules, by adjusting those arrangements to reflect the rise of new competitors in export markets and supporting international partnership strategies pursued by French companies.

## October

### 19 October

**First session of a new DG Trésor symposium on Jobs Policy – Interactions Between Economy and Law.** The purpose is to foster dialogue among economists, legal professionals and the broader relevant academic and professional community on jobs policy.

### 21-23 October

**G20 ministerial meeting in Gyeongju, South Korea.** A historic agreement is reached on reforming IMF governance, including greater representation for emerging countries.

### 27-28 October

**The European Council endorses the report of the van Rompuy task force on European economic governance.** In its recommendations, the report calls for greater fiscal discipline, broader macro-economic surveillance and a robust framework for crisis management.

### October

**Three reports produced by the DG Trésor to help prepare for the budget bill are released:** the Economic, Social and Financial Report (Vol. I and II); the Report on Trends in Public Spending; and the Report on Trends in Taxes and Social Security Contributions.

## November

### 5 November

**Annual Entrepreneurs Conference.** The Directorate links up with the Journées de l'Entrepreneur to hold the Annual Entrepreneurs Conference at Bercy. The theme is "Entrepreneurs – Drivers of French Competitiveness in the 21st Century Economy".

### 9 November

**The Pension Reform Act** gradually raises by two years the statutory retirement age and the age of automatic entitlement to a full pension so that the French pension system can break even by 2018.

### 11-12 November

**G20 Seoul Summit.** Noteworthy progress is made on banking system regulation, governance reform at the International Monetary Fund (IMF) and the Fund's Lending Framework. The meeting also lays the groundwork for coordinated efforts to generate strong, sustainable and balanced growth. France assumes the G20 Presidency on 13 November.

### 17 November

**Paris Club.** The Democratic Republic of Congo reaches its Completion Point under the Enhanced Debt Initiative for Heavily Indebted Poor Countries (HIPC).

### 28 November

**Ireland is granted a financial support programme** by the EU Finance Ministers, who agree to launch a permanent European Stability Mechanism by mid-2013 to succeed the temporary European Financial Stability Facility (EFSF) and European Financial Stabilisation Mechanism.

## December

### 7 December

**Oseo is made stronger and simpler.** As provided for by the Banking and Financial Regulation Act, the operating units Oseo Financement, Oseo Garantie, Oseo Innovation and Oseo Bretagne merge to form a single company called Oseo.

### 22 December

**An export credit agreement among the leading aircraft manufacturing countries** paves the way for a level playing field in relation to government financing for all passenger aircraft exports.



## KEY FIGURES

**24** entities under DG Trésor supervision or secretaryship

**€45.6** billion in cash managed daily by Agence France Trésor, and **€188** billion

in medium- and long-term issuance, net of buybacks

**76** troubled companies employing close to **1 10,000** people assisted by **CIRI**,

the Interministerial Committee on Industrial Restructuring

**288** publications in the *Journal Officiel* (3 acts, 2 ordinances, 96 decrees and 187 government orders)

Responses to **1,256** written questions from MPs published in the Journal Officiel,

**529** questions from parliamentary committees regarding the 2011 budget bill

and **224** letters to ministers

**7** reports and **6** periodicals published (13 issues of Trésor-Economics and 7 background papers), along with the periodicals published by the economic departments abroad

**84** comparative international studies produced by the economic departments abroad

**€24.629** billion owed to France by foreign governments

**€3.5** billion in economic and financial development assistance managed by the Directorate

Sales agreements totalling **€753** million financed through the Emerging Countries Reserve

(RPE) and **33** studies financed by grants from FASEP-Études totalling **€19.5** million

**22,065** companies served by the network Ubifrance et les Missions Economiques,

up 16% from 2009

**€29.7** billion in financing provided by Oseo to a total of **81,331** companies.

For every euro of risk assumed by Oseo, the recipient companies are granted 2.1 euros in total financing from Oseo and its private sector partners.

**331** guarantee commitments provided by COFACE State Account for a total of

**€18.2** billion and **1 808** prospecting insurance requests from SMEs granted for a total of **€121.4** million



Consolidating recovery from the crisis





After taking unprecedented steps in 2009 to deal with the crisis, European governments successfully engineered a return to growth in 2010, while grappling with public sector deficits large enough to undermine macro-economic balance. The Directorate General of the Treasury was very much a part of that process. Working under the authority of the Minister for the Economy and the French Government, it helped craft and implement policies that strengthened France's fiscal consolidation drive without jeopardising the recovery. The Directorate also played an active part in preparing and introducing facilities for supporting troubled eurozone countries.

### Documenting the move to adjust public finance, based on coherent macro-economic forecasting



The DG Trésor provides economic and budgetary forecasts that give the Government a clear picture of the issues before setting fiscal policy. In that sense, the Directorate is a vital contributor to the strategic thinking that goes into fiscal policy-making. Its work includes making deficit and debt forecasts for the whole general government sector (central government, regional and local government, and social security funds) that serve as a basis for the country's bud-

get acts and social security financing acts, multi-annual public finance planning acts (the most recent of which was passed in December 2010) and stability programmes.

Those public finance forecasts are based on detailed macro-economic forecasts for both France and its main trading partners. Macro-economic and government spending scenarios are developed concurrently to reflect the economic impact of fiscal stimulus and, in the other direction, how the structure of economic growth affects government revenue and how the state of the labour market affects the aggregate level of unemployment benefits. Such interaction proved crucial when the 2011 Budget Bill was drafted in the summer of 2010. In particular, the downward revision of the growth forecast for 2011 to 2.0% (versus 2.5% in the Stability Programme) made additional fiscal consolidation necessary to enable the Government to meet the target of keeping the public spending deficit to 6% of GDP in 2011. The forecast in the medium-term scenario from 2012 to 2014 was based on the French economy's estimated potential growth rate. To arrive at that estimate, the Directorate assessed the impact of the crisis on the potential growth rate in 2010, leading to discussions on the Pensions Steering Council, the Economic Analysis Council, the Attali Commission and other bodies.

## Reducing the deficit – a vital necessity

2010 was a pivotal year for France's public finances. With the macro-economic situation improving but still shaky, the Government opted for a strategy of avoiding premature fiscal consolidation, which was likely to undermine the recovery, building the competitive strength of the French economy and setting the stage for long-term growth by investing in the future and reforming the local business tax. That strategy paid off. GDP expanded at close to its potential in 2010, and the outlook for 2011 confirmed the trend.

In the medium term, however, reducing the deficit is a crucial goal. Healthy public finances are essential to guaranteeing macro-economic stability and preventing the build-up of a debt burden that future generations would be compelled to shoulder. In keeping with its commitments to its EU partners, France therefore set itself the target of bringing the deficit down to 6% of GDP in 2011 and to 3% of GDP by 2013, a target set forth as of January 2010 in the Stability Programme sent to the European Commission.

The DG Trésor also provides assessments of the socio-economic and financial impact of the measures under consideration. A good example is its work in 2010 on the implications of pension reform and on reducing the least cost-effective tax expenditure and social contribution exemptions.

## Forecasting labour market trends, assessing paths to reform to secure a lasting recovery

The DG Trésor is actively involved with monitoring job market trends and proposing and designing structural reforms. Like the previous year, 2010 offered ample opportunity for action in both areas.

Once the economy and the job market began to pick up, the Directorate contributed to policy-making by providing the Government with regular labour market forecasts. A retrospective study of how the crisis has affected jobs and compensation

in France (Trésor-Economics, issue 83) revealed that the job market was trending in a more favourable direction than expected. That trend continued through 2010, thus reducing the likelihood of a "jobless recovery". Key reasons for that trend included the expansion of part-time employment, giving businesses greater flexibility, and new incentives to create jobs (e.g. no employer contributions required of very small enterprises, more combined work/training schemes).

Throughout the year, the Directorate tracked the implementation of new labour market structural reforms and contributed to the work of task forces and commissions:

- The DG Trésor took part in the experts group on the minimum wage in coordination with the National Commission on Collective Bargaining. One Directorate member served directly as rapporteur and three special focus studies fed into the final report. The first study reviewed the effect of the crisis on the labour market. The second study covered the career and compensation paths followed by minimum-wage earners. And finally, a study of the purchasing-power data for minimum-wage earners over roughly a dozen years underscored the positive influence of such employment support arrangements as the Prime pour l'Emploi (a sort of earned income tax credit) and the Revenu de Solidarité Active (the earned income supplement).

- The Directorate contributed to the Employment section of the report by the Commission on Unleashing Growth in France, headed by Jacques Attali. The report advocated a Deal for Advancement (contrat d'évolution) in the form of a job hunting status, supported by a special allocation and guidance that both increase in proportion to the obstacles to re-employment. At the same time, the Commission called for reforming vocational training, introducing a contract offering graduated rights, adjusting unemployment insurance contributions based on the experience rating approach pioneered in the US and further reducing payroll taxes by using a portion of VAT revenue to fund social benefits.

- The Directorate participated in the interministerial group working to annualise payroll tax relief

on low wages in order to eliminate a source of distortion. If, for example, low-wage earners were paid bonuses at intervals exceeding one month, calculating such relief on a monthly basis could produce an unwarranted decrease in employers' annual contributions.

The Directorate also brought greater focus to the labour-management discussion on unemployed workers no longer entitled to benefits by providing forecasts on the number of persons likely to be affected in 2010 and 2011. This led to a better understanding of the relative importance of the new April 2009 agreement and the economic crisis in driving up the number of unemployed workers with no further entitlements.

### A new symposium on employment policy



The DG Trésor has established a symposium on employment policy. Each of the three sessions held during the year focuses on a different topic. The first one, in October, was about the interrelationships among labour law standards, particularly between company-wide agreements and contracts of employment. The aim of these encounters is to encourage inter-disciplinary dialogue, above all between economists and legal professionals. Attended by representatives of government institutions, academics, legal professionals and representatives of civil society, these symposiums enrich the Directorate's expertise and enhance its standing.

## Supporting businesses and households in the current economic environment

### Support for banks: a positive track record for the Corporation for State Equity Holdings (SPPE)

SPPE was created by the Supplementary Budget Act of 16 October 2008, with the Government as its sole shareholder. Its brief is to fill the gaps in the market economy and help the main French banks hurt by the financial and economic crisis of 2008 and 2009.

SPPE draws on the pooled resources of the Directorate and APE. This makes it a lean organisation with operating costs kept to a minimum. It has no staff.

SPPE is authorised to provide up to a total of €40 billion. In two rounds of financing, SPPE subscribed for approximately €20 billion in equity instruments issued by banks showing disturbingly poor performance. With the exception of BPCE, all the banks redeemed those equity instruments during the autumn of 2009. BPCE did, however, carry out several redemptions from March to December 2010.

At year-end, SPPE still held deeply subordinated notes worth roughly €1 billion and €1.2 billion in preference shares issued by BPCE. Likewise, SPPE still held Dexia deeply subordinated notes worth approximately €1 billion.

As approved by the shareholders' meeting in April 2010, the SPPE accounts for 2009 showed a positive balance of €724 million. This made it possible to pay the Government a total of €800 million: €637 million in dividends and €162 million in corporate income tax.

## Increasingly transparent stress tests for banks

The DG Trésor played an active part in preparing the second pan-European bank stress test exercise conducted by the national supervisors (in France, the Prudential Control Authority) in coordination with the European Commission and the European Central Bank, whose results were published on 23 July. For the first time, the results were divulged bank by bank, in a climate of greater transparency than ever before. Designed to determine how Europe's banking industry could withstand severe shocks, the exercise was quite a challenge to coordinate, as it spanned 20 countries and a total of 91 cross-border banks.

## Support from Oseo

To avoid weakening smaller companies at a time of shaky recovery, the Directorate proceeded in 2010 with all due caution in phasing out the temporary support programmes prompted by the crisis. Oseo was given the resources it needed to assist 81,331 companies in its three focus areas: bank loan guarantees, innovation support and financing.

Oseo guarantees thus enabled 73,336 businesses to access €11.5 billion in financing (compared with 73,885 businesses and €11.7 billion in 2009). A number of points should be stressed in this connection:

- The Recovery Plan was gradually scaled back. Only 8,371 companies were supported, down from more than 14,700 in 2009, while the risk assumed declined from €2.247 billion to €1.196 billion. The bulk of the decrease involved the most costly programmes and those most directly related to the crisis such as the guarantee up to 90% and committed credit facilities.

- Oseo's standard guarantees showed little change, rising from €3.3 billion in risk assumed in 2009 to €4 billion in 2010. In fact, a return to pre-crisis conditions in terms of "market share" is expected in 2011.

In addition, 22,114 companies received a total of more than €3.2 billion in medium, long-term and mezzanine financing, while short-term financing was provided to 7,217 companies.

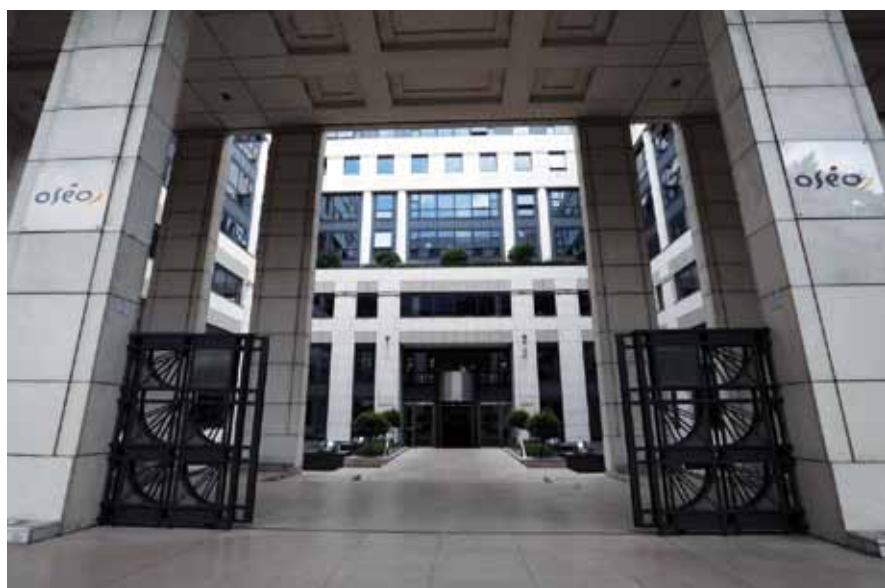
Lastly, 3,106 businesses benefited from innovation support and funding through innovation assis-

tance, the Interministerial Fund (FUI) and the Strategic Industrial Innovation Fund (ISI).

The Directorate also had responsibility for establishing "prospective" instruments to assist companies in overcoming the crisis and preparing for the future:

- In 2010, Oseo was given the resources required to meet the target set by President Sarkozy of €1 billion dedicated to Participatory Development Contracts (CDPs). These are contracts for long-term, non-guaranteed loans that are offered to financially sound SMEs and Entreprises de Taille Intermédiaire (ETIs – medium-to-large-sized enterprises). Available only as a supplement to debt or equity financing from the private sector, these contracts provide a substantial boost to business financing.

- Working in coordination with the Commissariat Général à l'Investissement (Public Investment Commission), the DG Trésor endowed Oseo with €2.44 billion, supplemented by €298 million in revenue from the one-off tax on traders' bonuses under the Future-oriented Investments Programme. By increasing Oseo's capital base, these resources make Oseo more effective. They provide financing for loans to small businesses (in the form of CDPs or "green loans"), major R&D projects at Compe-



titive Clusters and re-industrialisation assistance. They also enhance the competitive strength of small manufacturing firms and strategic industries.

- The Directorate oversaw the creation of a €400 million National Seed Capital Fund managed by Caisse des Dépôts et Consignations (the body administering France's savings deposits and retirements funds). The Fund will invest in sectors reflecting the technological priorities identified in the Emprunt National public investment programme.

- The Social Economy Fund, endowed with €100 million, is used for the purpose of creating and consolidating jobs, as well as designing and developing alternative, innovative approaches to starting up new business areas and ventures.

Finally, the merger of Oseo's operating units in late 2010, along with the publication of the articles of association of Oseo SA as required by the Banking and Financial Regulation Act, should raise efficiency and allow for greater synergy between the organisation's three focus areas (innovation support, financing and bank loan guarantees), and therefore better service to SMEs.

## CIRI

The Directorate also holds the secretaryship of the Interministerial Committee on Industrial Restructuring (CIRI). CIRI helps troubled companies with more than 400 employees bounce back by offering them a framework for constructive, confidential dialogue with their business and financial partners on how to tackle their problems.

In 2010, CIRI assisted 79 companies with a combined workforce of over 120,000. In 45 cases, there was a positive outcome, with the result that 62,000 jobs were saved. Since the onset of the crisis, a total of 108 companies employing 156,000 workers have made use of CIRI.

Three main trends can be distinguished in the Committee's work at the end of 2010:

- The number of companies assisted by CIRI showed a further increase (79, up from 69 in 2009).

## The Accelerated Financial Safeguard procedure (SFA): acting swiftly to ensure the future of companies

The DG Trésor worked with the Ministry for Justice to establish an Accelerated Financial Safeguard procedure (SFA). The SFA procedure was introduced by Article 57 of the 2010-1249 Banking and Financial Regulation Act of 22 October 2010, codified in Articles L628-1 to L628-7 of the French Commercial Code.

With this updated version of the safeguard procedure, companies whose troubles are strictly financial and that have the confidence of most of their creditors can achieve a quick turnaround that does not affect their suppliers and other business partners.

The SFA helps maintain the internal operations and business relations of those companies, thereby obviating the risk of cascading bankruptcies. Because the procedure is swift (1 to 2 months at the most) and because a solution is worked out in advance with the banks (through a mandatory arbitration procedure), companies can move fast without any damage to their corporate reputation. The SFA procedure will apply to all arbitration procedures initiated from 1 March 2011.

- There was also an increase in company size (averaging 1,600 employees in 2010, versus 1,060 in 2009), meaning that CIRI chiefly assisted the medium to large-sized enterprises that are essential to the vitality of the French economy.

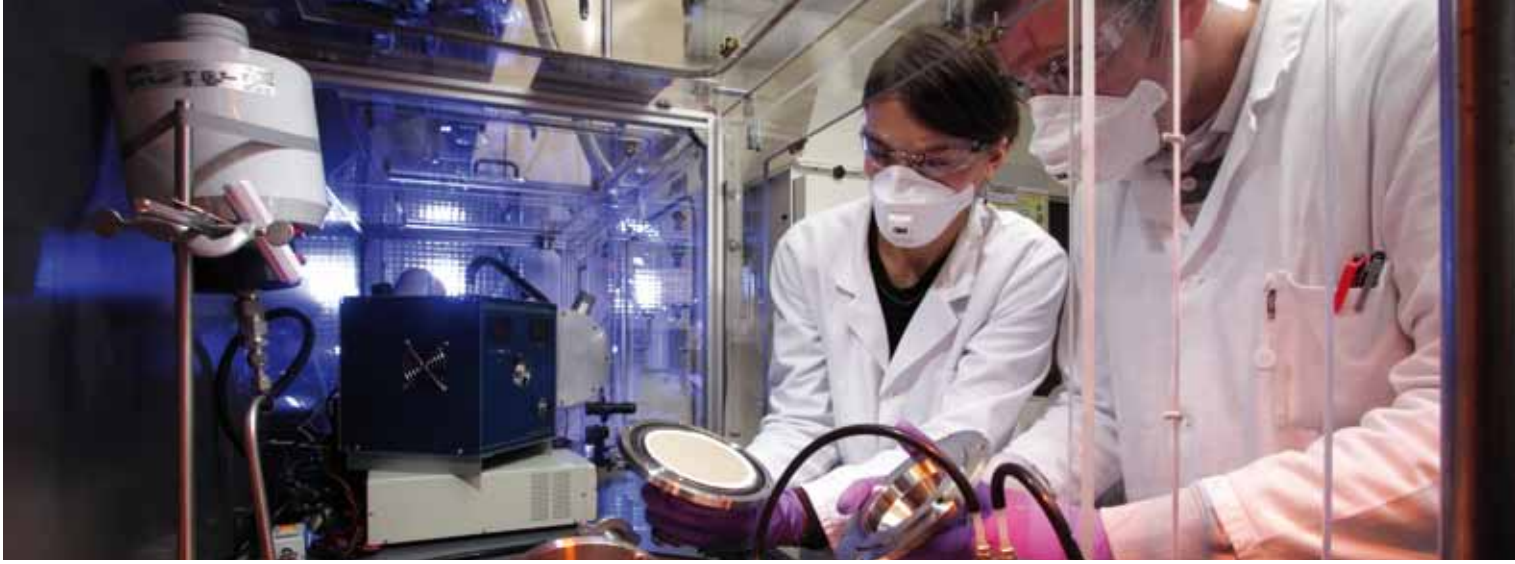
- Industrial companies remained the primary focus, accounting for 65% of all requests and 59% of the jobs at stake.

Finally, the new Accelerated Financial Safeguard procedure, which actively helped prepare, offers businesspeople an additional resource for working with their creditors to achieve the restructuring that the survival of their business requires.

## The FSI Sovereign Wealth Fund: supporting innovative companies with major growth potential

Established on 19 December 2008, the Fonds Stratégique d'Investissement (FSI) is a public limited company in which Caisse des Dépôts et Consignations (CDC) holds a 51% stake and the State the remaining 49%. This Sovereign Wealth Fund was set up with the aim of addressing the structural lack of equity facing businesses, accelerating their





growth, helping them through periods of major transformation and stabilising their shareholder base. Its brief is to support companies of strategic importance to overall competitive strength, whether because of unique capabilities or technology and jobs deemed vital to France or the EU. The State is represented on the Board of Directors by Luc Rousseau, the General Director for Trade, Industry and Services, and by Jean-Dominique Comolli, the head of the Government Shareholding Agency.

In its first two years of existence (2009-2010), the Fund invested a substantial €3.6 billion, including €2.4 billion invested directly in 56 companies – small, medium and large. To meet small business needs, the Fund invested in the FSI-PME programme (€300 million directly and €300 million through the FSI-France Investissement programme). Two new instruments were also created to allow for swift, effective intervention: the OC+ convertible bond in a total amount of €300 million, and the Fonds de Consolidation et de Développement des Entreprises (FCDE – Company Consolidation and Development Fund), in which the Fund invested €90, with banks and insurance companies providing an additional €190 million. High-growth small and medium to large-sized companies that benefited from this support include Mäder, Grimaud, Siclaé and Carso. By year-end, the two FSI-PME instruments had been used to carry out 39 investments: 31 investments totalling €93 million in convertible bonds, and 8 investments totalling €39 million through the FCDE.

The *FSI-France Investissement programme* is run by CDC Entreprises. It was initiated in 2005 with the aim of increasing the supply of equity funding for expanding SMEs, particularly in innovative and high-tech industries. The 2005 agreement between the State and Caisse des Dépôts et Consignations, as amended in 2009, provides for equity investments in the period from 2006 to

## Taxation of investment in SMEs: preventing abuse

The Directorate General of the Treasury actively contributed to the reform of financing support for SMEs that benefit from tax relief, whether on the wealth tax, through the “ISF-PME” arrangements introduced by the Law of 21 August, 2007 in Favour of Labour, Employment and Purchasing Power (TEPA), or on income tax, under the Madelin Act on tax deductible contributions to supplementary retirement plans.

The 2011 Budget Act thus introduced anti-abuse clauses, designed in collaboration with private equity specialists as a means of fostering best practices and eliminating a number of excesses in this area.

In addition, a decree and a government order issued in the autumn of 2010, following extensive dialogue with the Autorité des Marchés Financiers (AMF) and investment professionals, have established rules on the management fees and sales charges that may be charged by private equity firms (e.g. FCPI innovation mutual funds, FIP local investment funds) as well as by holding companies that are eligible for such measures. This framework also includes stiffer regulations on transparency in informing investors about such fees and charges.

2012 totalling €3.4 billion, including €2.4 billion in public sector funding, in early-stage private equity projects in France (venture capital and small-scale growth capital). As a result, €1.3 billion worth of public sector assets were invested between 2006 and the end of 2010, including €715 million in private equity funds. Investors from outside the France Investissement partnership contributed €5.6 billion to those funds. The DG Trésor, which





2010 Shanghai Expo: French pavilion.

is part of the FSI-France Investissement Strategic Focus Committee, is extensively involved in the assessment of these arrangements under way.

## Helping companies gain global reach

The need to update business support procedures and adjust them to current trends obviously applied to the area of international trade as well. To keep pace with those changes, the DG Trésor overhauled its own business support arrangements in 2010.

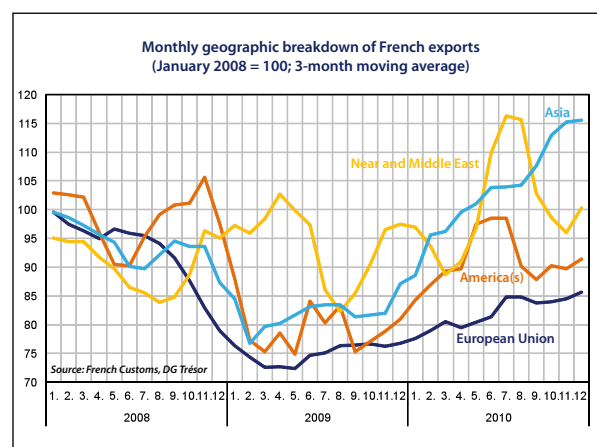
- An intense dialogue was initiated with French companies and employers' organisations on how to improve public policy in support of major international contracts. One outcome of this work was a seminar at which the Minister for the Economy, Finance and Industry and the Minister of State for Foreign Trade met with leaders of the largest companies involved with international infrastructure projects (transport, municipal services, energy, aerospace) and exports of other capital goods.
- The Directorate holds the secretaryship of the Interministerial Commission to Support International Contracts (CIACI, created by President Sarkozy in July 2008), and has called for greater coordination with such companies, particularly by sounding out their top executives.
- To assist SMEs, the process of streamlining the "French export team" around Ubifrance was continued through 2010. In its first two years of existence (2009-2011), the Agreement on Service Level and Resources yielded positive results. There was an increase in the number of first-time exporters supported (4,615 projects supported between 1 January 2009 and 30 June 2010) and, more generally speaking, in the number of companies

## Taking advantage of the surge in foreign trade

In 2010, world trade remained a driving force behind the recovery, growing at a vigorous 14% pace. After a powerful surge at the start of the year, trade reverted to a more normal growth rate in the second half, and the figures should soon reflect the medium-term trend observed.

The upswing in trade was significant in France as well, with exports increasing by 13.5% and imports by 14% in 2010. The French economy succeeded in leveraging strong global demand, particularly in Asia. This past year, in fact, China was a bigger contributor to French export growth than such legacy trading partners as Italy, the United States and Spain. The economic recovery achieved by our main European partners, with Germany in the lead, also boosted France's foreign trade. Despite this upturn, the country's trade deficit rose from €44 billion in 2009 to €51.4 billion in 2010, due to a higher energy bill (€48 billion, up from €40 billion in 2009) that stemmed from both the continuous increase in the price of Brent crude oil and the average depreciation of the euro against the dollar during the course of the year.

At the same time, the number of major international contracts signed by French companies jumped nearly 39% in 2010, attesting to considerable success in the aircraft industry, a key driver of French exports, as well as in oil, railways and construction.





assisted in their drive for global reach (more than 20,000 in 2010).

The risk of a liquidity crunch caused by the financial crisis remained substantial in 2010, raising doubts about whether a number of contracts would actually go through. In keeping with the proactive approach taken in 2009, Christine Lagarde worked with the DG Trésor to put in place an effective credit insurance policy. After an unprecedented 35% increase at the height of the crisis in 2009, credit insurance outstandings were up by 9% in 2010. This has brought the total risk covered by COFACE for the government to €60 billion at year-end. The protection granted in 2010 alone (covering signed contracts) exceeded €15 billion.

In more specific terms, this policy has helped large, mid-range and small companies to maintain their presence in contested markets as suppliers of transport, energy services, military, aerospace equipment and more. Noteworthy examples include Schneider Electric's contract to renovate the electric power grid for the city of Ashgabat in Turkmenistan, a food processing project in the Ukraine involving ITEK, a French SME, Alstom projects in Iraq and Kazakhstan, Thalès aerospace projects in Russia and the sale of several hundred Airbus planes by EADS.

The Directorate also handles bilateral project assistance procedures. RPE (Emerging Countries Reserve) and FASEP (Private Sector Research and Assistance Fund) are instruments designed to help French companies gain their first export references in expanding markets, promote "the French way" or maintain their positions in the face of aggressive competition.

In 2010, French companies signed delivery contracts worth a total of €753 million with RPE financing. Six new projects totalling €273 million were also covered by RPE loans. In 2010 as well, FASEP grants totalling €19.5 million were extended to support 33 research projects.

## Rapid response to lessen the economic impact of Xynthia

Windstorm Xynthia (27-28 February 2010) caused major damage and had a dramatic impact in both human and economic terms. To lessen that impact, the DG Trésor helped prepare and implement the following Government responses:

- Disaster status was officially declared for a large number of towns and villages within two days of the onset of the storm. The Directorate also began looking into possible changes in natural disaster insurance compensation.
- The time limit for filing claims for losses covered by natural disaster insurance was extended from ten days to one month.
- Yann Boaretto, the Inspector General of Public Finance appointed by the Minister for the Economy, Finance and Industry, took action to expedite claims processing in the disaster areas.
- A support plan for fish and shellfish farmers and a support plan for farmers were initiated, chiefly through the Fonds National de Gestion des Risques en Agriculture (FNGRA – National Fund for Managing Agricultural Risk), with which the Directorate is involved.
- The Fonds de Prévention des Risques Naturels Majeurs (FPRNM – Major Natural Risk Prevention Fund) was given responsibility for the amicable acquisition of property located in the "solidarity areas" (€205 million in 2010) and for reinforcing sea walls on the Atlantic coast (an estimated €500 million over the 2011-2016 period). The Directorate worked in particular on a plan to provide the Fund with long-term resources that was given concrete form in the 2011 Budget Act.

*Reconstruction work after windstorm Xynthia.*



## Promoting household spending and home ownership

The DG Trésor was actively involved with updating the arrangements for facilitating home ownership. The centrepiece of France's new unified programme since 1 January 2011 is a zero interest loan offered to all first-time home buyers without means-testing, which replaces the zero interest loan available since 1995, the previous tax credit on home loan interest payments and the Pass-Foncier (which allowed buyers to pay back a loan for the building before acquiring ownership of the plot). With 57.2% of all households owning their dwellings, France still falls short of the 70% target set by the Government and lags behind the European average (67%). By focusing on a single, more transparent measure that can be adjusted to the actual needs of prospective buyers, the Government's home ownership support policy has become more effective. It should go a long way towards achieving the target for the percentage of households that own their main residence.

As part of the overall move to reform the arrangements for facilitating home ownership, the Directorate overhauled the PEL Home Savings Plan in 2010. The aim is to make the PEL more attractive and to encourage a return to its primary function of financing the purchase of a home. Central to the overhaul is a new formula for calculating interest rates on such plans that is pegged to market rates so that the rewards to citizens with savings will reflect the maturity of their plans.

## Optimising government debt and cash management at a time of sovereign debt crisis

As the sovereign debt crisis gathered momentum in the eurozone during the course of 2010, Agence France Trésor carried out the largest annual finan-

## Greater efficiency through greater flexibility

To leverage the current situation of low interest rates and investor demand for higher quality sovereign, which includes French government securities, AFT took a flexible approach, adjusting issuance in several ways:

- AFT began with €210.7 billion in gross medium- and long-term issuance on a net issuance programme of €188 billion. The surplus was used to buy back outstanding issues, so that €22.7 billion was available to prefinance future programmes.

- Moreover, with investor demand for higher-quality issues with long maturities (10 years or more) or even very long maturities (30 years or more) clearly on the rise in 2010, AFT stepped up its issues in this yield curve sector, including a new 50-year benchmark – a 4% OAT maturing on 25 April 2060. In 2010, issuance of this new benchmark totalled €8.2 billion at an average cost of 3.85%. The most significant long maturity issues were thus instrumental in increasing the average life of government debt to 7.2 years at the end of 2010, versus 6.8 years at the end of 2009. This was slightly above the previous year-end record, i.e. 7.1 years at the end of 2007.

- At the same time, the total amount of BTFs outstanding was reduced by a substantial €27 billion, from €214.1 billion at the end of 2009 to €187.1 billion at the end of 2010. As a result, short-term debt as a proportion of total debt outstanding fell from 18.6% in 2009 to 15.2% in 2010. This decrease was made possible by the cash resource pooling policy initiated in 2010 and an active policy of redeeming BTANs maturing in January 2011 (a total of €5.5 billion). Lastly, due to the extremely low borrowing costs, the premiums and discounts on government issues yielded a positive balance, bringing net premiums up to an impressive €7.6 billion.

cing programme in its history – a total of €188 billion in medium and long-term issuance, net of buybacks.

The programme was executed with more than sufficient security, as demonstrated by the high average bid-to-cover ratios. The ratio for BTFs (fixed-rate short-term Treasury bills) was 2.8, exceeding the programme target of 2, while the ratio for OATs (fungible Treasury bonds) and BTANs (medium-term instruments) was 2.1, compared with a programme target of 1.5.





*Agence France Trésor.*

Moreover, the borrowing terms proved to be historically favourable to taxpayers. Even more so than in 2009, the French Government could take advantage in 2010 of a low interest-rate environment created by a combination of the European Central Bank's monetary policy and sustained demand for safe, liquid assets. As a result, this exceptionally large issuance programme was carried out at an exceptionally low annual cost of 2.53% over the medium and long term, compared with an average of 2.95% in 2009 and an average of 4.15% from 1998 to 2007.

As a result, net debt service in 2010 was €40.5 billion – €2.5 billion less than the amount forecast in the supplementary budget bill of 9 March 2010.

To ensure seamless government financial flows without compromising on security, AFT maintained its policy of managing cash under optimum conditions. It should be stressed that average gross intraday cash flows – flows in and out of the single Treasury Account at Banque de France – have been rising constantly over the past four years: from €23.0 billion in 2007 to €30.8 billion in 2008, €35.3 billion in 2009 and €45.6 billion in 2010. In this environment, the number of cash investment transactions has remained well above the average for the past few years: 12,295 in 2010, compared with an average of 11,021 from 2007 to 2009.

AFT also oversees the daily flow of deposits by the central government and “Treasury correspondents”. A noteworthy feature of the State's approach to cash management is that it includes not only central government activity in strict terms, but also all flows to and from the “Treasury correspondents”, accounting for more than half of all gross intraday cash flows in the single Treasury Account. The Banque de France uses this account to centralise in real time all the transactions carried out by the State's central and devolved departments (45.5% of gross intraday flows), by national public establishments (23.8%), by regional and local authorities and local public establishments (28.2%), as well as by a number of other institutions (2.5%), chief among them Caisse des Dépôts et Consignations.

The outcome of this active cash management policy was to reduce the Treasury's account balance by €22.2 billion between 31 December 2010 and 31 December 2009 while ensuring maximum security. This helped reduce the debt-to-GDP ratio by 1.1 percentage points during the year.

## Working to heighten eurozone financial stability

The DG Trésor represents France on the EU Economic and Financial Committee and works under the authority of the Ministry for the Economy, Finance and Industry to draft France's contributions and positions submitted to the Eurogroup and the Economic and Financial Affairs Council, commonly referred to as the Ecofin Council.

In 2010, the Directorate was extensively involved with designing and implementing the Economic Adjustment Programme for Greece; negotiating the Framework Agreement that constituted the European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM); and carrying out the Financial Assistance Programme to Ireland.



In the spring of 2010, Greece, a country confronted with severe tensions in the sovereign debt market, was granted a joint IMF-eurozone financial assistance package totalling €110 billion: a €30 billion IMF Stand-By Arrangement, and €80 billion in bilateral loans from the eurozone.

To access this funding, the Greek government is required to carry out a large-scale fiscal adjustment programme. So far, implementation has been satisfactory on the whole. However, the country still faces considerable macro-economic challenges that call for further efforts.

France has already contributed €5.8 billion out of the €27.5 billion lent to Greece by the eurozone countries to date. (France's share of the entire loan agreement totals €16.8 billion.) Including the €10.5 billion provided by the IMF in 2010, Greece has therefore received €38 billion since May 2010, equal to more than one third of the total programme, which extends until mid-2013.

In May, Europe set up temporary arrangements for preserving eurozone stability: a vehicle for eurozone countries alone, the European Financial Stability Facility (EFSF), and a Community-wide vehicle backed by the EU budget, the European Financial Stabilisation Mechanism (EFSM). The EFSF is backed by guarantees from eurozone Member States totalling €440 billion. The EFSM has the authority to raise up to €60 billion. On any funding programme, the IMF contributes an amount equal to 50% of whatever the EU provides. In return for such support, the beneficiary country undertakes to carry out a strict adjustment programme that is prepared, negotiated and subsequently monitored by the Commission and the IMF in coordination with the European Central Bank.

An €85 billion Financial Assistance Programme for Ireland was also agreed in November 2010. That package breaks down as follows: (i) €22.5 billion in Community assistance through the European Financial Stabilisation Mechanism (EFSM); (ii) €17.7 billion from the European Financial Stability Facility (EFSF) (iii) €4.8 billion in bilateral loans (€3.8 billion from the UK, €0.6 billion from Sweden, €0.4 billion from Denmark); (iii) €22.5 billion provided by the IMF; and (iv) €17.5 billion provided by Ireland.

On 12 January 2011, Ireland received its first funding from the EFSM – €5 billion – and on 18 January, the first tranche of IMF funding agreed – €5.8 billion. The EFSF released a first tranche of €3.3 billion to Ireland on 1 February 2011.





## Laying more robust institutional foundations



In France, in Europe and at the multilateral level, ambitious reforms have been initiated to ensure that the institutions responsible for overseeing or implementing economic policy are sufficiently robust and able to take effective action. Key areas targeted were economic governance, financial supervision and Official Development Assistance – all of which kept the DG Trésor particularly busy in 2010 as France geared up for its term holding the G20 Presidency.

## Redefining economic governance in Europe

With the eurozone crisis gathering momentum, the European Council tasked its President, Herman Van Rompuy, with chairing a Task Force on how to improve economic governance in March 2010. After six months of work, the Van Rompuy Task Force, on which the Minister for the Economy, Finance and Industry represented France, produced a report that was endorsed by the European Council at its meeting on 28 and 29 October.

The EU Parliament and the Council are currently using the report as a basis for examining the six legislative proposals on economic governance put forward by the European Commission on 29 September. All three institutions are committed to adoption of the proposals by mid-2011 (as stated at the European Council meeting of 16 and 17 December 2010).

The issues covered include enhancing budgetary surveillance, strengthening surveillance of macro-economic imbalances among Member States and setting minimum common requirements for national budgetary frameworks. Once introduced, these reforms will greatly broaden and strengthen macro-economic surveillance and economic policy coordination in Europe, while preventing severe

economic and financial tensions from taking hold:

- Surveillance will be broadened by a new macro-economic alert mechanism, accompanied by fines for Member States that fail to comply with Council recommendations.
- On the fiscal front, both the preventive and corrective arms of the Stability and Growth Pact will be reinforced considerably, with a voting procedure that will make it hard to reject sanctions. If, in the Council's view, a Member State that has been warned fails to take the prescribed corrective action within the specified timeframe, the Commission will propose a fine that the Council cannot quash unless a qualified majority of Council members votes against it. In addition, the debt criterion will be made more operational through the adoption of a numerical benchmark for gauging debt reduction efforts.
- The budgetary frameworks of all Member States must be in line with the minimum quality standards set at EU level.
- All of these measures will be part of the new "European Semester". By bringing forward to April the timetable for all stability and convergence programmes and national reform programmes to be submitted, the European Semester promotes more effective incorporation of EU recommendations into the major economic and fiscal policies pursued by Member States and better coordina-



tion between budgetary surveillance and growth policy surveillance, in keeping with the Europe 2020 strategy.

After taking part in the Task Force, the DG Trésor was given responsibility for representing France on the ad hoc group set up by the Council to negotiate over the six reforms. Since October 2010, the Directorate has been steering the negotiations and preparing the discussions within the COREPER (the EU Permanent Representatives Committee) and the Ecofin Council, while tracking the relevant work by the European Parliament and making sure there is adequate coordination between EU-level and Member State efforts (particularly with the “multi-annual public finance planning framework acts” called for in the Camdessus Report soon to be introduced).

## Redefining global economic governance

### Strengthening the international financial institutions

#### ***The International Monetary Fund (IMF)***

Under the leadership of Christine Lagarde, the DG Trésor played a vital role in 2010 in maintaining and accelerating the drive to update the IMF’s resources, intervention mechanisms and governance.

Following up on its €11 billion bilateral loan to the International Monetary Fund, France was one of the first countries to ratify the move to make the IMF’s New Arrangements to Borrow flexible and expand them to \$500 billion in the spring of 2010. To enhance the Fund’s ability to support low-income countries, France also granted a loan worth \$2 billion in SDRs to fund IMF concessional lending facilities, which has been in effect since mid-September 2010. The DG Trésor also worked to ensure further analysis of the forms of action used by the IMF. The outcome was that 2010 marked a new

stage in the reform of the IMF Lending Framework that has improved the Fund’s ability to prevent crises.

The IMF is much more than just an effective source of funding. Two years after the onset of the crisis, IMF governance underwent a major overhaul that reflected the strategic vision advocated by France. The agreement on quota and governance reform reached by the G20 Finance Ministers on 23 October in Gyeongju, South Korea was termed “historic” by the IMF Managing Director. Throughout 2010, the DG Trésor was involved in the negotiations. The resulting reform is fully in line with expectations. In keeping with G20 commitments, it has led to a more legitimate, credible and effective IMF.

#### ***The World Bank***

On France’s behalf, the DG Trésor negotiated over World Bank governance reform with the aim of increasing the institution’s legitimacy by giving greater voice and representation to the emerging and developing countries. The result was an agreement in April 2010. This reform raised the voting power of the developing economies to 47.2%, and made China the World Bank’s third largest shareholder, ahead of Germany (fourth), France and the United Kingdom (tied for fifth place). The trade-off between the need for greater balance and the legitimate goal of maintaining France’s standing reflects the Government’s views, as defended by the Directorate.



EU Parliament.



## More resources for development institutions



2010 was the year in which the multilateral development banks completed their capital reviews. As requested by the G20 heads of State and government at the London summit in April 2009, the reviews were designed to ensure that those institutions had adequate resources to take effective counter-cyclical action in dealing with the crisis.

The outcome was a general capital increase of 30% at the IBRD (International Bank for Reconstruction and Development), 50% at the EBRD (European Bank for Reconstruction and Development), 70% at the IDB (Inter-American Development Bank) and 200% at the AfDB (African Development Bank), following a rigorous negotiation process that ensured that the capital increases were appropriate to each bank's needs and accompanied by the necessary institutional changes.

The French Parliament authorised the Government to subscribe for these capital increases in December 2010. 2010 also saw the replenishment of the two main concessional lending arms of these institutions, the IDA (World Bank Group) and the African Development Fund, or ADF (African Development Bank), with the result that the IDA has raised \$49 billion and the ADF \$9 billion to help reduce poverty and boost growth in the poorest countries over the next three years. As the fifth largest donor to the IDA and fourth largest to the ADF, France will be contributing a total of €1.6 billion.

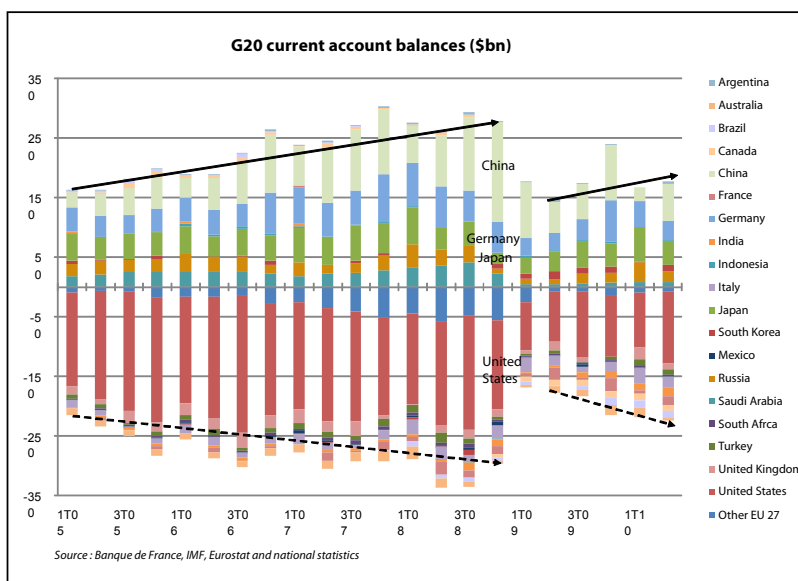
## Reducing macro-economic imbalances

Because they all recognised the problems created by global macro-economic imbalances and the need to reduce them, the G20 heads of State and government pledged at the Pittsburgh Summit in September 2009 to implement reforms to stimulate domestic demand in countries running significant external surpluses and support private sa-

vings in countries with persistently high external deficits. To foster discussion on those imbalances and devise a cooperative scenario and appropriate policy tools, a forum devoted to economic policy coordination issues was established: the Framework for Strong, Sustainable and Balanced Growth. The long-range objective is for the G20 members to implement reforms that lead to more balanced growth in the world by limiting global macro-economic and financial risks. Highlighting the need for a framework to manage these imbalances on a negotiated basis are the major uncertainties as to future current account trends in the largest economies (see graph below)..

The G20 Growth Framework is a highly challenging one, with all economic policies scrutinised by the IMF for international compatibility and then discussed by the G20 member countries.

To keep the G20 and the IMF informed of France's economic policy choices, the DG Trésor has been given a number of tasks. At Minister Lagarde's request, the Directorate produced a summary of the reforms under way or in the offing ahead of the Toronto Summit, underscoring the benefits for France as well as for the country's partners. This effort to bring the primary goal of the Growth Framework into sharper focus was hailed by the IMF and followed with interest by many member



(1) « A Framework for a Strong, Sustainable and Balanced Growth »

## A dedicated project team to prepare the French Presidency of the G20



The DG Trésor made good use of 2010 to lay the groundwork for the French Presidency of the G20. As of June, a dedicated team gradually took shape under the leadership of a project manager reporting to the head of the Multilateral Affairs Department. The 19-member team is divided into a “content” unit responsible for monitoring the substantive issues on the agenda of the French Presidency, an “organisation” unit that handles all event-related logistics and a unit in charge of the areas traditionally covered by the office that prepares international summits (e.g. IMF and anti-corruption meetings). During the course of 2010, the G20 project team structured internal work processes (developing methods and tools, setting up steering committees), established a calendar of G20 events and outreach initiatives by the French Presidency and designed an extranet for country delegations.

The purpose of the team, however, is by no means to pre-empt all G20 issues; the entire Directorate is involved. The key issues are still handled by the relevant offices, working in coordination with the G20 project team. To ensure a smooth flow of information and keep the ball rolling, the DG Trésor has given a number of staff members responsibility for specific themes. Lastly, the Directorate works closely with Minister Lagarde’s staff to maintain productive relations with other ministries, the Secretariat General of the French Presidency of the G20 and the “sherpa” and his team through the various steering committees.

countries. At the close of the Toronto Summit, the assembled heads of State and government approved an ambitious list of economic policy recommendations to the G20 that were in line with the goal of reducing imbalances set previously in Pittsburgh.

Throughout the year, the DG Trésor was heavily involved with implementing the Growth Framework. This included both participating directly in an ad hoc working group and in meetings of the alternates of Ministers and Central Bank Governors, and fleshing out France’s position ahead of meetings of ministers, “sherpas” and heads of State and government. In 2011, the Directorate will continue with its efforts to perpetuate this discussion forum, in accordance with one of the priorities of the French G20 Presidency, which is to reduce global imbalances and promote economic policy coordination.

## Fresh impetus for EU trade policy

The institutional framework for trade relations showed significant progress in 2010, and the DG Trésor contributed to that progress as the structure representing France on the EU Trade Policy Committee.

First of all, negotiations on several Free Trade Agreements (FTAs) were completed or initiated, reflecting the ability of the European Union to play an effective, and even central role in the trade liberalisation process under way. An FTA was signed with South Korea; FTA negotiations were completed with Colombia, Peru and the countries in Central America; talks were initiated with Singapore and Malaysia, resumed with Mercosur, and continued with Canada and India.

Second of all, the EU governing bodies took up the French view on the importance of reciprocal trade relations between the European Union and

## The Paris Club: \$13.294 billion in debt treated

As the body with responsibility for chairing the Paris Club and coordinating its work, the DG Trésor has negotiated and implemented several important debt restructuring agreements. One such agreement provided for cancellation of Liberia’s entire debt to Paris Club creditors last September. Likewise, the debt sustainability of the Democratic Republic of Congo was restored.

The Paris Club also joined forces with the Institute of International Finance (IIF) to hold a high-level international conference on 16 June 2010 to deal with the sustainable financing of emerging and developing countries.

its partners. In July 2010, France responded (with major input from the DG Trésor) to the Public Consultation on a future trade policy launched by the European Commission. The outcome was a Communication from the Commission dated 9 October 2010 that expressly calls on the European Union to promote reciprocity in its drive for more open trade relations. Further endorsement was provided in the Draft Council Conclusions adopted under the Belgian Presidency of the Council of the European Union.

The European Commission's Communication likewise echoed the idea advocated by France that in the demands it makes and the advantages it grants, the European Union should take a differentiated approach that depends on the level of development of our partners, clearly distinguishing between major emerging economies and the rest of the developing world.

Yet another sign of major progress is an upcoming change in voting rules that will make it easier to adopt trade defence measures such as anti-dumping and anti-subsidy duties. The Council and the EU Parliament now support the shift from the simple majority rule, which enables Member States to reject a Commission proposal to impose such duties by a simple majority vote, to the qualified majority rule, which requires a qualified majority in the Council to oppose Commission proposals. The DG Trésor played a significant role in

convincing Germany of the need for that change, with the result that the proponents on the Council of effective trade defence instruments won out. The Directorate also worked actively to build awareness in the European Parliament of the issues at stake. The regulation providing for the voting rule change has entered the final stage of adoption by the co-legislators and is scheduled to come into force on 1 March 2011 (with the new voting rule applicable 18 months later).

In addition, the DG Trésor was instrumental in helping to design a future Carbon Inclusion Mechanism (CIM), which would introduce carbon tariffs at EU borders on goods manufactured in countries that do not abide by CO<sub>2</sub> emission standards of the kind upheld by the European Union, and in promoting the idea to France's EU partners.



*Seoul and Han river.*

## Embedding the protection of investment in the Common Commercial Policy

The Treaty of Lisbon entered into force on 1 December 2009. Because it incorporates Foreign Direct Investment (FDI) in the EU's Common Commercial Policy, organising the transition that this transfer of competence entails was a key point on the agenda in 2010. The DG Trésor argued for maintaining in force all the Investment Protection Agreements signed by France in the past forty years. The Directorate also took part in the initial efforts to design future EU policy in this area. In particular, the DG Trésor called for a shift in policy that more adequately reflected the weight of emerging economies and the need to use investment protection policy to promote sustainable development and corporate social responsibility (CSR).

On the CSR front, the DG Trésor has also been actively involved in the revision process for the OECD Guidelines for Multinational Enterprises, and has advocated giving these non-binding recommendations greater depth and a sharper focus.

## Confronting non-cooperative jurisdictions

The Directorate has taken the lead in implementing the fight against non-cooperative jurisdictions and tax havens, following up on the drive launched by the G20 in 2009 in the wake of the financial crisis. Working in coordination with the tax policy directorate, the DG Trésor actively contributed to progress on several fronts:

- On the tax front, the publication of the OECD's grey list of tax havens in April 2009 sparked a flurry of negotiations over tax agreements including tax information exchange provisions. As a result, about twenty such agreements were signed between France and countries on the grey list. France was also a prime mover in the revival of the Global Forum on transparency and exchange of information for tax purposes, co-chairing the peer review group tasked with monitoring all member countries and territories. Since the start of the process in March 2010, the group has made substantial headway, validating a good twenty reports, and will be providing the G20 with an interim report at the end of 2011. Likewise in keeping with its commitments to the G20, France designed a whole arsenal of counter-measures in late 2009 to tackle non-cooperative tax havens (2010 budget act).

- On the prudential front, France currently chairs the Financial Stability Board's working group on non-cooperative jurisdictions. A peer review procedure for identifying non-cooperative jurisdictions was approved and implemented in 2010. By autumn 2011, the working group should be releasing a list that ranks non-cooperative jurisdictions according to their performance in cooperating and complying with international standards.

- To further the fight against money laundering and terrorist financing, France helped design a new procedure within the Financial Action Task Force (FATF) to facilitate the identification of countries with inadequate systems for detecting money laundering. A list of non-cooperative countries was subsequently established and a memorandum on jurisdictions showing strategic deficiencies was released in February 2010. The list is updated at each of the three plenary sessions held by the FATF every year. A number of countries made sufficient progress to be removed from the list in October 2010, thus highlighting how effective the process is.

To keep European companies competitive and nurture innovation in Europe, the EU has continued negotiating with ten other partner countries on the proposed Anti-Counterfeiting Trade Agreement. The negotiations produced a draft text released in the autumn of 2010. Once it has been formally approved, the Agreement should establish an international framework for enforcing intellectual property rights in the member countries.

## Stepping up the fight against financial crime

Combating illicit financial flows and terrorist financing is a Government priority. The public authorities are committed to assisting the private sector in assessing the attendant risks and deploying new anti-money laundering processes. As a key participant in this effort, the DG Trésor holds the secretaryship of the new Money Laundering and



Terrorist Financing Steering Group, whose first meetings took place in 2010. The Group brings together representatives of the relevant Government departments and supervisory authorities for the purpose of enhancing national coordination in this area, if and when required with the assistance of financial industry professionals. With respect to financial crime, the DG Trésor prepared and monitored the draft legislation transposing the Third EU Anti-Money Laundering Directive into national

law. Initiated with the ordinance of 30 January 2009 on preventing the use of the financial system for money laundering and funding terrorism, the transposition process was completed in the summer of 2010 when reporting requirements on cash transactions above specified thresholds were introduced. This means that France now upholds the highest international standards in this area. To facilitate compliance with these new obligations, the DG Trésor coordinated the creation of an



*Trading room.*

information web page indicated on the home page of the Ministry's website.

The DG Trésor is also at the forefront of negotiations on international financial sanctions. In 2010, the Directorate had noteworthy involvement with negotiating a new UN Security Council Resolution on Iran and then working towards a European implementing regulation. The EU's Iran sanctions regime now gives the DG Trésor oversight authority over all financial transactions between France and Iran. A website dedicated to international sanctions is kept up to date and a generic Sanctions mailbox handles requests in real time.

Finally, as the body heading the French delegation to the Financial Action Task Force (FATF), the DG Trésor takes part in FATF negotiations, and was particularly involved in 2010 with the standards reviewing process. The Directorate also coordinated the FATF evaluation of France's entire system for tackling money laundering and terrorist financing, which led to a report released to the public in February 2011.

## Strengthening financial regulation

### A revamped EU supervisory framework

In October 2008, while France held the rotating Presidency of the Council of the European Union, Jacques de Larosière, the former head of the Treasury and subsequent IMF Managing Director, was tasked with writing a report on how to remedy the failings in Europe's system of financial supervision.

Based on his recommendations, the Council and the EU Parliament adopted a new supervisory architecture on 22 September 2010. Four new bodies now form the European Union's system of financial supervision.

Created in December, the European Systemic Risk

Committee (ESRC), is responsible for monitoring and assessing system risk in order to avert future crises and improve the resilience of the financial system to shocks. The challenge facing the ESRC will be to identify any risks to financial stability as early as possible (e.g. speculative bubbles, uncontrolled proliferation of complex financial products). Where appropriate, the Committee will be empowered to issue alerts and make recommendations to Member States, the new EU supervisory

### The changing framework for prudential regulation of insurance

The Solvency II Directive adopted in late 2009 by the Council and the EU Parliament, which will replace the Solvency I regime in 2013, is going to revamp prudential regulation of the insurance sector. While maintaining a high level of protection for the insured, Solvency II is intended to update prudential requirements, improve risk management and achieve greater convergence across the European Union.

The DG Trésor works closely with the Prudential Control Authority (PCA) to represent France in the EU discussion process on future measures for implementing the Directive – measures to be crafted under the guidance of the European Commission, based on technical advice from the European supervisory authority (CEIOPS, renamed EIOPA on 1 January 2011). Furthermore, in coordination with the PCA, the Directorate helped establish the parameters for the fifth Quantitative Impact Study (QIS 5) conducted from August to November 2010. In working out the French position, the DG Trésor has conferred with industry representatives and experts on the subject. An analysis of the results of QIS 5 with respect to the French market should provide a clearer sense of the country's priorities.



authorities and national supervisors. Heading it will be the President of the European Central Bank.

On behalf of Minister Lagarde, the DG Trésor has worked to ensure the successful establishment by 1 January 2011 of the three EU supervisory bodies with authority over banking, insurance and financial markets, respectively. To achieve uniform, high-quality supervision across the Single Internal Market, these authorities have been granted powers to arbitrate disputes between national authorities as well as emergency powers. They will also be responsible for developing common technical standards for inclusion in EU legislation. At the same time, the new European Securities and Markets Authority (ESMA) has been entrusted with directly supervising all credit rating agencies registered in the European Union.

## France in the vanguard

The Banking and Financial Regulation Act entered into force on 23 October 2010. Promoted by Christine Lagarde, it provides for enhanced financial system regulation and control. An extension of France's efforts at the EU and international levels to overhaul financial regulation ahead of the French G20 Presidency, the new law has moved France into the global legislative vanguard.

With its legal, economic and financial points developed to a large extent by the DG Trésor, this far-reaching piece of legislation emerged from a process of constant coordination with all stakeholders, from consumer advocacy groups to industries affected to regulatory authorities. The two key features of the Banking and Financial Regulation Act are greater market oversight and more effective prudential supervision. Both short selling and trading in credit default swaps (CDS) and other derivatives are now more tightly controlled. The law also provides for stricter monitoring of credit rating agencies and regulates compensation for financial market participants. In addition,

## Anticipating and managing systemic risk

Following up on the establishment of the European Systemic Risk Committee, or ESRC (see above), France created a Financial Regulation and Systemic Risk Board (COREFRIS) to replace the Board of Supervisory Authorities for Financial Sector Businesses, a body functioning in what seemed to be outmoded ways. Operating under DG Trésor secretaryship, the new Board instituted by the Banking and Financial Regulation Act of 22 October 2010 is composed of representatives of the financial sector authorities and three other qualified persons. Its brief is to advise the Minister for the Economy, Finance and Industry on how to anticipate and manage systemic risk. The Board will also provide France with a sounder basis for negotiating international and EU standards on financial regulation, including the possibility of issuing opinions and expressing positions before the standards drafting process has begun.

the AMF and the Energy Regulation Commission are jointly tasked with supervising and monitoring greenhouse gas emissions trading (referred to as the "carbon market").

To strengthen oversight of the financial industry, the law ratifies the creation of a single oversight and surveillance authority for the banking and insurance sectors. It also establishes a Financial Regulation and Systemic Risk Board to forestall systemic risks to the financial industry. The Board is chaired by the Minister for the Economy, Finance and Industry, with the DG Trésor holding the secretaryship.

Last but not least, the Banking and Financial Regulation Act affords greater security to consumers of financial products (with compulsory, centralised registration for all financial intermediaries) and regulates banking fees more effectively.

## Resources adequate to the challenges facing the stock market watchdog

In 2010, the DG Trésor worked hard to obtain enlarged powers for France's stock market watchdog, the Autorité des Marchés Financiers (AMF). The Banking and Financial Regulation Act of 22 October 2010 marked the achievement of that goal. For example, the maximum penalty that the AMF can impose has been increased tenfold to



€100 million. The scope of AMF authority has also been extended to preventing and punishing market abuse in over-the-counter derivatives trading. Similarly, six months after the release of the Prada Report on regulating the carbon market, of which the DG Trésor was co-rapporteur, the Banking and Financial Regulation Act gave the AMF direct authority over that market. What is more, the Act established a set of rules to regulate short selling under AMF authority – ahead of an EU regulation under discussion in 2011.

Stepped-up financial regulation, the growing need for new surveillance tools to deal with new trading techniques such as automated trading and a sharp reduction in resources available to the AMF together formed the background to the Budget Act for 2011. The Act endows the AMF with additional means to carry out its task by giving its resources model a more lasting character. This includes a new tax assessed on market capitalisation of large listed companies and a tax on the trading activities of major French banks, assessed on the banks' equity, along the lines of the systemic-risk tax.

### **Innovating in corporate governance and simplifying accounting standards for SMEs**

The DG Trésor was involved in reviews and initiatives launched in 2010 on corporate governance, including reforms on gender diversity on the boards of listed companies, transposition of the Shareholder Rights Directive and the response to the European Commission Green Paper on corporate governance in financial institutions.

Regarding accounting standards, the Directorate contributed to the Government's review of how to reduce the regulatory and administrative burden on companies, notably micro-entities, while main-

taining a robust, harmonised framework at the European level. It opposed the adoption of IFRS for SMEs, a French Government position that is shared by a number of Member States.

Lastly, in accordance with the Banking and Financial Regulation Act, the Director General of the Treasury or his representative participates in the High Council of Statutory Auditors.

### **Entrepreneurs in the spotlight**



The DG Trésor linked up with the Journées de l'Entrepreneur to hold the Annual Entrepreneurs Conference on 5 November at Bercy. The theme was "Entrepreneurs – Drivers of French Competitiveness in the 21st Century Economy".

The encounter provided the opportunity for the Directorate to show its commitment to reinforcing corporate competitiveness and stimulating the French economy. Under the high patronage of Christine Lagarde, the event showcased high-profile speakers in its mix of conferences and exchanges and explored the cultural and economic aspects of entrepreneurship and entrepreneurial financing.



- let's make a climate for change



Preparing for long-term challenges





The emergency measures taken to recover from the crisis have not compromised the Government's commitment to its long-term agenda. As a result, 2010 was a pivotal year for reform: at the national level with pensions, consumer credit, the modernisation of the economy and budget guidance, and internationally with the French Presidency of the G20, reform of the international monetary system and commodity price volatility. The DG Trésor has played an active advisory role in all of these projects as well as in implementing the reforms within its areas of expertise.

## Ensuring a viable, long-term pension system

President Sarkozy set the tone on 22 June 2009 in his announcement before the Parliament. The long-awaited pension reform culminated in new legislation enacted in November 2010. Unlike those in 1993 and 2003, this reform focused on the statutory retirement age and the age of entitlement to a full pension, which would gradually be raised by two years to 62 and 67 respectively for



the 1956 generation. Some workers with physically demanding or particularly stressful jobs will be granted the option of exceptional early retirement at age 60 to ensure equality and fairness. The reform also included targeted measures to avoid penalising employment and to harmonise plans for greater equality. Retirement savings plans were reworked and measures added to encourage employing senior citizens.

The DG Trésor was continuously involved in crafting this reform over the project's entire duration of one year and a half. It contributed to and guided each of the major phases:

- The Directorate worked on clarifying the financial framework for the new pension reform. Amid economic uncertainty, it set forth various crisis recovery scenarios, forming a revised economic framework for the new financial forecasts published by the Conseil d'Orientation des Retraites (Pensions Steering Council, or COR) in April 2010 to determine an eventual break-even point for the French pension system.
- At an earlier stage, the Directorate contributed to developing potential avenues for reform. Going beyond the simulation of variables based on different age and length of service parameters, it devised original reform options by rethinking the essential building blocks of pension plans. Entire systems were proposed that could attain the different objectives of reform – sustainability,

## Making pension plans more attractive

The DG Trésor brought together pension representatives, citizens with retirement savings and the supervisory authorities (AMF, ACP) to look at issues regarding retirement savings, an area treated as an entire section of the reform introduced by amendments during the debates. They worked to determine how to balance out existing plans – vital to their marketability – while safeguarding their individual characteristics and overall financial stability.

Together, they identified those amendments that simplify payments into certain retirement savings products (“PERCO” collective plans, also called “Article 83” plans) and that feature more flexible terms for cashing out of some products (namely PERP and PREFON personal plans). The DG Trésor is currently preparing the decrees and orders that will be enacted to implement these measures.

(RESF) and keeps its partners informed, notably the OECD and the European Commission.

As part of the next Stability Programme, the DG Trésor has estimated the reform’s impact on the sustainability indicator (S2). The Commission uses this measure of public finances to form an opinion on sustainability risks.

## Budget rules to balance public finances

employment and equality – by adjusting certain parameters.

- Along with its proposals, the Directorate reviewed the reform measures planned by the Government. For instance, it analysed the opportunity and practical procedures for implementing targeted employment assistance for senior citizens. As a result, a subsidy for employers that hire an unemployed person over age 55 was included in the provisions.

- Once the reform was outlined in June 2010, the Directorate turned to analysing the economic and financial impact, calculating the resulting budget deficit and debt under the Maastricht measurement procedure.

- In the autumn, the Directorate assisted the Government in preparing for the parliamentary debates and continues to oversee the drafting of some decrees.

- The DG Trésor examined how to finance the reform, first by drafting regulations affecting the CADES (Social Security Debt Repayment Fund) and the FRR (Pensions Reserve Fund), and second by studying the feasibility of taxes applied to insurance companies and preparing the necessary prudential adjustments.

The Directorate continues to play a major role in helping people understand the reform. It contributes to the Economic, Social and Financial Report

Budget rules are applied to promote fiscal consolidation by reinforcing long-term strategies and the credibility of France’s commitments in the eyes of the markets and the country’s partners, especially in Europe. They are in fact the result of a recommendation from the task force led by Herman Van Rompuy. Discussions are under way to transform this recommendation into a directive (see above).

In January 2010, President Sarkozy held a conference on the deficit to develop a system adapted to the framework in France. He called on former Managing Director of the International Monetary Fund Michel Camdessus to lead a working group made up of MPs, academics and government officials, including Benoît Coeuré, Deputy Director



General of the Treasury. The group is tasked with determining how to introduce a constitutional rule on maintaining a balanced budget.

The Directorate took part by contributing operational proposals. More concretely, it applied the concept of “structural effort”, i.e. the combination of spending caps and minimum new revenue measures. This “effort” was used as a relevant indicator in balancing the budget. On 16 March 2011, the Council of Ministers adopted a constitutional bill to maintain a balanced budget, based on the report officially submitted in the summer.

Even before this constitutional reform, the Government had taken measures foreshadowing the recommendations of the Camdessus Report. The 2011-2014 public finance planning act, approved in December 2010 and prepared by the DG Trésor and the Budget Directorate, sets spending caps and minimum new revenue measures for the areas covered by the budget and social security financing acts. Furthermore, State operators are no longer authorised to use debt financing. The Government also issued a circular that makes it impossible to introduce tax measures otherwise than through the budget and social security financing acts. Members of Parliament will now be directly involved in defining the Stability Programme sent to Brussels.

## Budget rule between the French Government and the Caisse des Dépôts et Consignations

In 2010, the Directorate also worked on clarifying a long-term outlook for the financial relations between the Caisse des Dépôts et Consignations (CDC) and the Government. After several months of talks, a new rule was set on the CDC's annual contribution to the central government budget. The annual payment was raised from one third to one half of the CDC's consolidated earnings and is capped at 75% of the public establishment's own earnings. Increasing the Government's resources while maintaining the shareholders' equity of the S-run entity, this balanced rule is intended to be permanent in order to stabilise financial relations between the two parties.

## Setting the stage for fairer competition

Of the structural reforms put in place to provide firmer grounding for the economic recovery, those focused on establishing fairer competition, notably in the electricity, mobile telephone and retail markets, were afforded particularly close attention in 2010. As a result of an in-depth examination of the market, penalties for anti-competitive practices have been made more predictable.



## New Electricity Market Organisation (NOME)

The DG Trésor actively took part in a long-term review of the electricity market, which culminated in the adoption of the NOME law in November 2010. The application of this law in 2011 will re-organise the electricity market to foster competition while

guaranteeing the secure supply of electric power to the economy. In concrete terms, this means allowing alternative power suppliers to purchase a portion of the electricity produced by EDF's legacy nuclear power fleet. Access to this nuclear power (ARENH) will be regulated in terms of price and amount to reflect the financial position of the fleet. Alternative suppliers' access to the available nuclear energy will depend on their portfolio of French clients, ensuring end consumers a choice in the highly nuclear-dominated energy mix in the French market. The NOME stipulates that regulated tariffs will be phased out by 2015, except for the so-called blue tariffs, regulated for residential and small consumers.

The DG Trésor has been closely involved with the Directorate General for Energy and Climate in drafting the implementation decrees, which are currently being finalised. Notably using the analyses carried out by its international network (cross-border comparative studies on "Managing electricity consumption peaks" and "Electricity tariffs for the electricity-intensive industry"), the DG Trésor has devoted its expertise to the most sensitive economic aspects. These include the mechanism designed to discourage alternative suppliers from oversubscribing to the ARENH and the capacity certificates issued to encourage suppliers to invest in peak production capacity. The initial ARENH price and how it will change over the next few years are essential factors in the balance of the French electricity market. The Government has tasked Paul Champsaur with performing a transparent, impartial review of this issue. The DG Trésor is involved as an observer.

### **Making penalties for anti-competitive practices more predictable**

A ruling by the Paris Court of Appeals on 19 January 2010 reversed the decision of 16 December 2008 by the Competition Council, since renamed the Competition Authority, on cartel practices in

### **A new commercial zoning bill**

The DG Trésor has been actively involved with the parliamentary debate over France's commercial zoning rules. In particular, the Directorate outlined a position to Minister Lagarde on the draft bill put before the National Assembly in May 2010 by the MPs Patrick Ollier and Michel Piron and designed to incorporate commercial zoning into ordinary town planning law..



### **The value of the 4G digital frequency band**

With allocation of the 800 MHz and 2.6 GHz spectral bandwidth to support the fourth generation of cellular wireless standards (4G) on the agenda, the DG Trésor carried out studies to estimate the potential value of the frequencies to be allocated. The studies drew on a broad range of international comparisons and on business plans developed for wireless carriers. The Directorate was also a driving force in the process of designing auction procedures for bandwidth allocation. The aim is not only to optimise the value of the State's intangible assets, but also to foster greater competition in the mobile phone market.



steel trading. Initially set at €575 million by the Competition Authority, the fines were scaled back to €75 million.

This judgement highlighted the differences in approach between the Authority and the Paris Court of Appeals. The Court deems the statutory ceiling, equal to 10% of global revenue, to be a crucial basis for calculating the amount of the fine, whereas the Competition Authority opts for a penalty within the 10% limit, but based on an assessment of the damage caused to the economy, with any relevant mitigating or aggravating circumstances taken into account. However, the Authority's approach proves to be unpredictable, as the penalties are not set on the basis of an explicit calculation of the unlawful gains made by the offending companies. This lack of transparency and consistency prompted the Minister for the Economy, Finance and Industry to task Jean-Martin Folz, Christian Raysseguier and Alexander Schaub with submitting a report on how to clarify the method used to calculate fines, the goal being to give competition law a more predictable and more dissuasive character.

The DG Trésor had input in the drafting stage, presenting its analysis to the task force members. The Directorate placed special emphasis on the necessary predictability and transparency of competition law, and advocated modulating fines in proportion to the illegal gains made by the offenders. The Directorate wholeheartedly endorses the findings in the Folz-Raysseguier-Schaub Report, released on 20 September 2010. The authors stress the importance of aligning the approaches of the various relevant authorities and argue for basing the amount of each fine on the damage caused by the anti-competitive practices, in keeping with the reasoning of the European Commission.

In response to the Folz-Raysseguier-Schaub Report, the Competition Authority went to work on developing guidelines for calculating fines. On 17 January 2011, a Public Consultation was launched to sound out the various stakeholders.

## Protecting citizens with savings and borrowers, tackling over-indebtedness

The DG Trésor maintained its emphasis on affording users of financial services greater protection.



### Greater protection for citizens with savings

Providing greater protection has meant preparing draft regulations on guaranteed interest rates and on establishing a universal obligation to provide advice on life insurance policies.

To assist the Autorité de Contrôle Prudentiel (Prudential Control Authority) in its drive to exert stricter control over how such policies are marketed, the DG Trésor has, for example, advocated issuing recommendations on best practices to insurance providers.

### Promoting responsible consumer credit practices and tackling over-indebtedness

Under the authority of Minister Lagarde, the DG Trésor worked with the Directorate General for Competition Policy, Consumer Affairs and Fraud Prevention and the Ministry for Justice to pave the way for the passage of Act 2010-737 of 1 July 2010 on consumer credit, also known as the "Lagarde

Act”. The DG Trésor also took charge of the regulatory work required to ensure proper implementation of the new law.

The Lagarde Act has set the stage for more responsible marketing of consumer credit. In a change related to the overhaul of the Fichier National des Incidents de Remboursement des Crédits aux Particuliers (FICP – National Database on Household Credit Repayment), lenders are now under greater obligation to ascertain the credit-worthiness of borrowers. The new law establishes requirements for information to be provided to consumers, from the advertising stage to the contract signing stage, in order to prevent unfair lending practices and make the various offers both easier to compare and more competitive. In addition, the Lagarde Act contains specific provisions on revolving credit. They include a minimum capital amortisation rule to avoid excessively long repayment terms, the obligation to monitor the borrower’s ability to repay over the life of the contract and a reform of the usury statute to foster a shift to amortising loans in cases in which only revolving credit has been available until now.

The law further provides for enhanced assistance to the indebted by reducing the term of over-indebtedness repayment schedules from ten to eight years – to help people with heavy debt burdens bounce back – and shortening case processing time from six to three months. Banks are likewise required to maintain bank service to customers who have filed an application for over-indebtedness. Moreover, such an application can no longer be turned down on the grounds that the applicant is a home-owner.

Since the Act was published in the Journal Officiel, the DG Trésor has held the secretaryship of the committee tasked with exploring the feasibility of establishing a national consumer credit database. Such a database, it is hoped, will provide lenders with a more accurate view of the solvency of credit applicants and thereby reduce the likelihood of over-indebtedness.

## **Increasing bank fee transparency and comparability**

The DG Trésor played a major role in laying the groundwork for and negotiating the commitments made by the banking profession on 21 September 2010 with respect to bank fees. Those commitments reflect the recommendations in the report submitted to Minister Lagarde on 8 July by Georges Pauget and Emmanuel Constans. The aim is to make the fees charged by banks more transparent; encourage banks to offer service packages that can be adjusted to consumers’ needs; and avoid unauthorised overdrafts and other account infringements as well as the resulting default charges, particularly in the case of highly vulnerable customers.

## **Meeting the climate change challenge**

### **More effective regulation of emissions trading in Europe**

Climate change is one of the most urgent, most serious long-term challenges facing the world today. In 2010, the DG Trésor was heavily involved with this issue, more specifically with enhancing the main tool used by the European Union to tackle climate change: the European Union Emissions Trading Scheme – EU ETS.

As co-rapporteur for the report by Michel Prada, former head of the Autorité des Marchés Finan-



ciers (AMF), on regulating the European market for CO<sub>2</sub> emissions allowances commissioned by the Minister for the Economy, Finance and Industry and the Minister for Ecology, the Directorate took part in a commission including the entire spectrum of stakeholders in the Paris emissions trading market (manufacturers, finance professionals, regulators) – the very first of its kind in Europe. A consensus emerged on the most promising ways of filling the gaps in the current regulatory framework in order to ensure the integrity of the European carbon market, above all by preventing market abuse. To achieve that, the Report called for establishing a set of special regulations for CO<sub>2</sub> emissions trading. The recommendations in the Prada Report have already prompted widespread discussion on how to regulate commodity markets, and may well play a part in shaping the legislative proposals that the European Commission is expected to put forward in 2011 on the regulation of the European carbon market.

The DG Trésor also helped prepare Phase III of the EU ETS (2013-2020) and actively participated in the discussions that led up to the European Commission Regulation of 12 November 2010 on the auctioning of greenhouse gas emissions allowances in Phase III. Starting in 2013, more than half of all emissions permits currently distributed freely to industrial emitters subject to the allowance system will be auctioned by the Member States. As advocated by the DG Trésor, the Regulation provides for a common European auctioning platform and establishes a robust regulatory framework to guarantee the integrity of the auction process, thereby mitigating the risk of market abuse. And while the Regulation offers Member States that prefer not to use the common auction platform the possibility of appointing their own platforms, there will be strict oversight over how they exercise that “opt-out” right. The Directorate should have further involvement with this issue in 2011 because it represents France in the procedure for selecting the common auction platform.

## Exploring sources of long-term finance

The DG Trésor assisted Minister Lagarde in her work with the High-Level Advisory Group on Climate Change Financing (AGF), whose final report the UN Secretary-General received on 5 November 2010.

Welcomed by the G20 heads of State and government at the Seoul Summit in November 2010, the report provides an objective, in-depth analysis of the various possible sources of financing. It stresses the potential benefits of carbon-related instruments such as carbon taxation, of mechanisms designed to reduce emissions from international aviation and shipping, and of revenues from international carbon markets.

The report also emphasises the value of other sources such as a financial transaction tax, whose technical feasibility is not called into question. Because it endorses the goal of the developed countries, reaffirmed in Cancún, of mobilising \$100 billion per year by 2020, the AGF report provides a sound basis for the discussion process that will take place in 2011, both in the EU and in the international arena.

## Establishing a Green Climate Fund

In 2010, the DG Trésor actively supported efforts to ensure that the Copenhagen Accord resulted in concrete, operational decisions, above all on funding:

- Firstly by seeing to it that France follows through on its commitment in Copenhagen to provide “fast-start” finance for the 2010-2012 period, with more than one third of the country’s total €1.2 billion commitment already met by end-2010.
- Secondly by working within the framework of UN negotiations to outline the future architecture for financing the fight against climate change, which received a major boost at Cancún with the official establishment of the Green Climate Fund in November 2010.
- And lastly by actively helping to identify the sources of long-term finance needed to honour the developed countries’ commitment in Copenhagen to mobilise \$100 billion a year by 2020 for the developing countries via the private sector, the public sector and the carbon markets. The DG Trésor thus coordinated France’s work with the

« International seminar on the ways of reforming the IMS », 10-11 December 2010 (co-hosted by the DG Trésor, Bank of France and Reinventing Bretton Woods Committee).



High-Level Advisory Group on Climate Change Financing created by UN Secretary-General Ban Ki-moon, of which the Minister for the Economy, Finance and Industry was a member. The Directorate assessed the various sources of innovative financing available and demonstrated the feasibility of taxes on financial transactions and levies on aviation and shipping.

## The G20 sets ambitious goals

### Launching the discussion on international monetary system reform

During the global economic crisis, the international monetary system demonstrated its limits, in particular by failing to ensure a supply of liquidity to all of the countries impacted or to curb the volatility of international capital flows. The G20 countries reacted immediately, agreeing at the London Summit in April 2009 to significantly bolster the resources available to help countries impacted by the crisis by trebling IMF funding, creating new credit lines and allocating SDRs worth \$250 billion. In addition, a lack of economic policy coordination among the major regions – cited as an aggravating factor of the crisis – prompted the G20 to define a “Framework for Strong, Sustainable and Balanced Growth.”

With signs of economic recovery on the horizon, the functioning of the international monetary system as a whole came under review. Alongside Christine Lagarde, the DG Trésor lent its expertise to the study of a system that had not been the subject of a genuinely international debate since the 1970s. The shifting balance of economic

### Basel III: the G20 Seoul Summit endorses new accounting standards

In 2010, the DG Trésor actively participated in the international negotiations coordinated by the Financial Stability Board to develop the new Basel III standards, working alongside the Banque de France and the Prudential Control Authority (ACP), which are members of the Basel Committee. The talks culminated in pledges by the heads of State and government of the main global economic powers at the G20 Seoul Summit on 11 and 12 November 2010 to implement the Basel Committee’s prudential banking framework to strengthen bank capital and liquidity. At the same time, work was initiated to transpose these measures into European banking law. This project will mobilize DG Trésor staff throughout 2011.

power, the rise of new currencies and the increase in financial flows have all brought challenges that make reform a necessity. The international monetary system must be strengthened by reinforcing macro-economic policy coordination and coherence. It will then be better equipped to prevent and withstand future crises, while helping major emerging economies move toward flexible exchange rate regimes. Another goal is to promote stable capital flows to finance growth and development. The results of this study greatly contributed to the identification of priority areas for international monetary system reform, as put on the agenda for the French G20 presidency in 2011 by President Sarkozy. .





## Commodity derivatives markets under scrutiny

The DG Trésor initiated the request to put the regulation of commodity derivatives markets on the global agenda.

At the G20 Summit in Seoul on 11 and 12 November 2010, a mandate was given to the International Organization of Securities Commissions (IOSCO) task force to report to the Financial Stability Board by April 2011 regarding the need for enhanced regulation and supervision of commodity derivatives markets.

On 27 August 2010, the French Economy, Ecology and Agriculture Ministers also sent a joint letter to the European Commissioner for Internal Market and Services, along with a non-paper on improving European regulation of commodity derivatives markets.

After outlining why simply applying financial legislation to commodity derivatives markets would be insufficient, the French non-paper made the case for a European initiative covering the full range of commodity derivatives; ensuring the regulation and supervision of all market participants; defining a system for curbing market abuse; and establishing an effective supervisory system for trading in commodity derivatives. France's proposals are currently being taken up by the European Commission.

## Combating volatility in agricultural commodities

One of the priorities of the French Presidency of the G20 in 2011 is to combat excessive price volatility in energy and agricultural commodities. A study of oil pricing has already been initiated by the G20 in an effort to increase transparency and dialogue among participants and improve how the market functions. But the dramatic swings in agricultural commodity prices in 2007 and 2008, and again more recently in 2010, are ample justification for expanding the scope of the study.

At the Seoul Summit, the G20 leaders therefore decided to ask relevant international organizations to determine the causes of excessive price volatility in agricultural commodities and propose measures to limit excessive price swings and mitigate their impact, above all on the most vulnerable populations and countries.

G20 finance ministers will then be in a position to assess the implications of commodity price volatility and put forward economic and financial reforms.

In 2011, G20 agriculture ministers will gather for the first time to discuss agricultural policy solutions, laying the groundwork for decision-making by the heads of State and government at their summit at the end of 2011.

## Promoting an ambitious development assistance strategy

In 2010, France fully supported the Korean Presidency's decision to put development on the G20 agenda. The DG Trésor joined forces with the Ministry for Foreign and European Affairs to form a development working group and establish the multi-year action plan that was endorsed by the G20 heads of State and government in Seoul in November 2010. Out of the nine priorities identified in the plan – infrastructure, human resource development, trade, private investment, food security, growth with resilience, financial inclusion, domestic resource mobilisation and knowledge sharing – France chose to focus on infrastructure financing and food safety.



## Facilitating the insertion of beneficiary countries into international trade

In Seoul, the G20 countries re-affirmed their financial commitments to aid for trade. During its presidency, France will seek to maintain or increase trade-related financing from G20 countries, with a focus on regional integration.

The new Strategic Framework for Aid for Trade, which was adopted in 2009, outlined two priority areas for action to promote regional integration:

- Support for the development of regional trade policies connected to international markets.
- Development of a competitive offer in local, regional and international markets.

To implement its strategy, France set itself the overall goal of increasing its financial aid for trade by over 50%, compared with the average over the 2002-2005 reference period. Accordingly, for 2010:

- France reached its target of donating €150 million per year to trade-related technical assistance, with 50% of this increase channelled to ACP (African, Caribbean and Pacific) countries, representing France's response to the EU's international commitments.
- Overall aid for trade from France exceeded €850 million per year.

France also contributes to two multilateral aid-for-trade funds, donating €1 million a year to the Enhanced Integrated Framework managed by UNOPS as well as €1 million a year to the Doha Development Agenda Global Trust Fund managed by the WTO.

The DG Trésor also worked with the Ministry for Foreign and European Affairs throughout 2010 to relaunch Economic Partnership Agreements – replacing the Lomé and Cotonou agreements – between the European Union and ACP countries. France called for the revival of negotiations leading to agreements to drive growth, develop trade, promote regional integration and help reduce poverty.

## Fostering sustainable growth

### Investing in the future

Medium-term growth policies are needed to ensure strong, long-lasting economic development for France in the decades to come. The results these policies aim to achieve are better use of labour resources, the development of human capital through excellence in education and more advanced qualifications, technological progress through increased research and innovation and the sustainable use of natural resources.

In 2010, the Future-oriented Investments Programme, which the DG Trésor helped to develop, was launched. The programme funds projects with high potential for the economy in the areas of higher education, training, research, innovation and sustainable development. The Directorate was a key figure in devising financing structures to implement the programme most effectively. Projects are co-financed by the State, by up to €35 billion, other public-sector entities such as local or European authorities and the private sector. This public-private cooperation has a multiplier effect on the State's action, exponentially increasing the impact of its financial contribution alone. Agreements have already been signed with ten government agencies – OSEO, CDC, ANR, ANRU, ADEME, CNES, ANAH, CEA, ANDRA and ONERA – tasked with managing the grants, ensuring rapid implementation. Almost all of the agreements were signed in 2010.

It is clearly no coincidence that the Future-oriented Investments Programme places major emphasis on research and innovation. Innovation is a growth driver: companies that invest in R&D and innovation become more productive, more competitive and potentially create more jobs. In connection with the preparation of the 2011 budget bill, the DG Trésor took part in discussions regarding changes to the research tax credit regime. In 2008, the reinforcement of this regime made France the leading OECD country in terms of government support (including tax incentives) for private-sector research.





## Europe/China: Facing our common challenges

The inaugural symposium called “Les Entretiens du Trésor” was attended by 450 participants, including 70 journalists, a panel of 20 high-level speakers that included Christine Lagarde, Dominique Strauss-Kahn, Zhu Min, Jean-Pierre Raffarin, Ren Jianxin and Louis Gallois, and a wide online audience, thanks to live streaming in three languages: French, English and Chinese. Needless to say, the event lived up to expectations.

The debates were moderated by Sylvie Kauffmann, executive editor of Le Monde, and addressed major industrial, trade and monetary issues affecting Chinese-European relations: How can we work together to fight climate change? How should we interpret China’s rise as an international trading power? What mutual benefits can China and Europe draw from improved cooperation in the development aid arena? How can we build tomorrow’s industry leaders? How will global governance evolve, and what role will the yuan and SDRs play in the international monetary system? All these questions are of considerable current interest, reaffirming the DG Trésor’s central role in public debate.

This first-ever “Les Entretiens du Trésor” symposium sets particularly high standards for future annual gatherings, which are destined to become an event of reference.

## A new growth strategy for the European Union

European coordination of growth policies picked up momentum in 2010, when the transition was made from the Lisbon Strategy for Growth and Employment, adopted in 2000, to the new Europe 2020 strategy “for smart, sustainable and inclusive growth”. After ten years of implementation, the Lisbon strategy produced mixed results; despite isolated achievements, its goals had only been partially attained. The European Council determined the main elements of the Europe 2020 strategy on 25 and 26 March 2010. It focuses on four key areas where action is needed: knowledge and innovation, a more sustainable economy, high employment and social inclusion. Quantitative headline targets have been set for the EU, which each Member State must translate into national targets. The strategy also provides for action to be taken at EU level, reaffirming the important role of EU policy in achieving these targets. This is reflected in the commitments made by the European Commission in relation to its flagship initiatives, which include industrial policy, skills development and the digital agenda. The 2011 launch of a “European Semester” will promote multilateral surveillance of budgetary strategies and economic policy coordination.

The DG Trésor was a central figure in the effort to develop France’s new strategy. The “key elements” of the French national reform programme for 2011-2013, which were drafted on an interministerial basis in collaboration with the General Secretariat for European Affairs and submitted to the Commission in the autumn of 2010, illustrate the extent to which the Directorate is committed to this new European cycle of growth policy coordination.

A final area of action is the relaunch of the internal market. The DG Trésor helped put together the French position on the Monti Report, published on 9 May 2010, as well as the Communication from the Commission dated 27 October 2010, called “Towards a Single Market Act: For a highly competitive social market economy.” It highlighted the benefits of the comprehensive approach to European policies advocated by the Commission, which strives to improve all aspects of how the internal market functions, especially in its external relations. Proposed actions range from creating a favourable tax and legal environment for business to improving SME access to capital markets with the EU-listing Small Business Act.





A richly diverse organisation  
on the move



The skills and commitment of its people are the real strength of the DG Trésor. Better leveraging the richness and diversity of its human capital and improving its work processes are primary focuses of its internal change programme called “DG Trésor 2010”.

The DG Trésor also continues to play a driving role in State reform. In 2010, it furthered the reshaping of the international finance network, set up Direccte regional directorates and expanded the State’s role as a shareholder.

## A richly diverse organisation

At 31 December 2010, the DG Trésor employed 1,798 agents, including 729 in central administration; 956 posted to 120 foreign countries, in 150 economic departments and French permanent representations to European and international institutions (e.g. EU, WTO, IMF, multilateral development banks); and 113 in Regional Directorates for Businesses, Competition Policy, Consumer Affairs, Labour and Employment (Direccte).

Of these DG Trésor employees, 18% are in Category A+, 23.1% in Category A, 14.5% in Category B and 11.2% in Category C. An additional 6.7% of staff are Volunteers for International Administration Experience (VIA) and the remaining 26.5% are locally engaged staff (ADL).

A unique feature of the DG Trésor is the **very broad diversity of backgrounds among its employees, who have over 20 different administrative and technical fields of expertise**, a reflection of the wide range of required skills and specialisations involved.

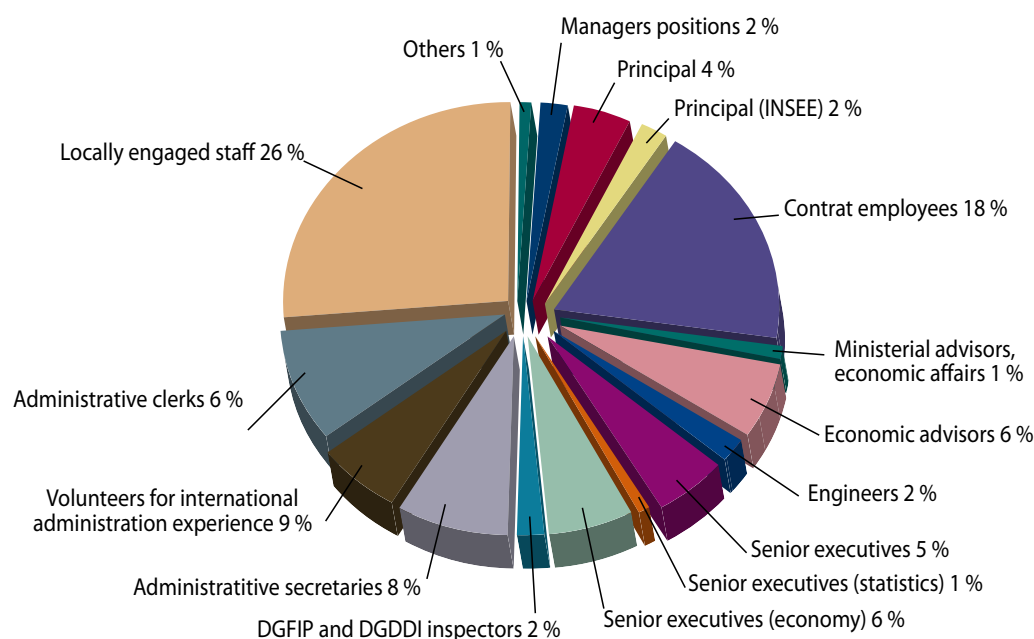
**With 120 different nationalities** represented at 1 January 2010, diversity also characterises the staff internationally. **Nearly half of its staff members are citizens of foreign countries, making the DG Trésor one of France’s most international administrations.**

### Diversity – an asset to be nurtured

The “Diversity Label” awarded to the Ministry for the Economy, Finance and Industry, the first such recognition awarded by AFNOR to a Government administration, is a strong message of encouragement for the DG Trésor to continue to promote diversity and equality in the workplace in areas where improvement is needed, beginning with the participation of women in top management. The Director General has set the goal of raising the share of senior management positions held by women to at least 25% by 2012; this figure already grew from 16% in 2009 to nearly 22% in 2010.



### HR diversity in the DG Trésor's central, regional and foreign offices



## An internal change programme to collaborate more effectively and leverage our human capital

In the summer of 2009, the Director General launched a comprehensive study to determine how the DG Trésor's operations could be improved in several areas: leveraging synergies from the combined competencies of the three former directorates merged in 2004, modernising human resources management, enhancing external relations and internal communications, and increasing the effectiveness of team management.

Over 100 employees contributed to the project, which lasted several months, by participating in theme-based working groups. Their efforts culminated in "DG Trésor 2010", a programme designed to overhaul the organisation's internal processes and make it a more effective tool for serving the Ministry.

The programme's principal features were presented to all staff on 14 January 2010. Coordinated by the project manager – the Secretary General – implementation lasted throughout 2010 and will continue in 2011.

### Improving time management to ensure a healthy work-life balance: a key priority of the DG Trésor 2010 programme

Work at the DG Trésor can be stimulating, challenging, but also extremely demanding, and the dedication of its employees should by no means come at the expense of their private lives. A working time charter was therefore developed to protect this work-life balance and avoid extended workdays. It sets a number of strict rules: for example, management-level staff should not be in the office after 8 pm except for emergencies, and no meetings should begin after 7 pm or end after 8 pm. A similar charter, containing a set of reciprocal commitments, exists to govern working relations between the Directorate and the Minister's staff. Parenting needs are an additional aspect that the DG Trésor has sought to incorporate more extensively into scheduling. A memorandum was circulated to all staff, reminding them of the applicable legislation and providing guidelines for organising departmental work during parental leave.



## Keeping each other informed, via “Ateliers du Trésor” workshops

One key move to develop staff awareness of the wide variety of skills and specialisations included in the DG Trésor’s core competencies has been to organise “Ateliers du Trésor” workshops. Held during the midday break, they are open to all employees at all levels and in all departments. The hour-long sessions give participants an informative view of current issues addressed by the Directorate and their implications.

An initial review was performed during the management team seminar held on 28 June. Progress was assessed, and new directions were set for the continuation of the programme.

Tangible improvements have been achieved in many areas:

- **Working methods.** An 18-month “department action plan” was adopted in each department; a new, more concise format was developed for memos sent to the Ministry; a single document database and a network of “knowledge managers” was set up to facilitate information sharing; and a guide was developed for drafting laws, ordinances, decrees and orders.

- **Human resources management and training.** The annual performance appraisal process was improved, for example, through training and by withholding bonuses for managers who have not assessed their employees, resulting in 81% of employees assessed on time in 2010, versus 54% in 2009; heads of bureau received training in team management, recruitment, time management, diversity, and other managerial skills; a list of job responsibilities for assistants/secretaries reflecting the basic job description for assistants was made; and a review process for managers was introduced.

- **Working conditions.** A working-time charter (see box) was introduced; a listening and advice service was created for employees experiencing work-related difficulties such as excessive stress, loss of

## Remodelling HR management and developing managerial skills – two pillars of the DG Trésor’s change programme

At their 28 June 2010 seminar, managers were able to assess the progress made with change implementation and identify the development of the HR function and of managerial skills as a priority for 2010-2011. A feedback sheet was drafted, specifying five work areas:

- Strengthening the management skills of DG Trésor senior managers through a 180° assessment process in which managers are evaluated by their teams. The evaluation focuses on management skills and is followed up with a proposal for relevant training.
- Drawing up a list of core competencies based on the DG Trésor’s core values (openness, commitment, loyalty, team spirit), which the management team has decided to formally define. Our HR policy and, most of all, our recruitment policy should be guided by these core competencies.
- Clarifying the desired pace and content of staff career paths. The DG Trésor’s staff diversity should be an asset in bringing about change. To remain an attractive employer, the Directorate must operate on the basis of clearly defined and well-understood management principles.
- Professionalising recruitment methods, in response to today’s challenges regarding HR diversity and mobility.
- Performing strategic HR planning, to move from a one-year plan to a permanent, ongoing process monitored by management.

motivation and workplace conflict; and tools were provided to facilitate remote work.

- **Visibility and influence.** The DG Trésor held its first annual “Les Entretiens du Trésor” symposium on 16 June 2010 on “Europe/China: Facing our common challenges”; an annual report was published; and a unit was created to oversee its economic publications, including Économie et Prévisions, Trésor-Economics and the background papers called Documents de travail de la DG Trésor, with the goal of promoting the organisation’s contributions to economic thought.

For the first time, the DG Trésor conducted an internal opinion poll, which confirmed in-house support for the change process and solid team motivation. It also revealed that employees had



## An updated code of ethics

The DG Trésor upholds a code of ethics detailing the responsibilities of its agents, as of any civil servant, and describing the specific risks they may meet in carrying out their work.

The code was updated in the course of the DG Trésor 2010 programme. It specifies that agents are prohibited from directly or indirectly, via a third party, acquiring an interest in a company that may compromise their independence. They are also prohibited from handling any case concerning a company in which they have a direct or indirect interest. Also for the purpose of ensuring their independence, employees may not accept any gifts or invitations except those of nominal value which correspond to normal standards of professional courtesy and are not of a personal nature. With respect to their personal assets, agents must refrain from carrying out any transaction that may entail a conflict of interest. Certain officers in particularly sensitive positions may not hold financial instruments unless they are managed under a mandate or as part of a mutual fund.

Every new employee joining the DG Trésor must read and sign the code of ethics. The Director General's legal affairs advisor is in charge of all ethics-related issues.

**while the central administration staff reorganised to work more efficiently and better satisfy the expectations of its requesting entities.**

## Reducing operating costs

Despite the exceptionally heavy workload that the DG Trésor has taken on since the economic downturn began, it is doing its full share in reducing the State's operating costs, as outlined in the General Review of Public Policies (RGPP). After eliminating 100 jobs in 2009-2010, the Directorate will shed another 111 in 2011-2013. In addition, staff will be transferred to Ubifrance as part of the trade-related transfer process, and to the Ministry for Foreign and European Affairs in connection with the creation of shared management services in embassies. Transfers included, the **DG Trésor's staff ceiling will fall from 2,086 annual full-time equivalents in 2010 to 1,706 annual FTEs in 2013.**

The international network, whose **Economic Departments will be reorganised by 2013**, the central administration teams, particularly support functions, where streamlining will continue, and the Direccte staff will all share these constraints.

high expectations, especially for improved people management.

During their midyear seminar, the management team decided to intensify measures to remodel human resources management and develop managerial skills, which were identified as essential change drivers (see box).

## Reshaping our organisation and resources

**The DG Trésor's pioneering commitment to State reform did not falter in 2010. Over the year, the Directorate continued to deploy initiatives to further the 2009 reforms. Networks in France and abroad forged ahead with their transformation,**

## Furthering network reform

The DG Trésor is well into the transformation process initiated by the RGPP and continues to take concrete steps to reform its network. These include participating in the Interministerial Committee for the State's International Networks (Corinte); refocusing Economic Departments abroad on core governmental duties; incorporating the former foreign trade regional directorates into the new Regional Directorates for Businesses, Competition Policy, Consumer Affairs, Labour and Employment (Direccte); and transferring international business development support services to Ubifrance.

### France's economic affairs network

Economic Departments established within embassies or French representations to international organisations are tasked with promoting and protecting France's economic and financial interests

## Shared management of the State's networks abroad

Following the Corinte's 22 January 2010 decision to establish shared administrative and financial services within embassies, the Ministry for Foreign and European Affairs (MAEE) and the DG Trésor collaborated throughout the year to carry out the resulting technical work. The shared services became operational on 1 January 2011. This reform, which involved the MAEE as well as ten other ministries with employees posted abroad, consists in entrusting State resources to a shared services unit abroad. Its impact on the DG Trésor was the transfer of 23 jobs and the corresponding wage bill to the MAEE.

abroad. They also assist the public authorities in analysing and assessing local situations and policies relating to economic issues. The network is made up of regional Economic Departments, which employ more staff, including financial advisors and industry experts, and coordinate the Economic Departments in the various countries as well as employees assigned to major economic centres. Together, the Economic Departments prepared over 40 ministerial visits in 2010.

Generally, the DG Trésor's international network covers all aspects of economic and financial activity; its economic departments employ agents from diverse backgrounds (the Ecology and Agriculture Ministries, Banque de France, INPI, etc.). Bipartite agreements govern work relations between economic departments, the DG Trésor's central administration and the relevant ministries or international institutions. They provide for the pooling of skills from each department between the DG Trésor and its partner administrations. In 2010, the three-year agreement with the Ministry for Transportation and Sustainable Development was renewed. At the end of 2010, the international network included about 20 agricultural advisors, including agronomy engineers and veterinary medicine inspectors, about 20 sustainable develop-

ment advisors and about 10 experts from Banque de France.

Overseas Economic Departments are the main source of comparative international studies for public-sector entities. Their aid is especially valuable when preparing major reforms or prior to examining bills submitted to Parliament. 84 benchmarking studies were performed in 2010 to obtain insight into foreign situations and assist public decision-making by providing examples of best practices in numerous areas such as regulation of the PV industry, the law on electricity prices (NOME), wealth taxation, dependency care, retail bank fees and more.

The DG Trésor demonstrated its ability to restart operations rapidly in recovering countries. That agility was well illustrated in 2009 and 2010 with the reopening of Economic Departments in Afghanistan and Iraq, followed by Haiti.

## The new Direccte

In 2010, regional offices reporting to the Economy and Labour Ministries also joined the newly created Regional Directorates for Businesses, Competition Policy, Consumer Affairs, Labour and Employment (Direccte), which were operational on 1 January 2010. The DG Trésor's regional offices are now fully incorporated into the new structure.

## Helping small companies expand their global reach

The DG Trésor continued to transfer its operations in support of the international expansion of SMEs to Ubifrance. Although simple in principle, this is a complex changeover, because it involves transferring civil servants to a public establishment engaged in industrial and commercial activities. In less than two years, a total of over 800 employees from the DG Trésor's international network, spanning various employee categories and nationalities, moved to Ubifrance. In addition, 64 Ubifrance trade commissions were created in 44 countries, uniquely dedicated to exporting companies.

The third transfer stage took place in 2010, with the inauguration of Ubifrance trade commissions in India and Vietnam, and then in 14 other countries.

**A new Direccte (Regional Directorate for Businesses, Competition Policy, Consumer Affairs, Labour and Employment) is born: Michel Derrac, regional director, Centre region**



Appointed in December 2009 to head the preparatory work and then take over as director on 15 February 2010, I had three short months to get this new regional directorate up and running. My ultimate approach was a blend of management, collaborative work, intense labour-management dialogue and both internal and external communication.

Within the 3E unit, the department for Competitiveness and Economic Change is the largest in terms of number of agents. It encompasses the departments for industrial development, economic intelligence, international growth and the economic change department of the former Regional Directorate for Labour, Employment and Vocational Training. The aim is to develop synergies arising from the interaction of research, innovation, human capital and international teams.

These trade commissions were established in close collaboration with the staff and other foreign trade partners such as chambers of commerce, foreign trade advisors and business promotion organisations. Prior to this, local communication campaigns were carried out in all of the countries affected. During joint DG Trésor-Ubifrance missions, all employees were met with individually to clarify their situation, discuss the change to their status and draw up a career plan.

Christine Lagarde, Minister for the Economy, Finance and Industry, and Anne-Marie Idrac, Secretary of State in charge of Foreign Trade, decided in the autumn of 2010 to complete the changeover and transfer a last group of 60 jobs to Ubifrance

**The Bangkok example of international network specialisation: Pascal Furth, head of the Economic Department, and Olivier Andretic, director of the Ubifrance trade commission, report**

The division of the Economic Department in Bangkok into two distinct but complementary teams on September 1, 2010 was an outcome desired in equal measure by the DG Trésor and Ubifrance in Paris and by local employees.



*Team of the Economic Department in Bangkok.*

We communicated thoroughly with our institutional partners, which included the local chamber of commerce and industry, French foreign trade advisors, other Embassy departments and European business development advisors, and with the French and local business community to explain the new division of labour.

After the split, the Economic Department was able to improve performance, agility and visibility in all areas and set more ambitious goals. The elimination of redundant functions resulted in more available time and higher productivity. The department now monitors issues such as market access, bilateral cooperation and the economic environment more closely.

by 1 January 2012, putting another 19 countries under the umbrella of the agency. Starting in 2013, Ubifrance will assume the entire responsibility for providing business development services to French export companies around the world. The Ubifrance network will operate in a flexible manner, acting as a trade commission in some cases while implementing service delegation solutions in others, as determined jointly by the Directorate and the agency.

## Continuous modernisation

### The expanding role of the State as a shareholder

In his concluding remarks at the French Industry Forum (États Généraux de l'Industrie) on 4 March 2010, President Sarkozy strongly urged the State as shareholder to make industrial issues an absolute priority. Accordingly, to expand the State's role as a shareholder and the forms of action it deploys, the Council of Ministers appointed Jean-Dominique Comolli as Commissioner of State Shareholding at APE on 3 August 2010.

The primary task of the Commissioner, who reports directly to the Minister for the Economy,

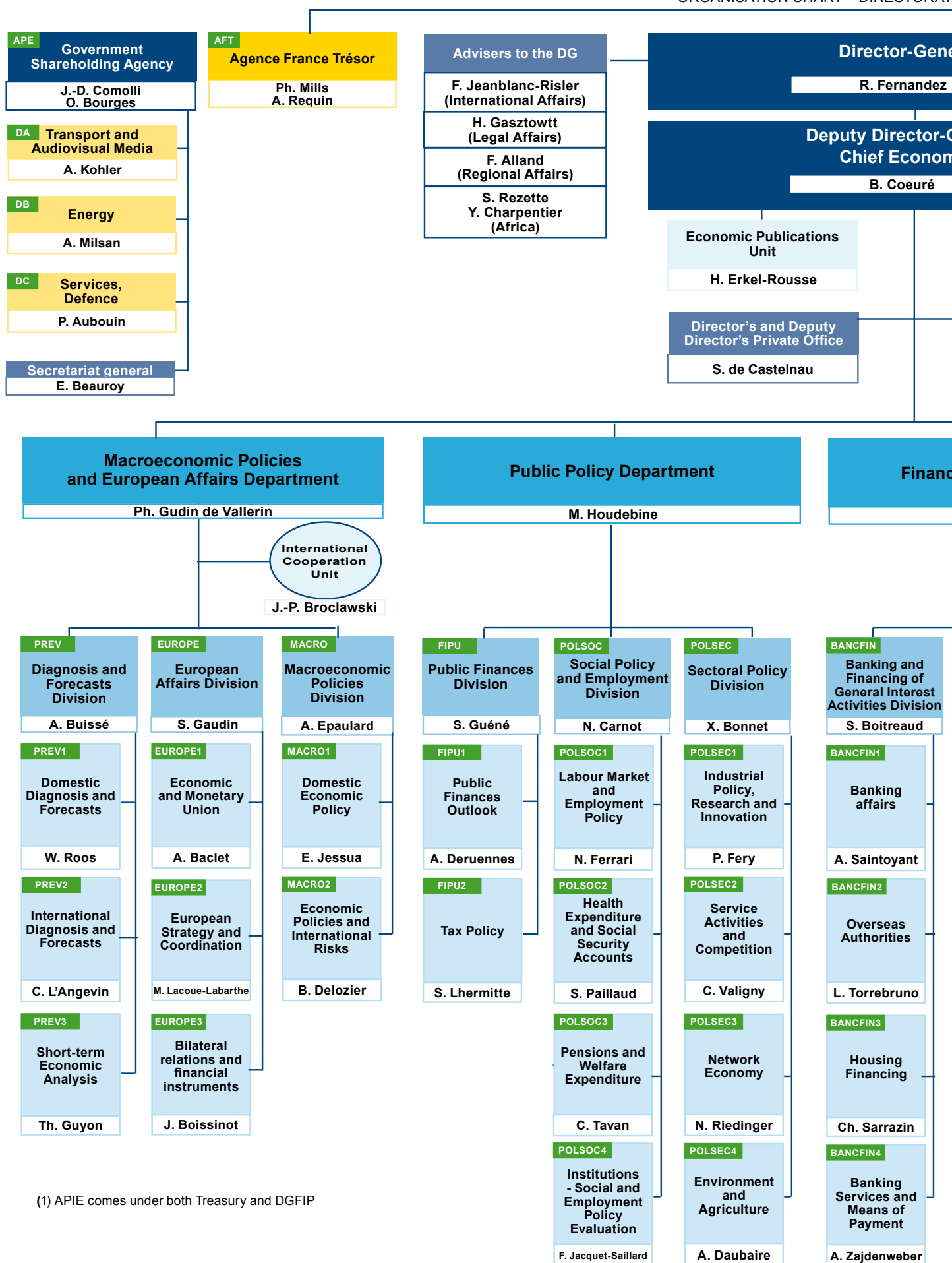
Industry and Employment, is to implement a clear, far-sighted economic growth strategy that reflects both the need to optimise the value of the Government's assets and the specific purpose of each investment. From now on, a representative of the Ministry in charge of Industry or another appropriate Ministry systematically joins the Agency representative at the board meetings of every industrial company in the APE portfolio. Regular meetings are also held between the chairs of these companies and the relevant ministers for discussions on strategy, investment and performance, just as they would be for significant shareholders in the private sector. These meetings address how the companies contribute to France's industrial growth.

The APE will also work with the appropriate corporate governance boards to ensure that executive appointments, reappointments and succession processes are handled with greater planning. The APE will ask companies to issue periodic reports on their efforts to give employees a better sense of their role and on any arrangements made to detect and prevent potential workplace stress and employee vulnerability.

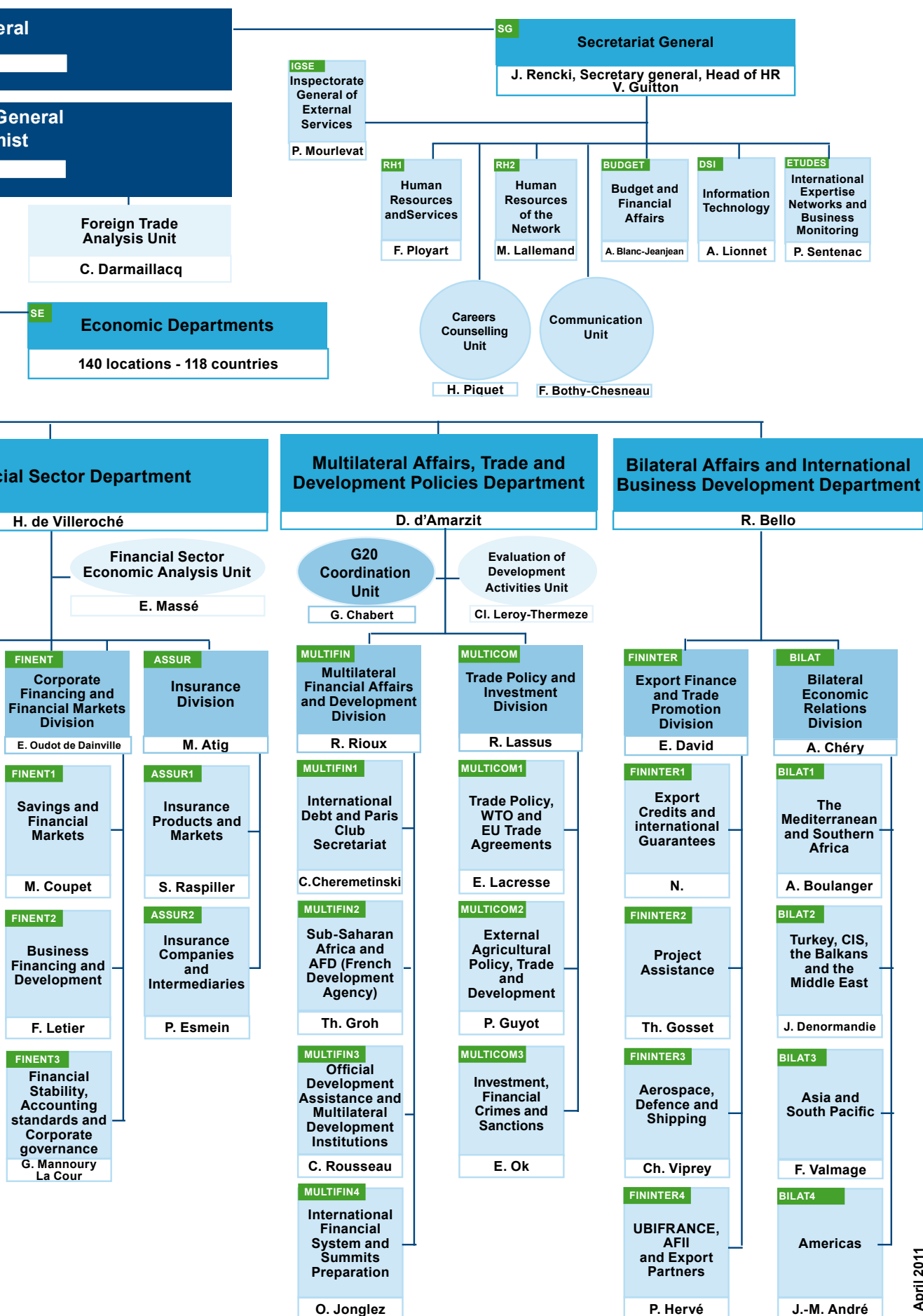
Following these changes, the resources and staff of the Agency and the DG Trésor will continue to be managed on a unified basis.



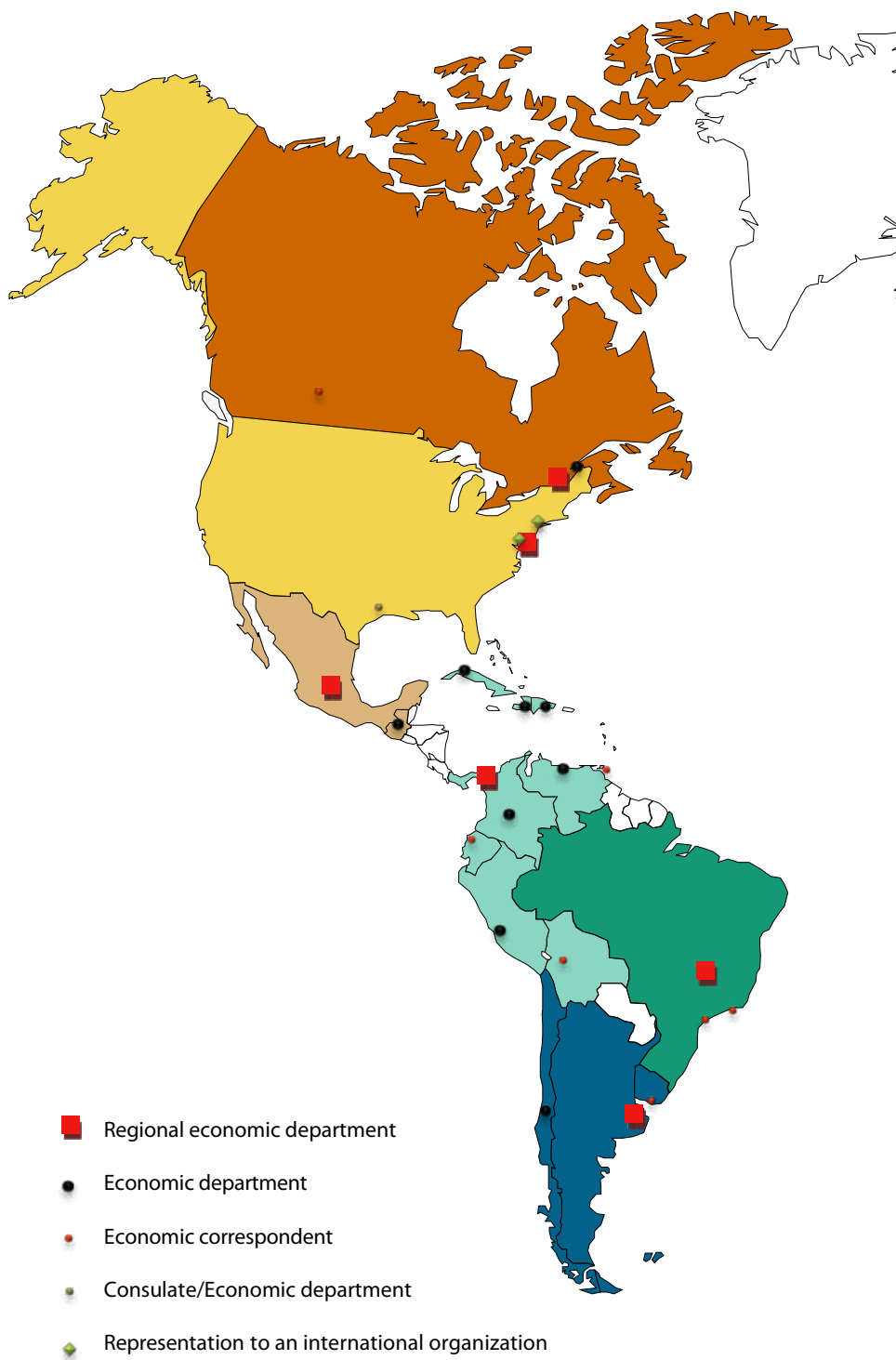
# Appendices



(1) APIE comes under both Treasury and DGFIP

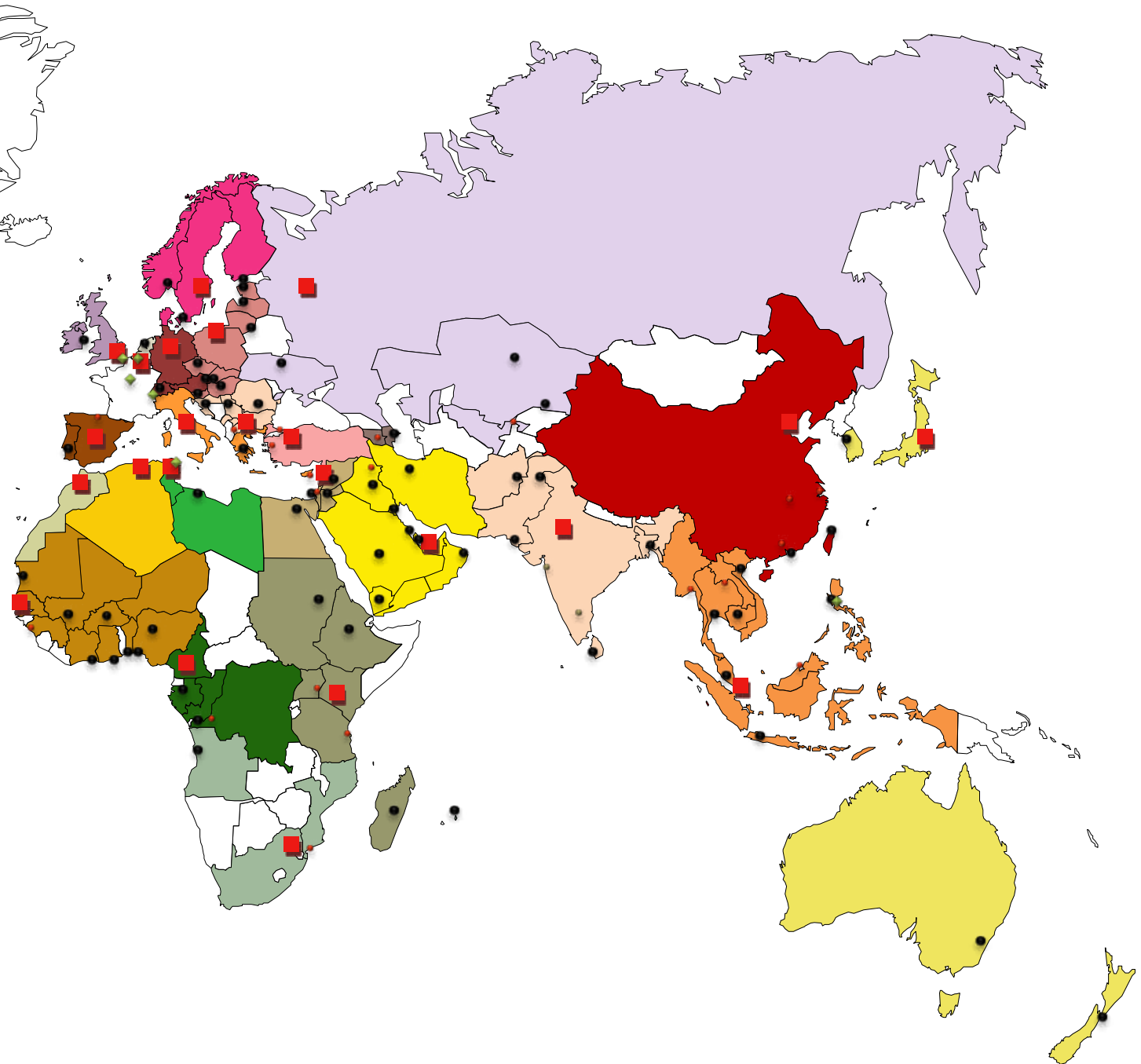


## Map of DG Trésor's





## international network



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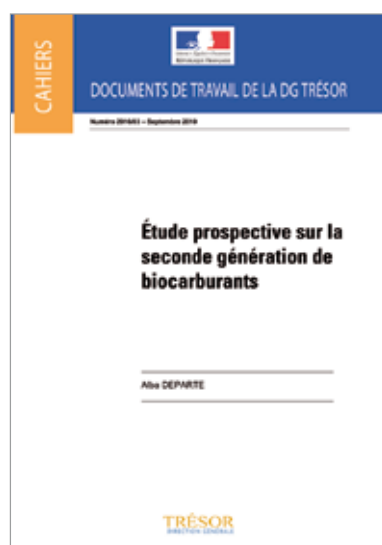
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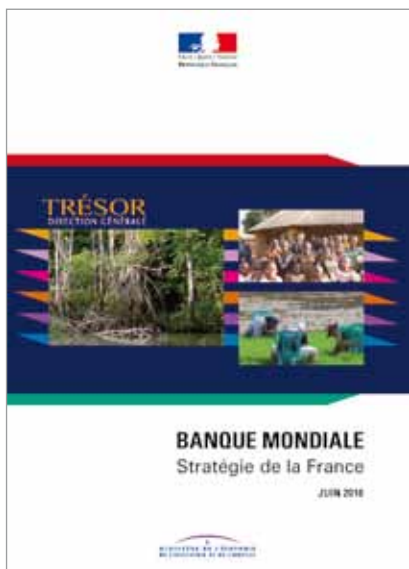


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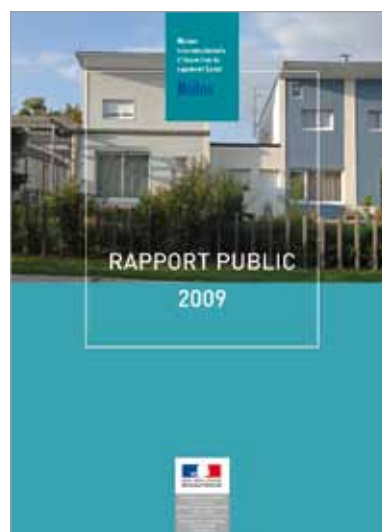


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- Rapport d'activité 2009 du CEA



- Rapport annuel 2009 de la Miilos



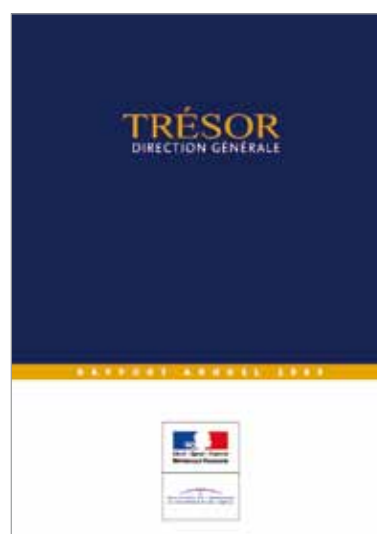
- Rapport annuel 2009 du Club de Paris



- Rapport d'activité et bilan annuel de l'Agence France Trésor ([www.aft.fr](http://www.aft.fr))



- Rapport annuel et comptes combinés de l'Agence des participations de l'État ([www.ape.bercy.gouv.fr](http://www.ape.bercy.gouv.fr))



- Rapport annuel 2009 de la DG Trésor  
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- Rapport annuel 2009-2010 du CCSF

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