TRÉSOR
DIRECTION GÉNÉRALE

ANNUAL REPORT 2011

Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE

MINISTÈRE DE L'ÉCONOMIE
DES FINANCES ET DE L'INDUSTRIE

TRÉSOR
DIRECTION GÉNÉRALE

ANNUAL REPORT 2011

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PREFACE

Preparing the annual report is always a significant event at the Directorate General of the Treasury. It is a time for our staff to step back and assess their activities over the past twelve months, to carefully examine how they have fulfilled their assignments. Most importantly, the annual report satisfies our fellow citizens' expectations in terms of transparency.

This report is intended to provide an account of the DG Trésor's activities, as objectively, accurately and clearly as possible. This is all the more critical as 2011 was a very eventful year of enormous change – within France, in Europe and around the world.

Throughout this challenging period, under the leadership of first Christine Lagarde, and then François Baroin, the Directorate provided the Government with expertise, analytical abilities and negotiating skills. Its efforts are described in the pages of this report. For clarity's sake, a glossary has been added at the end to explain certain acronyms and technical terms.

2011 was the year that France led both the G20* and the G8*, and even the Greek debt crisis could not derail the successful conclusion of a year's worth of discussions, organisation and negotiation – efforts in which, I am proud to say, the Directorate General of the Treasury played a major role. France provided impetus in moving forward on a number of international issues on which our actions should be focussed, including financial regulation, reform of the international monetary system, coordinating economic policies and development.

At European level, upheavals in the markets and management of the euro area crisis kept the Directorate busy, but there was still time for the considerable efforts required to reinforce the foundations of European construction, and move to the next stage.

On the domestic front, the Directorate played its part in building a legislative, tax, economic and regulatory framework that was propitious for growth and jobs, while providing direct support to businesses and guiding them through a time of major international change.

Finally, 2011 witnessed ongoing internal reform efforts. This task is far less exciting, but it is nonetheless crucial to ensure that our teams are consistently capable of responding to economic and financial changes, and of offering Government authorities their unswerving commitment.

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, implementing 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 investment institutions are financed
- Bilateral, European and multilateral economic, financial and trade strategies and 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 DG Trésor. Throughout 2011, he was assisted by Benoît Coeuré, Deputy Director-General and Chief Economist, who left the Directorate on 31 December to join the European Central Bank. He was succeeded by Claire Waysand on 20 December 2012.

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

DIRECTORATE STAFF

The Directorate has 1,695 staff members, including 720 in central administration, 868 posted to 116 foreign countries (in 150 embassy-based Economic Departments and French permanent representations to European and international institutions), and 107 staff in Regional Directorates for Businesses, Competition Policy, Consumer Affairs, Labour and Employment (DIRECCTE).

A unique feature of the DG Trésor is the very broad diversity of backgrounds among its employees, who have over fifteen different administrative and technical fields of expertise. With 120 different nationalities, diversity also characterises the Directorate's international network: nearly half of its staff members are foreign nationals.

THE DG TRÉSOR'S CORE VALUES

The Directorate's reputation rests on our shared values. They are the foundation for our relations with our partners, and underpin the actions of our staff. Our values provide us with a common vision of how the men and women of the DG Trésor should behave and what they should strive for.

Commitment: the will to do everything in one's power to serve the public interest, and to put forward lasting solutions.

Openness: striving to find the best possible balance through listening to the various stakeholders.

Team spirit: achieving efficiency by combining skills and working together towards a common goal.

Loyalty: impartiality and thoroughness serving both the Government and our fellow citizens.

HIGHLIGHTS

January

January
Creation of three **European Supervisory Authorities** for overseeing banking, insurance and financial markets.

13 January
Michel Camdessus submits his report on **traders' compensation**.

February

1 February
Signature of the new **AERAS*** Agreement.

10 February
France launches its **export support plan**, which was presented by Prime Minister Fillon.

18 February
G20 Finance Ministers meet in Paris.

24 February
The **FATF* issues its Mutual Evaluation** of France's anti-money laundering and counter-terrorist financing measures. The French system was found to be in compliance with 38 out of the FATF's 40+9 Recommendations, and it received positive scores on 14 of the 16 so-called «essential» standards. This makes France one of the top three performers in this area.

March

March
BPCE redeems the final preference shares and super-subordinated notes held by the Corporation for State Equity Holdings (SPPE) under the terms of the 2008 bank recapitalisation plan. The plan generated a net gain of €2.4bn for the government.

1 March
The overhauled **PEL Home Savings Plan** comes into force.

11 March
Euro area summit, adoption **of the Euro-Plus Pact** by the 17 euro-area heads of State and government, and agreement on the broad outlines of the future European Stability Mechanism (ESM).

31 March
China hosts a meeting of the G20 on the **international monetary system**.

April

15 April
The **Stability Programme** is submitted to Parliament.

May

May
Second **Financial Stability Board** review of international banking practices with respect to compensation.

5 May
Signature of a **charter to support SMEs operating abroad**.

16 May
Euro area finance ministers approve an **emergency loan programme for Portugal.**

26 May
G8 Summit held at Deauville.

31 May
Inaugural meeting of the **Pension Scheme Steering Committee** (*Comité de pilotage des retraites* – COPILOR), tasked with monitoring France's pay-as-you-go pension system and overseeing its long-term financial viability.

June

June
Three reports submitted to the government: **«Demographic and Financial Aspects of an Ageing Population»** by the Charpin Task Force, **«A Strategy for Providing for Dependency Care for the Elderly»** by the Fragonard Task Force and **«The Role of Families in Dependency Care»** by the High Council for the Family (Haut Conseil de la Famille – HCF).

16 June
The **second annual "Les Entretiens du Trésor"** is held on the topic of the international monetary system.

21 June
Signature of a **debt cancellation agreement between France and Liberia**, writing off €175.9m in debts.

27 June
Conference on financing for exports, organised as part of France's presidency of the G20.

28 June
Christine Largarde is appointed Managing Director of the International Monetary Fund.

29 June
François Baroin is named Minister for the Economy, Finance and Industry.

July

July
Stress tests are carried out on European banks.

1 July
The **increased retirement age** enters into effect. Those born after 1 July 1950 must wait until four months after their 60th birthday to begin receiving their pension.

7 July
A **report on commissions paid to shopkeepers on bank card transactions** is submitted by MPs Françoise Branget, Bernard Debré and Richard Mallié.

12 July
Signature of a **National Export Charter** by all stakeholders.

21 July
Euro area summit. Approval of a **€109bn bailout** for Greece, based on participation by private bondholders, extended flexibility of the European Financial Stability Facility (EFSF) and the creation of the Task Force for Greece.

29 July
A €1.5bn **contract to modernise the Mirage 2000** was signed by the Indian Minister for Defence and the Thales/Dassault consortium. The project was guaranteed by COFACE.

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August

29 August
The Tax Expenditures and Social Contribution Exemptions Assessment Committee publishes a report stating that nearly €53bn out of a total of €104bn in tax and social contribution exemptions are ineffective or insufficiently efficient.

September

10 September
Meeting of **G7* finance ministers** and central bank governors in Marseille, and implementation of the economic framework of the **Deauville Partnership**.

14 September
Signature of the **2012–2014 Agreement on Service Level and Performance between the Government and Ubifrance.**

26 September
ADETEF, the international technical assistance agency of the French Budget and Finance ministries, celebrates its **30th anniversary**.

26 September
In the presence of the King of Morocco and President Sarkozy, the first stone in **Morocco's high-speed train line** is laid. France is providing €920m in financing (€625m from the Emerging Countries Reserve (RPE)*, a €200m loan from the *Agence Française de Développement* (AFD) and €75m from the Private Sector Research and Assistance Fund (FASEP)*).

30 September
Meeting of the **Franco-Russian Joint Commission**. Launch of a bilateral partnership for economic modernisation focusing on long-term projects in the areas of industry and finance.

October

October
As part of the restructuring of Dexia, the **Budget Act includes €90bn in refinancing**, which represents 36.5% of the total effort.

7 October
The Directorate's Inspectorate General's mission is extended to include the provision of organisational consulting to central departments. The General Inspectorate for External Services is renamed the Inspectorate General of the Directorate General.

11 October
The Minister of State for Foreign Trade launches a call for **solar energy projects**, funded by €100m in RPE loans and €5m in grants from the FASEP. The programme allows the French solar sector to structure itself and to gain a foothold in emerging countries.

12 October
The Minister of State for Foreign Trade leads a delegation of 80 firms on a visit to Tripoli. The firms, representing about ten sectors (including construction, water, oil, healthcare and agri-food), were chosen to meet the needs of the Libyan people. They meet with the country's new decision-makers and establish special economic partnerships.

13-14 October
G20 Finance Ministers meeting at the Ministry for the Economy, Finance and Industry.

26 October
Leaders at the Euro area summit agree on the broad outlines of the private **sector's role in the Greek bailout** (a 50% haircut, with the goal of bringing the country's debt down to 120% of GDP by 2020).

November

3–4 November
G20 Leaders' Summit in Cannes.

10 November
With support from COFACE, the firm 03B secures **financing for four satellites** manufactured by Thales Alenia Space. The project will supply broadband Internet access to more than 100 countries.

15 November
Negotiations between Côte d'Ivoire and the **Paris Club**, which cancels nearly $400m of the country's debt and reschedules payment of another $1.9bn.

21 November
The **Bank Charges Monitoring Centre** submits its first report to the Minister for the Economy.

December

December
New stress **tests are carried out on European banks** to determine their additional capital requirements.

9 December
At a **European Council meeting, Member States agree to negotiate a new treaty** that would set tighter budget rules, and complete negotiations on the European Stability Mechanism (ESM) by adopting a rule that decisions can be made by qualified majority.

15 December
National conference to assess the **Inclusion Benefit Scheme**, eighteen months after its entry into force. The conference emphasises how long it has taken to ramp up the scheme.

19 December
Agreement by European ministers on the amount that the **euro area will contribute to bolstering the IMF's reserves**.

20 December
Second visit to **Tripoli by the Minister of State for Foreign Trade**, accompanied by a delegation of one hundred firms, with the goal of extending cooperative efforts already underway.

A FEW FIGURES

25 entities under Directorate supervision or secretaryship.

€49bn in cash managed daily by Agence France Trésor, and €184bn in medium- and long-term issuance, net of buybacks.

68 troubled companies employing close to 92,000 people assisted by CIRI, the Interministerial Committee for Industrial Restructuring

308 texts published in the Journal Officiel (8 ordinances, 98 decrees, 185 orders).

Responses to 965 written questions from MPs published in the Journal Officiel, 500 questions from parliamentary committees regarding the 2011 Budget Bill and 260 letters to ministers.

58 comparative international studies produced by the Economic Departments, representing roughly 2,250 agent-days.

€36.42bn owed to France by foreign governments as of 31 December 2011

€3.9bn in economic and financial development assistance managed by the Directorate (2010 figure – figures from the 2011 preliminary data-gathering survey will only be available in April 2012).

Agreements totalling €330m financed through the RPE.

New commitments in 2011 bring the total amount spent on projects between 2007 and 2011 to over €2bn (35 projects in 16 countries). 31 studies totalling €17m were financed by grants from FASEP-Études.

19,600 companies served by the network Ubifrance et les Missions Economiques.

€31bn in public and private financing arranged by OSEO for a total of 84,000 companies.

240 guarantee commitments provided by COFACE on behalf of the Government for a total of €15.4bn. €12.4bn in contracts signed by French companies that received public credit insurance. 1,702 prospecting insurance requests from SMEs guaranteed for a total of €109m.

Supporting France's presidency of the G20

The Cannes Summit on 3–4 November 2011 capped a year in which France simultaneously chaired the G20, the G8 and the G7.
It took place at a particularly difficult time: the Greek debt crisis had taken a sudden turn for the worse, while the weakening global macroeconomic situation caused a sharp rise in tension on the financial markets.
It was a moment when close international cooperation to deal with the crisis was critical; under the leadership of first Christine Lagarde and then François Baroin, the entire DG Trésor staff worked hard to help negotiations along.
In Cannes, decisions were made and progress was achieved in areas that President Sarkozy had defined as priorities, including financial regulation, commodity price volatility, macroeconomic policy coordination, reform of the international monetary system, development and innovative sources of financing.

Cannes Summit Final Declaration

After several days' negotiation, in which the DG Trésor played an active role, the Final Declaration, the Communiqué and the «Cannes Action Plan for Growth and Jobs» were validated. These documents represent progress in three areas:
- **They send out a strong sign of solidarity in the face of the European crises, and signal an intent to increase the IMF's resources if necessary, thus bolstering the international community's capacity to deal with systemic shocks**
- **They validate the adoption of a credible strategy to support growth and jobs in the short and medium terms**
- **They reaffirm the G20's determination to ensure that all financial markets, products and participants are regulated or subject to supervision**

Areas in which the DG Trésor was involved and progress achieved under the French Presidency

Financial regulation

The adoption of a framework for dealing with global systemically important financial institutions provided the public authorities with an enhanced set of tools to better prevent, anticipate and manage banking crises. This framework contains measures for more intensive supervision, additional capital requirements for banks and recommendations for managing and resolving banking crises, including drafting restructuring plans and a new standard for resolution regimes. A list of 29 global systemically important financial institutions was published, which included four French banks (BNP Paribas, Société Générale, Crédit Agricole and BPCE).

These results built on the work by the Financial Stability Board and the Basel Committee* on Systemically Important Financial Institutions (SIFIs), to which the DG Trésor and the Banque de France contributed. In particular, the DG Trésor chaired a working group that examined so-called «bail-in» mechanisms, in which debt-equity swaps distribute losses among institutional creditors.

In addition to bolstering the stability of the banking sector, the French G20 presidency set itself the goal of introducing a surveillance and regulation framework for the shadow banking system*.

The DG Trésor, working closely with the Banque de France and the *Autorité des Marchés Financiers*, provided leadership for the various European-level groups of experts set up by the Financial Stability Board. As a result, the States attending the Cannes Summit endorsed recommendations for exercising greater control over securitisation practices, the activity of monetary funds, and bank-fund relations. These efforts will continue in 2012 at both European and international levels.

The DG Trésor also provided fresh impetus for regulating over-the-counter derivatives. As a result, at Cannes, efforts were undertaken to harmonise standards of the various jurisdictions around the world.

Negotiations between European and American authorities also got underway to ensure compatibility between the Dodd-Frank Act* and the European Market Infrastructure Regulation (EMIR).

In addition, an international standard for capital requirements for OTC derivatives contracts was agreed in principle. Reforming this market is vital, as these transactions currently are not subject to any standards whatever. The work of a panel of international prudential regulators should be completed in 2012.

Drawing on work carried out by the OECD and the FSB*, the G20 also adopted a list of ten principles

for protecting consumers of financial services. The Directorate is monitoring these efforts closely, working with the Prudential Control Authority and the *Autorité des Marchés Financiers*.

The fight against non-cooperative jurisdictions

This issue was given fresh momentum by France and Germany in 2009. Its three main aspects – prudential standards, tax havens and the fight against money laundering and terrorist financing – were key G20 topics under France's presidency.

The Directorate made sure that the subject was mentioned in every communiqué and that the task of identifying jurisdictions that represented a risk for the financial system could move forward.

In the prudential area, the DG Trésor chaired a working group that, under the auspices of the Financial Stability Board, called for the introduction of international standards for cooperation and information exchange between supervisors in the banking, insurance and financial market sectors. In November 2011, the FSB published the results of a survey of the countries with the 61 largest financial systems in the world. Of these, 41 countries applied international standards in a satisfactory manner, and 18 had committed to do

The reform of the Financial Stability Board

The FSB brings together 24 countries (including those of the G20), international financial standard-setters and international financial institutions. Its mandate is to detect weak spots in the financial system, coordinate the development of regulatory measures that encourage financial stability and ensure their implementation.

The DG Trésor was in favour of reforming the FSB's governance and resources to improve the Board's representativeness and effectiveness. The Cannes Summit decided to strengthen the FSB by giving it a legal personality and greater financial autonomy, expanding its Steering Committee and reinforcing its role in coordinating, drafting and implementing financial stability policies, and thereby strengthening its role as a «world finance organisation».

so. Only the former Libyan regime and Venezuela refused to cooperate with the FSB, and were thus listed as non-cooperative jurisdictions. As chair of the working group, the Directorate was in regular contact with the countries in question to ensure compliance with this initiative, and to oversee the publication of the results.

In terms of anti-money laundering and the fight against terrorist financing, the DG Trésor also served as a vehicle for the G20's message and the priorities of the French presidency. It ensured that the countries that had been on the FATF's list for a year, and that had not made significant progress, were blacklisted. Ten new countries were added to this list in June 2011.

Finally, in terms of taxation, the fight against tax havens continued. The DG Trésor supported the in-depth assessment work carried out by the Global Forum, which submitted its report at the Cannes Summit: two thirds of the members were assessed.

The DG Trésor closely monitored both the assessments and the negotiations on the drafting of the final report, which allowed the G20 to draw up a list of the 11 countries identified at this stage via the assessment process, and to publish a new list of tax havens that follows on from the now-obsolete OECD list of 2009.

Implementing earlier decisions

The French presidency of the G20 provided an opportunity to recall commitments that had been made earlier, and to pursue their implementation. In Cannes, the G20 members reaffirmed their commitment to implementing all the Basel Committee's recommendations within the stipulated time-frame. Nevertheless, a clear method for monitoring previous decisions – backed by the introduction of a systematic peer-review process – was lacking.

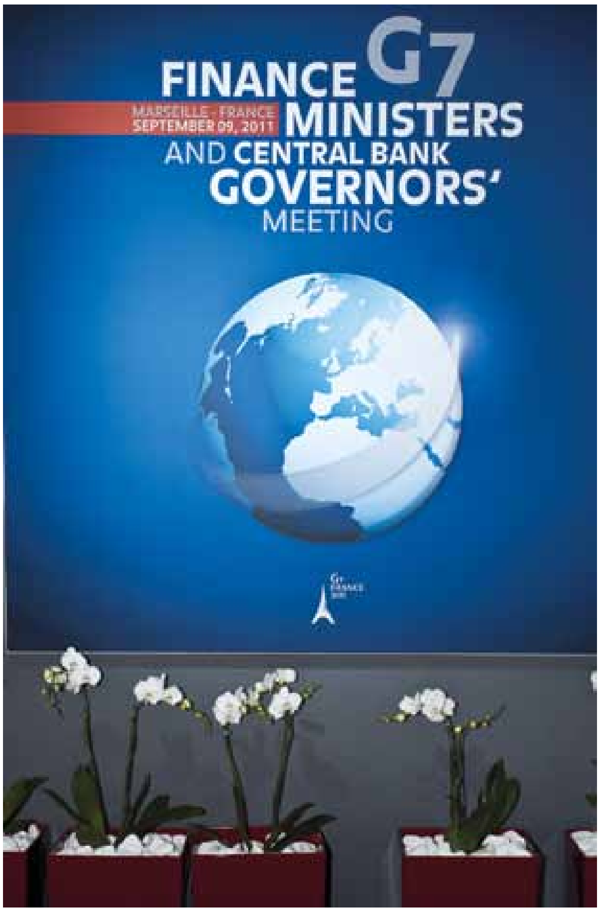
The DG Trésor promoted the drafting and publication of an easy-to-understand table summarising the progress of the 34 principal measures taken by the G20 with respect to financial regulation, with the goal of focusing efforts on areas in which delays have been observed.

Civil society and the G20

The French presidency of the G20 made a point of including civil society, and the private sector in particular, via the G20 Business Summit (the «B20») and the G20 Young Entrepreneurial Summit (the «YES 20»).

The DG Trésor maintained a regular, sustained dialogue with the MEDEF, which was entrusted with the organisation of the B20 in connection with the World Economic Forum and the International Chamber of Commerce. This cooperation took the form of a series of working groups on the various priorities of the French presidency; these groups consisted of businesses and representative employer organisations from the various G20 countries. The Directorate set up a number of meetings between B20 and G20 representatives (inviting B20 members to attend a meeting of G20 Finance deputies, a G20 seminar on commodities held in Istanbul, a G20 working group on corruption, etc.). The work of the B20 resulted in commitments and recommendations by the business community that were presented at the B20 Summit in Cannes on 3 and 4 November, in the presence of a number of heads of state and government.

Similarly, the DG Trésor provided support for YES 20, whose work and discussions were led by the «Journées de l'Entrepreneur» association and were presented in Nice on 31 October and 1 November. This summit, which was introduced by the Director-General of the Treasury, brought together more than 400 entrepreneurs from all of the G20 countries. The report by McKinsey and Co., «The Power of Many: Realizing the Social Economic Potential of Entrepreneurs in the 21st Century», was distributed at the summit, as was the initial survey of entrepreneurs by Ernst & Young, which cited a number of examples of French initiatives in which the DG Trésor took part (*Jeunes Entreprises Innovantes,* the Research Tax Credit, France Investissement, etc.). The YES 20 provided a reminder of the role and the importance of entrepreneurs in the economy of each country, particularly the final communiqué, which included a call for governments to implement real-world action plans to promote entrepreneurship.



Commodity price volatility

In 2010, across-the-board increases in commodity prices blunted world growth, and had a negative effect on the food and energy security of those most in need.

The DG Trésor worked on the three constituent parts of the resolutions concerning volatility in the final declaration of the Cannes Summit: energy volatility, agricultural price volatility and volatility in the markets.

Energy: to obtain better information about production levels and stocks in the physical markets, the G20 finance ministers committed to greater transparency in the oil and gas markets, particularly through improving the comprehensiveness and reliability of the JODI-Oil database and extending it to include gas. With an eye to improving dialogue in terms of forecasts for oil supply and demand, the International Energy Forum agreed to organise annual meetings between oil producer and oil consumer countries, such as the one held in Riyadh in January 2011. France also persuaded the G20 countries to reaffirm their commitment to rationalising and phasing out over the medium-term inefficient fossil fuel subsidies that encourage wasteful consumption.

Agriculture: the G20 agricultural ministers met for the first time in June 2011. Drawing on their work, the G20 heads of state and government agreed on a multi-year action plan on food price volatility. An «Agricultural Market Information System» was set up, as was a «Rapid Response Forum» to improve the international community's capacity to coordinate policies and develop common responses in time of market crises.

The departments of the DG Trésor also provided expertise for drafting and strengthening risk management instruments, designed to mitigate the adverse effects of excessive price volatility for the most vulnerable populations.

Markets: the commodity markets ensure the liquidity of the physical markets and offer protection against unforeseeable price fluctuations. Nevertheless, the rapid, widespread growth of derivative products on these markets requires greater transparency and monitoring to improve their effectiveness and eliminate the risk of abuse. Working with the Autorité des Marchés Financiers, the DG Trésor contributed to the report drawn up by the International Organization of Securities Commissions (IOSCO) on common principles for the regulation and supervision of commodity

derivatives markets. These principles, which were adopted by the G20 in Cannes, include recommendations for transparency and the publication of data, including for the OTC markets, as well as new intervention powers for market regulators, and in particular the power to set position limits to prevent market abuse and dominant positions.

To concretely implement these commitments within the EU, the Directorate played an active role in amending the directives on commodity derivatives.

A framework for macroeconomic policy coordination

The Seoul Summit in November 2010 set a twofold agenda for the G20's working group on the «Framework for Strong, Sustainable and Balanced Growth» for 2011. It included defining a set of guidelines for detecting countries that are both systemic and sources of imbalances for the global economy, and analysing the external viability of these economies. This work was carried out in parallel to mutual macroeconomic policy assessment efforts among the G20 countries.

The G20 presidency was very much involved in the successful completion of these two tasks: the guidelines were drafted at the G20 ministerial meeting in April, and the mutual assessment process and external viability analyses were carried out in the summer, with technical support provided by international organisations (the IMF and OECD in particular).

By adopting the detailed agreement of the Cannes Action Plan for Growth and Jobs, the G20 heads of state and government established a collective diagnosis of a weakened economic and financial situation, and committed to a series of measures to respond. These are specific measures for each country which, together, frame a coordinated response to the crisis: commitments by countries with excessive debt to consolidate their public finances; commitments by countries with budgetary leeway (Germany, Austria, Brazil, Canada, China, South Korea and Indonesia) to support short-term growth without compromising their medium-term budget trajectories; a commitment by China to enhanced exchange rate flexibility and to carry out reforms to support domestic demand; a commitment by all G20 countries to structural reforms for growth and jobs, as well as a commitment to limit the negative consequences that their domestic policies may have on other countries; and a commitment by the G20 to ensure that the IMF has sufficient resources to carry out its missions.

These measures represent a decisive collective response to both immediate vulnerabilities affecting recovery, and the need to strengthen and rebalance the global economy in a sustainable fashion. They are an important step towards international cooperation and policy coordination, since all G20 countries are committed to economic policy measures, and have agreed to report on the implementation of their commitments.

Working towards a more stable and more resilient international monetary system

Recent shifts in the global economy, and particularly the rise of the emerging countries, have exposed the weaknesses in the international monetary system. These include increased volatility of exchange rates and capital flows, a risk of chronic undervaluation of certain currencies, deepening macroeconomic imbalances, and a lack of representation of the currencies of emerging countries in currency reserves, with respect to their macroeconomic weight.

Over the past year, the DG Trésor has played a vital role in fostering consensus around tangible measures.

Thus, at the Cannes Summit, the G20 countries adopted measures on the management of capital flows to provide a coordinated response to the risks that volatility in these flows represents for financial stability. They also agreed on an action plan for the development of financial markets in local currency.

Their efforts also led to a commitment by the G20 countries to move more rapidly toward more market-determined exchange rate systems and to enhance exchange rate flexibility. To this end, China pledged to move towards gradual convertibility of the yuan and to open its capital account.

As a symbol of the transition towards a multi-polar monetary system, the G20 communiqué also mentioned the need to expand the Special Drawing Right (SDR) currency basket and called for further discussions on the role of the SDR.

To strengthen crisis prevention and resolution efforts, the G20 supports the IMF in putting forward the new Precautionary and Liquidity Line (PLL), as well as a single emergency facility to provide non-concessional financing, the Rapid Financing Instrument (RFI).

Moreover, an agreement on the strengthening of the IMF's surveillance capacity was reached. Henceforth, the Fund will regularly monitor cross-border capital flows and capital flow management measures applied by countries. The Agreement also calls for improved surveillance of global liquidity, and calls on the IMF to publish its exchange rate assessments as appropriate. Finally, the G20 agreed on common principles for cooperation between the IMF and Regional Financial Arrangements, and agreed to further strengthen global financial safety nets.

Development

The decision to include development on the G20 agenda was made at the Toronto Summit in June 2010. At the Seoul Summit in October of the same year, the heads of state and government agreed on a shared vision and a multi-year action plan («the Seoul Action Plan»). As president of the G20, France elected to give priority to two of the nine pillars listed in the action plan: food security and the development of regional infrastructures. Important efforts were also made in the areas of financial inclusion and migrants' remittances.

Food security: given the food crisis in the Horn of Africa and the challenges represented by a global population that is expected to reach 9 billion by 2050, the G20 defined a number of initiatives:

• Achieve better and higher yields (partnerships for agronomy research, principles for responsible agricultural investments, etc.)

• Combat agricultural commodity price volatility and its negative effects on the most vulnerable countries: the International Finance Corporation (IFC) – the World Bank agency that promotes private sector investment – has developed a risk management instrument pilot project for sub-Saharan Africa and the Middle East

A Risk Management Advisory Mechanism bringing together a number of international organisations is currently being set up

• Responding to food crises: the G20 countries agreed to remove food export restrictions for food purchased for humanitarian purposes by the World Food Programme, and to strengthen emergency food reserves. In this context, a pilot emergency humanitarian food reserve system for West Africa will be set up.

Infrastructure development: the DG Trésor was at the forefront of this theme, working with the multilateral development banks and a High-Level Panel chaired by Tidjane Thiam (Group Chief Executive of Prudential PLC). Measures were identified to address the infrastructure deficit in low-income countries, including increased support for project preparation, improving the quality of information available to investors and diversification in financing sources. To highlight public and private initiatives in the area of regional development, the Cannes Summit published a list of 11 model infrastructure projects. These projects, six of which are located in Africa, are expected to have significant impact on growth, trade and jobs.

Financial inclusion: in 2011, the DG Trésor, working with Korean and Mexican representatives, co-chaired the Global Partnership for Financial Inclusion (GPFI), which was launched by the G20 in late 2010 to foster access to basic financial services. The GPFI is organised into three sub-groups devoted to the principles of financial inclusion and the link with regulatory organisations, financing for SMEs, and issues relating to data and the measurement of financial inclusion. Its summary report was endorsed by the heads of state and government at the Cannes Summit. The Directorate also chaired the first GPFI forum, which was held on 1 October in Cancun, and will continue to co-chair the organisation in 2012, alongside Mexico and Russia.

Migrants' remittances: in Cannes, the G20 countries agreed to work to reduce the average cost of transferring remittances from 10% to 5% by 2014. These transfers are vital, because they are less sensitive to economic swings than foreign direct investment or official development assistance credits. In particular, the DG Trésor and the Directorate-General for Globalisation, Development and Partnerships of the Ministry of Foreign and European Affairs encouraged all G20 countries that did not have a cost-comparison website (such as www.envoidargent.fr) to put such a site in place. Finally, the G20 countries could finance advisory actions to simplify and secure the rules in force in transfer recipient countries, in order to remove technological barriers to the development of all-inclusive services for international online payments.

Innovative financing

The French presidency of the G20 set a goal to promote the implementation of innovative forms of financing at an international level. For the first time, the G20 members agreed to discuss the need to introduce such financing. Topics included an international Financial Transactions Tax (FTT), market mechanisms – in the form of a tax or and an emissions trading market – for reducing emissions in the international shipping and aviation sectors (known as «bunker emissions») and a tobacco tax, among others.

President Sarkozy expressed his preference for the Financial Transactions Tax and asked Bill Gates to produce a report on financing for development.

This report, which was presented at Cannes, called for greater diversity in financing sources and emphasised that, in addition to traditional official development assistance, triangular partnerships (made up of developed, developing and emerging countries), the private sector, increased domestic resources in developing countries and innovative financing all have a role to play.

The G20 Finance ministers asked the World Bank and the IMF to draft a report expanding on the analysis submitted in late 2010 by the High-Level Advisory Group on Climate Change Financing (AGF). This report proposed concrete measures for

A conference on financing for exports

On 27 June 2011, the DG Trésor organised a conference on financing for exports. It brought together G20 member countries, international organisations (WTO, OECD, the IMF, the World Bank and the Berne Union*), as well as economists, business leaders and banking professionals.

The conference's format was unique, in that the primary stakeholders – including those from outside the circle of developed countries – met to discuss issues around financing international trade, in the awareness that more than 80% of world trade depends on financing in the form of credits and guarantees.

Four major topics were discussed:
- The essential role played by public financing for exports in a time of crisis, and the need to increase financing vis-à-vis low-income countries through increased support for credit insurance agencies, and by working closely with the multilateral development banks on financing large infrastructure projects
- Industrial and financial cooperation, given the increased number of industrial partnerships between developed and emerging countries, and the need to develop financial cooperation agreements to insure financing for joint industrial projects
- Expanding the fight against distortion of competition, particularly by urging the major emerging countries that are not OECD members to take part in export financing regulations negotiations
- Taking environmental standards into account in projects receiving export financing.

The majority of the attendees expressed a desire to meet again during the Mexican presidency of the G20; the DG Trésor held a great many discussions with its Mexican counterparts with a view to organising a second conference in 2012.

making progress, particularly on the «bunkers», which constitute the most innovative source of financing for combating climate change in developing countries.

Discussions on these innovative sources will continue in 2012 under the Mexican presidency, within the framework of the G20 Finance meeting. The final communiqué from the Cannes Summit acknowledged the value of these discussions, with the first reference in a G20 communiqué to the Financial Transactions Tax.

A «project-oriented» organisation

The Director-General of the Treasury is the Minister of Finance's deputy in G20, G8 and G7 meetings, and throughout the year, the DG Trésor led negotiations and defended France's priorities with respect to the economic and financial topics on the G20 agenda.

To fulfil this twofold mission, the DG Trésor took a project-oriented approach. A «G20 project team», reporting directly to the head of the Multilateral Affairs and Development Department, was set up, and consisted of two units:

A «logistical» unit, tasked with the physical organisation of the meetings, which included four meetings of finance ministers and central bank governors, six meetings of their deputies, a seminar on reform of the international monetary system in Nanking in China, and several structuring meetings of G20 expert working groups

A «content» unit, in charge of leading the substantive work of the DG Trésor, which allowed the French authorities to effectively lead negotiations on the economic agenda, and to develop a relevant strategy of influence with respect to various groups (non-members of the G20, international organisations, French and foreign institutional stakeholders, civil society, academic environments, etc.)

In addition to this structure, the entire DG Trésor was mobilised, and the remaining substantive issues were monitored by specialised offices working in coordination with the G20 project team.

Seven staff members were given responsibility for specific themes, and were tasked with leading efforts, ensuring a smooth flow of information within the Directorate, and representing France within the various G20 expert working groups.

Finally, throughout the year, in collaboration with the Minister's Private Office, the DG Trésor ensured that there was adequate coordination between its efforts and those of the Banque de France, the other ministries and the French presidency, which led the Secretariat General of the French Presidency of the G20.

Dealing with the European debt crisis

Only history will say whether 2011 will be remembered as a year of struggle to ensure the future of the euro, or a year in which European economic governance was greatly strengthened. At a time when every economy appeared to be at a crossroads, the DG Trésor was fully engaged with the work of various European governing bodies, in particular the Eurogroup* and the Ecofin Council*. It also focused on examining and proposing actions to ensure the viability of France's public finances, and to buttress the financial sector and the financing of the economy.

Dealing with the Greek crisis and reforming European governance

After its efforts to implement a €110bn bailout plan for Greece in the spring of 2010 (€80bn in bilateral loans from Member States, including €16.8bn from France and €30bn from the IMF), the DG Trésor worked to support Greece in its efforts to make its debt more viable and restore the competitiveness of its economy – two crucial prerequisites for a return to growth.

Indeed, despite unprecedented fiscal consolidation efforts (7% of GDP over the past two years), the unfavourable macroeconomic climate (a 15% drop in GDP between 2009 and 2012), as well as the sheer size of Greece's past debt, led to fears in the spring of 2011 that the macroeconomic adjustment programme would fail. Faced with this threat, the European partners joined forces once again to seek credible solutions to the problem of the sustainability of Greek debt (162% of GDP forecast for 2011). On 21 July, the heads of state and government signed an agreement extending aid to Greece until 2014 and involving the private sector. At the same time, a decision was made to cut bond yields and extend maturities for new loans to Greece, by both the European Financial Stability Facility (EFSF) and the private sector, in order to stagger Greece's repayments.

Nevertheless, the situation continued to worsen at the end of the summer, and the July plan had to be revised during the European Summit on 26 October.

The bailout plan was strengthened, with the aim of addressing the deteriorating outlook for Greece's public finances: in exchange for stringent commitments, Greece was given a second bailout of €100bn, financed by the EFSF and backed by the Member States in partnership with the IMF. Private bondholders agreed to a one-time, voluntary restructuring, cutting the value of their bonds by 50% and lightening the Greek debt load by nearly €100bn. This agreement was bolstered in early 2012.

Having taken part in the preparation and negotiation of these agreements with its euro area partners, the DG Trésor stepped in to implement the decisions made on 26 October and to put Greece back on the path to growth. On one hand, the country's debt sustainability will be re-established; debt is expected to be 120% of GDP in 2020 subsequent to the «haircut» agreed to by the private sector and the new aid programme. On the other hand, large-scale technical assistance provided by the European Commission and the Member States, and orchestrated by the Greek Task Force, as part of the 21 July agreement, should pave the way to the implementation of crucial structural reforms and to identifying the priorities that will restore the Greek economy's growth potential. France played a particularly important role in the areas of taxation and administrative reform. Negotiations in these various areas continued in early 2012.

Reforming European governance

In addition to the Greek crisis, 2011 witnessed large-scale reform efforts directed at European governance. Here again, the DG Trésor provided vital support to the Government throughout the planning process.

The privatisation process in Greece

As part of efforts by the EU and IMF, a Privatisation Fund was set up with the goal of raising €50bn by 2015.
France is playing a role in the privatisation process:
1/ By the appointment, in spring 2011 of Pierre-Emmanuel Thiard, Inspecteur de Finances, to the Troika mission (European Commission, IMF, ECB) that is responsible for quantifying the plan and supervising the creation of the Privatisation Fund
2/ By the appointment, in summer 2011, of the head of the French Economic Service in Athens, Hervé Le Roy, to the Fund's Board of Directors. He represents all the Eurogroup Member States, and serves alongside Marteen Verwey, the European Commission's representative. The Board is the Fund's strategic decision-making body.
The introduction of the Privatisation Fund has so far been satisfactory, even if the sell-off of Government assets is taking more time than originally thought. The privatisation process is based on a specific schedule, strict and regularly-updated asset valuations, and the use of legal and financial consultants who have expertise in these types of transactions (Rothschild, UBS, KPMG, Freshfields, etc.). The initial sales yielded at least as much, if not more, than was targeted (e.g., the extension of the concession for the gaming firm OPAP). In its most recent report, the Troika gave high marks to the Privatisation Fund, noting that «the Privatisation Fund has appointed the necessary technical, legal and financial advisers for the transactions that are expected» and that, as a result, «[its] operation is satisfactory.
Despite this promising assessment, the initial privatisation targets were not completely met (privatisation proceeds as of 30 September 2011 were €1.5bn, lower than the objective of €1.7bn, and €3.5-4bn had been taken in as of 30 December, compared with an expected €5bn).
One issue in this involves supporting French businesses that are interested in investing in Greece. The ongoing privatisation programme represents opportunities for French businesses in 2012. The goal is to attract a larger range of investors, besides those French firms with a long presence in Greece (Alstom, Vinci, Suez, and so on).
A seminar on the opportunities that the Greek privatisation programme represents, which was organised by the Paris Chamber Of Commerce and Industry on 11 October 2011, drew 159 French and Greek businesses and institutions considering investing in or attracting investors to Greece. The Greek Minister of Development, Michalis Chryssochoidis, came to the event to present the new regulatory framework for investments in Greece.
The primary privatisation projects likely to interest French businesses are in the areas of water, tourism, green energy development, railways, energy and port management.

Crisis-management tools

In May 2010, the heads of state and government of the euro area had already stated their commitment to ensuring the stability, unity and integrity of the euro area, and to using all available resources to do so. They called for the creation of two instruments:

• The European Financial Stability Facility (EFSF) to provide up to €400bn in financial assistance to euro area States, backed by State guarantee commitments

• The European Financial Stabilisation Mechanism (EFSM), managed by the European Commission on behalf of the 27 Member States. The Mechanism, which is backed by the budget of the European Union, allows the EU to raise up to €60bn to provide financial assistance to a Member State «threatened with severe difficulties caused by [...] exceptional occurrences beyond its control» (Article 122.2 of the Treaty on the Functioning of the European Union).

Ongoing financial strain in the euro area in the first half of 2011 led the EU to strengthen the EFSF, providing it with new tools such as the possibility to intervene in the secondary debt market on a precautionary basis, and giving it an effective lending capacity of €440bn (Euro Area Summit of 21 July). Both mechanisms were used to come to the aid of Ireland (€40.2bn, along with €4.8bn in bilateral loans and €22.5bn from the IMF in November 2010) and Portugal (€52bn, plus€26bn from the IMF in May 2011). The EFSF provided planned financial assistance to Greece on 26 October.

As the EFSF had only a three-year mandate, the need for a more permanent programme became apparent: the European Stability Mechanism (ESM), which will be given €80bn in capital commitments and which will take over from both the EFSF and the EFSM. An initial version of the Treaty setting up the ESM was signed on 11 July 2011 on the fringes of the Eurogroup meeting. The new Mechanism will be an international organisation subject to public international law, and established by an international treaty (unlike the EFSF, a public limited company under Luxembourg law). Its current lending capacity is capped at €500bn. Nevertheless, given the new directions signalled by the heads of state and government on 26 October 2011, the ESM Treaty was revised, and a second version was signed on 2 February 2012 to make its intervention mechanisms much more efficient.

The DG Trésor has worked hard to build and to strengthen these firewalls, the aim of which is to restore confidence in euro area sovereign debt. Working under the authority of the Minister for the Economy, it led efforts to prepare the structures, to negotiate them with our European partners, to implement them and then make the necessary changes required due to the worsening situation on the markets. This mobilisation took place at several levels: in the euro area for the EFSF, within the European Union for the drafting of the ESM Treaty, and at a domestic level for transcribing the new EFSF functions (the third supplementary 2011 Budget Act, upcoming ratification of the Treaty).

Improving economic governance

In the first half of 2011, within the framework of the «European Semester», which instated a consistent timetable for monitoring structural reforms and convergence programmes, the DG Trésor was also involved in efforts by the Council of the European Union to coordinate Member States' budgetary and structural policies. It coordinated the drafting of the French Stability Programme and the National Reform Programme, which was submitted to the European Commission on 3 May, and took part in Council discussions on country-specific recommendations sent to the Member States in June by the Ecofin Council.

In addition, the DG Trésor was very much involved in discussions on reforming European economic governance. The "six-pack" of proposals on EU economic governance was adopted on 28 September 2011 by the European Parliament and on 4 October by the Ecofin Council. Its major innovations complement and strengthen existing multilateral surveillance mechanisms. These proposals became law on 23 November 2011:

- Budgetary surveillance (the Stability and Growth Pact) was given new criteria to ensure that Member States complied with the objective of budgetary equilibrium (rather than an «authorisation» to run a 3% deficit) and brought down their debt

- The Member States' budgetary powers will be subject to a minimum set of requirements, in particular multi-year budget planning and including budgetary discipline rules in national legislation. Transposition of this shared base should be completed by the end of 2012 throughout the EU.

- In addition to budgetary surveillance, a new process was introduced concerning surveillance of macroeconomic imbalances and competition imbalances. It is based on an early warning system that relies on the primary indicators for European economic activity (current account balance, real unit labour costs, real estate prices, etc.).

Using the budgetary surveillance model, and in the wake of an in-depth study by the European Commission, a new Excessive Imbalance Procedure (EIP) may be invoked with respect to certain Member States to ensure that they take corrective measures.

- All of these structures will be accompanied by early, quasi-automatic financial sanctions that will be significant enough to be dissuasive. At first, the sanctions will only concern the euro area, but the European Commission is expected to propose that equivalent sanctions be applied to all EU Member States via suspension of structural funds.

This "six-pack" will be completed by new disciplinary rules. On 23 November 2011, the Commission proposed two new rules, one concerning heightened surveillance of Member States in difficulty, and a second one on ex-ante coordination of national budgetary plans and programmes. More importantly, on 9 December, the European Council began talks on an inter-

The Economic Department in Athens and its central role in monitoring the crisis

The Economic Service in Athens, which consists of a five-person team led first by Christel Peridon, and then by Hervé Le Roy as of September 2011, played a key role during the Greek sovereign debt crisis. Acting as the French government's main contact and intermediary, the Department closely followed Greece's economic and financial situation, particularly during the various missions of the Troika (Commission, IMF, ECB) in Athens. It also drafted very frequent updates on the implementation of the Greek programme, as well as on the political and social climate.

Its mandate was an unusual one: monitoring compliance with the Troika's programme, support for the implementation of French and European technical assistance, monitoring and support for the Greek privatisation programme, and monitoring structural reforms and assessing their impact on the Greek economy and bilateral relations.

The Economic Department was fortunate to have several Greek nationals on its staff and, thanks to contacts it had developed with both the Greek Government and civil society, it was able to deliver updates on the situation on almost a daily basis to the French government, which were vital for helping to prepare the many European and multilateral meetings on the Greek situation. This valuable assistance to French negotiators serves to highlight the DG Trésor's core values: commitment and team spirit.

governmental treaty on strengthening budgetary discipline and economic coordination. The DG Trésor contributed to the definition of France's positions on these two regulatory projects, and on the treaty adopted by the heads of state and government of 25 Member States on 30 January 2012.

Franco-German relations

Several Franco-German meetings were organised in 2011: four bilateral meetings between the Minister and his German counterpart, a Franco-German Economic and Financial Council (CEFFA) meeting on 11 February, and a Franco-German Ministerial Council meeting on 23 January.

These meetings provided venues to review the important issues of the day, and to hammer out shared positions on the euro area crisis, the instruments for resolving it, the strengthening of economic governance, and the drafting of the Euro-Plus Pact.

In addition, they helped launch two major projects in the area of taxation, based on initiatives by the European Commission: a common consolidated corporate tax base in Europe and the introduction of an international Financial Transactions Tax.

On 11 February 2011, the French and German finance ministers created a Franco-German Unit. Led by the two department heads responsible for European and macroeconomic issues, the Unit consists of permanent members as well as contributing experts on a range of macroeconomic, public finance and financial service topics. The mission of the Unit is to prepare working documents in areas of common interest, and hold briefings for ministers prior to European (Eurogroup, Ecofin Council) and international meetings.

It also works on other topics and facilitates technical contacts as the need arises. In 2011, it drafted common analyses on the economic and financial situation of Portugal and Cyprus, and established joint forecasts on the European and world situations.

Consolidating France's creditworthiness

The short-term viability of France's public finances

The quality of France's creditworthiness is rooted in the credibility of its commitments to reduce the public deficit – France will bring the deficit down to below 3% in 2013, with a structural adjustment of at least 4 GDP points between 2010 and 2013. The DG Trésor furnishes the French Government with both diagnoses and forecasts concerning the current economic situation and public finances, providing it with the timely information it needs to take the steps required to comply with its commitments.

The 2011 Budget Bill had been based on a growth forecast of 2%, accompanied by a €10bn restructuring plan enshrined in the country's Budget and Social Security Budget Acts. This is the basis on which the Stability Programme was drawn up in April 2011 – each year, the DG Trésor, with input from the Budget Directorate, produces this document that details the multi-year trajectory of France's public finances. Added to this was a study, which appeared in the June issue of the Journal Trésor Eco, on how the 2010 pension reform will contribute to the sustainability of public finances. This subject was addressed at European level in a working group of the Economic Policy Committee, in which France was represented by the DG Trésor. These European efforts led to the publication of an interim report on the macroeconomic assumptions that underlie forecasts of age-related expenditure.

The DG Trésor continuously monitors changes in the various public finance aggregates. In the area of health insurance, the implementation of the proposals in the Briet Report, to which the DG Trésor contributed, bolstered the means for meeting the national health insurance spending target, and should ensure that France is in strict compliance for two consecutive years. Our cyclical experience in this area has been acknowledged by the Alert Committee, which bases its annual spring opinion on our analyses.

Starting in the summer of 2011, as upheavals in the sovereign bond markets increased, the economy began to show signs of slowing down. This led the DG Trésor to move forward its macroeconomic and public finance timetables, to allow the Government to prepare corrective measures to offset the effect of eroding growth prospects. A macroeconomic scenario was drawn up in mid-August, directly after the publication of second-quarter growth figures (which predicted growth of 1.75% for 2011 instead of 2%, and of 1.75% also for 2012, instead of 2.25%).

Working with the Tax Legislation and Budget Directorates, the DG Trésor took part in efforts that led to the €11bn consolidation plan announced on 24 August. The plan's targeted measures for maintaining both activity and social justice preserved France's creditworthiness by showing that France could be relied on to comply with its deficit-reduction targets for 2011 (the measures were included in a supplementary budget bill and quickly passed to allow €1bn in savings in the final months of the year) and 2012 (€10bn in additional measures). Greater uncertainty about medium-term growth prospects also led the Government to rein in its forecasts for 2013-2015. The complete macroeconomic and Government spending scenarios were, as each year, published in the Economic, Social and Financial Report produced by the DG Trésor and appended to the Budget Bill.

The economic signals continued to worsen in September and October, a sign of the growing uncertainty of economic agents.

The DG Trésor updated its macroeconomic scenario yet again (1% growth for 2012, in line with the current consensus), thus providing the Government with the necessary framework for a new consolidation plan that was announced on 7 November.

The government's choice of measures was based on the economic policy recommendations that the DG Trésor regularly drafts (consolidating public finances while increasing growth potential, particularly by accelerating pension reform and

eliminating the least economically justified tax exemptions). The specificity of this plan was that its measures not only offset the €7bn impact of the lower growth forecast for 2012, they also ramp up over time and consolidate the entire multi-year trajectory of public finances until 2016 (total estimated debt reduction of €65bn at this date). The DG Trésor and the Budget Directorate submitted an updated Economic, Social and Financial Report to Parliament that presented the new macroeconomic and public finances scenario, and that placed the 7 November plan within a €115bn effort to put public finances back on a sound footing between 2011 and 2016. Two-thirds of this effort will be used to reduce growth in public spending.

The goal of this strategy of adapting to economic realities was to consolidate France's creditworthiness by calibrating as well as possible the measures to be taken. Within the DG Trésor, the synergies between macroeconomic forecasting, public finance forecasting, economic policy advising and European strategy meant that the Directorate had a key role to play in providing the Government with the tools that allowed it to deal with the consequences of the European debt crisis.

Optimising Government debt and cash management in a time of sovereign debt crisis

Given this context, in 2011, despite the worsening debt crisis in the euro area and market fluctuations, Agence France Trésor continues to benefit from favourable borrowing conditions for its financing programme, in the best interests of the taxpayer. It issued €207.8bn in gross medium- and long-term bonds, less the redemption of €23.8bn in bonds maturing in 2012 and 2013 (which will be used to improve the country's debt profile in coming years), for a net issuance of €184bn (down slightly from €188bn in 2010).

The programme was executed with more than sufficient security, as demonstrated by the high average bid-to-cover ratios. The average ratio for BTFs (fixed-rate short-term Treasury bills) was 2.6, exceeding the annual performance programme target of 2, while the ratio for OATs (fungible Treasury bonds) and BTANs (treasury notes) rose to 2.4, compared with a performance programme target of 1.5. These results show that French bonds are, more than ever, a safe haven in a time of turbulent markets. Following the 2011 issuances, the average maturity of the State's negotiable debt was 7.2 years, which was unchanged from the end of 2010, and slightly higher than the historic end-of-year precedent of 7.1 years from late 2007. The financing programme was carried out at an average annual cost of 2.80% over the medium and long term, the lowest rate since the creation of the euro area, with the exception of the 2.53% average in 2010, and lower than the 1998-2007 average of 4.15%. As a result, net debt service in 2011 was €46.25bn – €150m less than the amount forecast in the supplementary budget bill.

The AFT will continue its policy of optimising the management of flows in and out of the single Treasury Account at the Banque de France - these have been rising constantly over the past four years: from €23.0bn per business day in 2007 to 42.6bn in 2010 and €49bn in 2011. The number of cash investment transactions remained lower than the average for the past few years: 10,467 transactions in 2011.

The AFT continued its efforts to explain France's economic policy to the international markets and the rating agencies, and thus justify its pursuit of a vigorous and secure debt issuance policy.

Bolstering the French financial sector

Concurrent with its efforts on behalf of the G20, the DG Trésor also took part in European-level negotiations to buttress prudential regulation of banking and financial activities.

The quality of the banking sector

Supervising the banking, financial and insurance sectors is one of the DG Trésor's historic mandates. In addition to its leadership role in developing national regulations and negotiations concerning European rules, the Directorate plays a concrete role in financial supervision, since it is represented on the boards of the Prudential Control Authority and the Autorité des Marchés Financiers.

It was particularly involved in this in 2011, during preparations for the Ecofin Council's policy discussions of stress tests (simulations of crises over the next two years to observe how banks' balance sheets would fare under extremely poor – but realistic – macroeconomic conditions).

The stress tests of the largest European banks in early 2011, the results of which were published in July, contained two new elements. On one hand, this was the first exercise led by the European Banking Authority, which had been established by Regulation (EC) No. 1093/2010 of the European Parliament and of the Council of 24 November 2010. Secondly, it took place in a context in which the euro area sovereign debt crisis had elicited fears about the European banking sector, with the IMF notably calling for increased capitalisation for European banks. This led, within the framework of the measures adopted at the EU summit on 26 and 27 October, to a second series of stress tests carried out by the European Banking Authority, the goal of which was to bolster the capital of those European banks that were relatively less well recapitalised.

In both sets of tests, the French banks involved (BNP Paribas, Crédit Agricole, Société Générale and BPCE) passed with flying colours.

The DG Trésor played a similar role in the insurance sector, when the European Insurance and Occupational Pensions Authority (EIOPA) also conducted stress tests, the results of which were published in July 2011. The goal was to test whether, on the basis of data from the end of 2010, the sector could comply with the minimum requirements of the future Solvency II Directive*.

The test showed that insurers, particularly French firms, were in good health, but also revealed weaknesses in certain stakeholders.

Europe adapts to new prudential regulations

The Capital Requirements Directive: CRD IV

The year 2011 saw good progress in introducing instruments to prevent, manage and resolve banking crises.

Working alongside the Prudential Control Authority, the DG Trésor was a member of various expert groups that helped the European Commission draw up the project for transposing the Basel III* standards. Following these efforts, the Commission published legislative proposals for a regulation and a Directive transposing these standards, as well as the full set of prudential standards applicable to credit institutions and investment firms.

The DG Trésor then took part in negotiations concerning the proposals within the European Council. Both the negotiations and efforts to transpose the Directive into national law should be completed in 2012, allowing its provisions to be applied as of 2013.

The deposit-guarantee directive

In 2011, the DG Trésor also took part in negotiations on the European deposit-guarantee directive. Following the approval of the Member States in June 2011, this directive is in the final discussion phase with the European Parliament, and is expected to significantly increase the minimum level of deposit guarantee funds. For France, the level of the fund (which compensates individual account holders up to €100,000 in the case of failure of their bank) is expected to increase from €2bn to between €5bn and €10bn depending on the results of the negotiations.

The directive on management and resolution of banking crises

The DG Trésor also contributed to a proposed European directive on banking crisis management and resolution. In anticipation of this text, it worked with the Prudential Control Authority to implement crisis management groups for each of France's major banks. These groups bring together the central banks, the supervisory authorities and the finance ministers from the various countries in which these banking groups have a significant presence.

The Solvency II Directive

The Solvency II Directive, adopted in late 2009 by the Council and the EU Parliament, provides a thorough overhaul of prudential regulation of the insurance sector. While maintaining a high level of protection for the insured, it is intended to update prudential requirements, improve risk management and achieve greater convergence across the European Union.

Following European discussions, the DG Trésor, in partnership with the Prudential Control Authority, worked on the implementing measures that were crafted under the guidance of the European Commission, based on technical advice from the new European supervisory authority.

Moreover, in order to bolster France's position, the Directorate conferred with industry representatives and experts on this subject. In particular, it contributed to ensuring that long-term issues, such as dealing with pension risks or liability risks, or financing certain assets, are better taken into account. Finally, the DG Trésor has, since 2011, headed up a committee that brings together public institutions and industry representatives for the purpose of beginning work on transposing the Directive into national law, which will continue throughout 2012.

Other European directives

On 8 June 2007, the Directive on Alternative Investment Fund Managers (AIFMs) was adopted. It extends financial market supervision to stakeholders that were not subject to any regulation whatsoever, in particular hedge funds and private-equity firms.

During negotiations with its partners, the DG Trésor worked to ensure that the text complied with the commitments made by the G20, and thus included guarantees to protect investors and fight against systemic risk. Following the adoption of the Directive, the DG Trésor led transposition efforts, working with the *Autorité des Marchés Financiers* and professional associations, with the goal of having it enter into force in the first half of 2013.

Transposition of previous directives continued in 2011. The DG Trésor was an active contributor to the adoption of the Ordinance of 1 August 2011 on Undertakings for Collective Investment in Transferable Securities (UCITS) and the updating of the legal framework for asset management. This Ordinance transposes into national law UCITS Directive 2009/65/EC, thereby strengthening the competitiveness of products and stakeholders, as well as the safety of both account holders and investors. The work of drafting the Ordinance and its implementing decrees was steered by the asset management development strategy that was defined in late 2010 by the Financial Services High-Level Committee.

In 2011, the EU, for the first time, adopted regulations concerning short-selling and sovereign Credit Default Swaps (CDS). At the initiative of President Sarkozy and German Chancellor Merkel in June 2010 as the Greek crisis unfolded, the goal of this project was to rein in the most outrageous speculative practices that could exacerbate tensions on the sovereign debt markets. The DG Trésor negotiated the regulation governing short-selling and sovereign CDS, which was endorsed by the European Parliament and the Council in November 2011.

In particular, the text calls for limiting short-selling by new obligations for market participants and for transparency concerning this practice. It granted new emergency powers to the regulatory authorities under exceptional circumstances in the financial markets, including the power to ban short-selling.

The European legislator was directly inspired by its French counterpart: the banking and financial regulation act of 22 October 2010 granted these powers to the Autorité des Marchés Financiers, which used them in August 2011 to ban short-selling on French securities. At the initiative of France, and for the first time, the European Securities and Markets Authority was given emergency powers allowing it to intervene directly in Member States domestic markets in order to limit or ban short-selling and sovereign CDS transactions.

Finally, the regulation forbids naked short-selling of sovereign CDS in Europe. This practice involves buying credit default insurance without being exposed to the original risk.

This European effort served as one of the bases for launching, at the Cannes Summit, wider, international efforts to regulate CDS markets.

Dexia

The special, pre-existing situation of Dexia made the bank particularly vulnerable to financial market volatility and the euro area crisis. Despite the significant efforts undertaken within the framework of the restructuring plan validated by the European Commission in 2010, which allowed it to considerably reduce its short-term financing needs, Dexia needed a second, large-scale restructuring plan. The principle of this plan was validated by the Board of Directors on 10 October 2011, and it called for accelerated sales of assets.

The plan, which was supported by the French, Belgian and Luxembourg governments, consisted of three significant transactions: the acquisition of Dexia Banque Belgique by the Belgian Government (20 October 2011), the transfer of the Banque Internationale in Luxembourg to an international investor and to the Grand Duchy of Luxembourg, and the transfer of a majority of shares in Dexia Municipal Agency to a trio consisting of the French government, the Caisse des Dépôts et Consignations and La Banque Postale. As part of this transfer, the Caisse des Dépôts et Consignations and La Banque Postale also plan to create a consortium with the goal of providing financing for local authorities in France.

The Dexia plan must be definitively approved by the European Commission in order for it to be implemented as quickly as possible.

To accompany this restructuring, the French, Belgian and Luxembourg governments have agreed to providing guarantees to Dexia in order to rebuild investors' trust and to provide both its customers (depositors and local authorities) and its creditors with the assurance that Dexia will be able to continue to honour its commitments.

This support was made part of the Supplementary Budget Act of 2 November 2011, authorising the Minister for the Economy to grant a State guarantee that took two forms:

• A joint refinancing guarantee by Belgium, France and the Grand Duchy of Luxembourg in proportions equal to those of 2008, i.e. 60.5% for Belgium, 36.5% for France and 3% for Luxembourg, for an overall total of €90bn for a maximum of 10 years. This guarantee would be paid back in compliance with European requirements.

• A guarantee of any commitments that Dexia had made in agreement with the Minister for the Economy within the framework of the endorsement of its subsidiary Dexia Municipal Agency. This guarantee, for maximum of €10bn in assets in the form of structured loans to French local authorities, will be paid back in compliance with European requirements. It will apply above the ceiling of €500m and within a limit of 70% of the amounts due. The maximum amount of this guarantee is thus €6.65bn.

While waiting for the final restructuring plan to be validated, the European Commission, on 21 December 2011, provisionally authorised a temporary financing guarantee for Dexia SA and its subsidiary Dexia Crédit Local to be jointly provided by Belgium, France and Luxembourg for a total amount of €45bn.

This independent on-demand guarantee was granted by the three States until 31 May 2012. Subject to prior agreement by the European Commission, this time limit may be extended with respect to contracts, securities and financial instruments whose maturity may reach three years. This is the first step towards implementing the final €90bn guarantee agreement.

Laying the foundations for tomorrow's growth

One of the DG Trésor's core mandates is to propose structural reforms in order to foster a legislative, taxation and economic framework that is propitious to business development, growth and jobs. In 2011, the Directorate worked hard to fulfil this mission, as well as offering direct support for business activity. Its efforts extended to consumer protection, which also falls within its purview. Tomorrow's growth depends a great deal on France's international business efforts. This is why the DG Trésor worked to bolster France's position in the new emerging markets.

Support for change around the world

The Arab Spring, a partnership between Deauville and Libya

Following the popular uprisings that swept across the southern shores of the Mediterranean, now known as the «Arab Spring», the DG Trésor was very much involved in the definition and implementation of the «Deauville Partnership», which was launched by President Sarkozy during the G8 Summit in Deauville on 26 and 27 May 2011. This partnership brought together countries already experiencing democratic transition (Egypt and Tunisia at that time), in cooperation with the international financial institutions and in the presence of the Arab League.

It is based on a political pillar of promoting governance reforms (led by the ministers of foreign affairs) and an economic pillar of support for viable and inclusive growth in the countries concerned. The DG Trésor made significant contributions to the second pillar, specifically by preparing the meeting of the Deauville Partnership finance ministers in Marseille, on 10 September 2011.

In 2011, the DG Trésor, working in collaboration with the Ministry of Foreign Affairs, was particularly active in the area of international sanctions. Côte d'Ivoire, Tunisia, Egypt and Libya were all subject to international economic and financial sanctions, with an eye to accompanying the ongoing democratic transition in each of these countries. In these four countries the sanction regimes were quickly suspended, but they were maintained and strengthened with respect to both Syria and Iran.

During that meeting, the Deauville Partnership was extended to new «partner» countries (Morocco and Jordan) and to «associate» countries (Saudi Arabia, United Arab Emirates, Qatar, Kuwait and Turkey). Moreover, three new regional organisations (the Arab Monetary Fund, the Arab Fund for Economic and Social Development and the OPEC Fund for International Development) took part in this process.

France has provided a €2.7bn envelope for Tunisia, Morocco Egypt and Jordan for 2011-2013, primarily via the AFD.

With respect to Libya, the DG Trésor launched an action plan in the summer of 2011 to support the country's reconstruction. Its proposals include making Libya part of the Deauville Partnership (approved on 20 September 2011), the reopening of France's Economic Department in Tripoli (effective as of September 2011), the use of existing instruments (FASEP studies, COFACE credit insurance) to support projects for reintroducing French firms into Libya, and the setting up of an Ubifrance economic unit (office opened in Tripoli in November 2011).

The Minister of State for Foreign Trade made two trips to Libya (12 October and 20 December 2011), each time accompanied by large delegations of French businesses of all sizes (more than 80 for each trip). At the instigation of the DG Trésor, these firms were grouped into activity sectors that were identified as crucial to Libyan reconstruction. These trips were organised in close collaboration with MEDEF International and the Franco-Libyan Chamber of Commerce.

The meeting in Marseille provided a forum for validating the method and the principles of the Partnership, based on the transition countries drafting their development priorities, and by the strong, coordinated response by the international financial institutions to the requests of these countries. The multilateral banks provided $38bn for the period 2011-2013 to support the four transition countries, and established a coordinating committee, whose first meeting was held in Tunis on 12 December. The Partnership Members also decided to extend the scope of EBRD* operations to the entire region, and to take an ambitious approach with respect to trade integration..

Paris Club: $2.6bn in debt negotiated in 2011

The DG Trésor, in its role as coordinator and chair of the work of the Paris Club, negotiated several debt restructuring agreements in 2011.

The Paris Club continued to implement the initiative in favour of Heavily Indebted Poor Countries (HIPC), a coordinated action by all international financial stakeholders, including the multilateral institutions, with the goal of bringing the foreign debt burden of these countries down to a sustainable level. Thus, in 2011, Paris Club creditors negotiated some $2.6bn in 2011, and wrote-off $603.7m in debt.

In particular, 2011 saw a foreign debt restructuring agreement with Côte d'Ivoire, which included rescheduling of repayment of some loans, and the cancellation of $2.3bn owed to Club creditors. In the wake of the crisis that has swept Côte d'Ivoire, this negotiation is an important phase in the process of normalising the country's economic activity. Paris Club creditors also confirmed their commitment to additional debt relief efforts as part of the Heavily Indebted Poor Countries (HIPC) initiative. Côte d'Ivoire, as soon as it reaches its completion point, will also benefit from the HIPC initiative*.

On 17 June 2011, the Paris Club, in collaboration with the Institute of International Finance (IIF), organised a meeting with representatives of creditor countries that are not members of the Club and representatives from the private sector. This conference provided a venue for discussing current international financial topics, and in particular the comparability of the treatment of the share of the various creditors, which must restore the effective viability of the debt of countries that have benefited from Paris Club restructuring, even when they are confronted with litigious creditors.

Accession of Russia to the WTO

On 16 December 2011, the 8th World Trade Organization Ministerial Conference approved Russia's accession to the WTO. Following ratification of the protocol of accession by the Duma in the summer of 2012, Russia will become a member of the WTO, bringing eighteen years of negotiations to a close.

France actively supported Russia's candidacy, and made mention of it on more than one occasion in 2011, including in a statement by President Sarkozy at the Cannes Summit. Russia's accession will bring the world's eleventh largest economy (143 million consumers) within the regulatory framework of world trade. In addition to such advantages as an improved business climate and the settlement of trade disputes, the French economy will directly benefit, in terms of its manufactured products, agricultural output and investments, from greater access to a high-potential market and reduced Russian customs duties.

The DG Trésor played a key role in defining the French position on the Russian candidacy, and in promoting its position among our partners (particularly during difficult negotiations on the automobile sector). It particularly relied on the ongoing dialogue that it maintained with French businesses, via their headquarters and their Russian subsidiaries.

The participation of the DG Trésor in negotiations with EU bodies (CPC*, Aviation Group, COEST*) and in Geneva helped secure a commitment by the Russian authorities to implement an agreement concerning charges for overflying Siberia imposed on European airlines.

Celebrating 30 years of ADETEF

The public-interest group ADETEF Is the international technical cooperation operator for France's Economy, Budget and Sustainable Development ministries. It provides partner countries with the professional skills of public sector experts, within the framework of bilateral exchanges and programmes financed by multilateral donors. ADETEF is under the supervision of the DG Trésor.

In 2011, ADETEF launched €14m's worth of multilaterally-funded programmes, a marked increase over 2010 (€10m), which represented a low point in the European financing cycle. The projects focused on top-priority areas (Maghreb/Mashrek regions, the Balkans/Turkey, French-speaking Africa, Russia). New, wide-ranging themes were given greater scope, with six twinnings in the areas of sustainable development and energy. ADETEF also won an important contract for the development of the European consumer education website Dolceta. The project of the Public Finance Institute in the Palestinian territories (implementation of the first training modules), which received €3.5m in financing from the Minister for the Economy, constituted a clear step forward.

On 26 September 2011, for the 30th anniversary of ADETEF, François Baroin and Valérie Pécresse emphasised that the public operator is well known for its contribution to French influence in the area of public policy. This was also highlighted in the Maugüé Report on bolstering the consistency of France's international technical expertise offering, which was submitted to Parliament in July 2011.

Improving the framework for economic activity and competitiveness

Diagnosing France's competitiveness

Since 2002, France's trade balance has steadily deteriorated, reaching a deficit of €69.6bn in 2011. The DG Trésor analyses the country's external balance on a regular basis, and produces a diagnosis of France's competitive strength.

This analysis revealed several key points, which were the subject of a section in the Economic, Social and Financial Report, appended to the 2012 Budget Bill. First, a worsening trade balance is not specific to France. The market shares of most OECD countries have shrunk since the early 1990s, due in particular to the expanding role of the emerging economies in world trade. The continuous rise in the value of the euro between 2001 and 2008 also affected the price-competitiveness of France[1]. Germany is the only country in the euro area whose market share has grown in terms of volume, which led to a comparison of France and Germany's export infrastructure.

Whereas Germany has implemented a wage moderation policy, labour costs rose sharply in France, which meant that French businesses were obliged to make significant margin concessions on exported goods to maintain their competitiveness with respect to their German counterparts. Moreover, Germany's better non-price competitiveness[2] has helped it to orient its exports more towards high- and medium-tech products. French firms, on the other hand, have built up an R&D spending gap vis-à-vis their counterparts – a gap that has widened since the mid-1990s; moreover, they lack the capacity to convert these R&D expenditures into turnover.

German firms can also draw on a more concentrated foreign trade network in expanding markets, and they benefit from a more deeply ingrained international culture.

On the basis of these observations, the DG Trésor advised the Minister concerning reforms that need to be implemented in order to improve French competitiveness, and specifically to encourage both productive investment and research and development. The DG Trésor's analyses and simulations gave it a key role in the elimination of the local business tax and expansion of the research tax credit.

When it comes to controlling labour costs and improving productivity, the DG Trésor provides the Government with a diagnosis of employment conditions and surveys on job market trends. In 2011, its efforts in these areas were based around several working groups and committees.

• The DG Trésor took part in the expert working group on the minimum wage in coordination with the National Commission on Collective Bargaining, and produced three special studies. These covered 1) employment and wage earners in France in the wake of the crisis, 2) changes in the disposable income of households earning the minimum hourly wage and standards of living of those earning the minimum wage or slightly above, and 3) overall reductions in Social Security contributions.

• Within the framework of the National Industry Conference (CNI), the DG Trésor contributed its thoughts on the competitiveness of French industry, and in particular the issue of wage costs. The Directorate's participation allowed it to specify what would be achieved in shifting Social Security contributions towards taxes (VAT and CSG in particular), and to analyse reprofiling scenarios for changes in the Social Security contribution scale for the lowest-paid.

(1) The ratio of the price of foreign goods and services to the price of exported domestic goods and services.

(2) Refers to the quality, specificity and/or innovation built into exported goods and services in relation to competing goods and services.

Support for SMEs

The Credit Mediator's Office was created in 2008, offering support for businesses experiencing financing problems. By the end of October 2011, it had freed up to nearly €3.6bn in credits and supported 14,814 firms with a total of 255,266 employees. Although the number of new cases referred to the Mediator's Office dropped sharply during 2011, the still-uncertain economic climate led to an informal agreement on 4 April 2011 that extended the Mediator's mandate until 31 December 2012.

In April and July 2011, in his capacity as Chair of the Business Financing Monitoring Centre, the Mediator submitted two reports to the Minister on financing for SMEs/mid-tier firms and on financing for very small businesses. The summary reports, for which the DG Trésor provided major input, offered a more hopeful diagnosis of the financial situation of SMEs, and urged improvement in the statistical tools for monitoring loans to very small businesses.

The DG Trésor devoted a great deal of effort to comparative analyses of France and Germany, particularly the two countries' welfare schemes. It was revealed that the German system is less generous in terms of benefits, but more efficient on follow-up and support for job-seekers. Germany has witnessed an atypical shift in its wage costs (connected to reunification), while in France the trend has been much closer to those observed in the rest of the euro area. Social Security contributions for salaries are generally higher in France, but lower when it comes to the lowest salaries.

Other employment-related efforts (published in the journal Trésor-Economics) concerned youth employment, the integration of young PhD holders into the job market, and decreased Social Security contributions. The DG Trésor also organised two public conferences, one on collective bargaining incentives, and another on new forms of employment.

More appropriate taxation

Although certain tax revenue measures were introduced in 2011 within the framework of fiscal consolidation, particularly the decisions announced on 24 August and 7 November, the task of stimulating French competitiveness and business activity must include deeper reflections on the French tax system. The DG Trésor addressed several of the many questions around this issue: to boost France's competitiveness and encourage employment, should French taxation be less focused on labour and more on other tax bases? More generally, how can we change the structure of our tax and Social Security contributions so that they encourage greater growth? To what extent should we ramp up environmental taxation, and taxes aimed at altering certain behaviours (taxes on tobacco, alcohol and sugared beverages, for example)? Should we merge or simplify existing taxes?

One of the characteristics of a tax system that encourages growth is that it is based on wide tax bases with relatively low rates, which presupposes restricting the number of tax exemptions that put a strain on those bases. The DG Trésor played an active role on the Tax Expenditures and Social Contribution Exemptions Assessment Committee. The Committee uncovered €15bn in ineffective tax expenditures and social contribution exemptions (i.e., which did not achieve their primary objective), and €37.7bn in expenditures and exemptions that were not particularly efficient (for example, when they had particularly high costs with respect to the objective). Attention could be paid to these areas in discussions on the structure of France's contribution system.

Reducing these ineffective or inefficient tax expenditures and social contribution exemptions

The Public-Private Partnerships Task Force (MAPPP)

An expert body created in May 2005, the MAPPP was turned into a department with national scope reporting to the DG Trésor under the Decree of 23 June 2011. The Task Force has a threefold role:

1. Promoting public-private partnerships via information and training efforts
2. Supporting implementation of partnerships on behalf of public entities
3. Validating (at Government level) whether projects qualify for partnership contracts both up- and downstream, and assessing their consequences for public finances prior to recommending (or not) that the Minister for the Economy agree to the signing of the partnership contract by the relevant ministry.

The Task Force brings together a small group of experts from different areas of both the public and private sectors, with administrative, technical and financial backgrounds. French public-private partnerships include more than 400 projects at various stages of completion, including nearly 200 that received a favourable opinion from the MAPPP (43 were approved in 2011). By the end of 2011, 111 partnership contracts, covering a wide variety of sectors, from construction to information and communication technologies, had been signed: 87 by local authorities and 24 by the State. These represent total investments of €10bn, including more than €6bn in partnerships for 2011 alone. This volume of investments makes France number one in Europe, with more than two-thirds of the projects launched in 2011.

The year witnessed a sharp upswing in public-private partnerships, with the advent of several extremely large projects in the areas of transport (the Bretagne-Pays de la Loire high-speed railway link, the Eco-Tax on heavy goods vehicles, etc.) and construction (the French Defence Ministry's new headquarters at Balard, the Palais de Justice in Paris, major stadiums for the 2016 UEFA European Football Championship). These partnerships primarily involved central Government administrations (the Defence, Justice, and Transport ministries, etc.) or national public establishments (RFF, Voies Navigables de France). 2011 also saw the completion of the concession of the Sud-Est Atlantique high-speed train line, whose €8bn investment costs make it one of the largest private financing projects ever realised in Europe. The project's private debt (€1.5bn) was raised thanks to a State guarantee, which was appraised and implemented by the MAPPP.

could take place within the context of introducing €3bn in new annual revenue measures, as defined in the 2011-2014 Public Finance Planning Act (LPFP) of December 2010. In 2011, the DG Trésor worked hard to introduce into upper ministry levels the key principles of the Planning Act (the combination of minimum new revenue measures and spending caps included in the Budget Act and the Social Security Budget Act). This is the subject of the constitutional reform (or «Golden Rule»), which was designed based on a joint proposal to the Ministers by the DG Trésor and the Budget Directorate following the work of the commission headed up by Michel Camdessus, and which was approved by both the National Assembly and Senate in 2011. Since then, an agreement was reached at the European Summit of 9 December 2011 that called for an across-the-board adoption of a «Golden Rule», which would have the same objective of long-term budgetary discipline, but which is more focused on the structural equilibrium of public finances.

Reducing burdens on companies

The DG Trésor was particularly active in the European negotiations concerning a proposal for simplifying the accounting regime for «micro-entities» (firms that meet two of the following three criteria: maximum total balance sheet of €350,000, maximum net turnover of €700,000 and/or no more than 10 employees). The Directive, which was adopted in December 2011 by the European Parliament, calls for simplification with respect to drawing up annual accounts, and exemption from publication requirements, provided that balance sheet information is duly filed with at least one designated competent authority.

The DG Trésor also helped prepare two pieces of legislation with measures for simplifying corporate law: the Act of 17 May 2011 concerning the simplification and improvement of the quality of the law, and a bill having to do with simplifying the law and alleviating administrative burdens, which is slated to be adopted by the Parliament in the first quarter of 2012. The first text simplifies the legal framework applicable to capital increases, as well as to the rules governing mergers and split-offs. It also introduces simplification in terms of accounting for small firms, by allowing companies within the simplified taxation scheme to submit simplified accounting notes provided they qualify for the simplified presentation of their annual accounts.

The second text is a result of a task force that investigated simplification of the law to foster growth and jobs, which President Sarkozy entrusted to MP Jean-Luc Warsmann in early January 2011. It includes a set of provisions dealing with capital increases (changes to the sanctions regime), the obligation to file a management report, information on companies' commitments in terms of sustainable development, distribution of bonus shares to employees of SMEs with high growth potential, reporting obligations for listed companies and for share buyback plans for firms listed on Alternext. The bill also provides improvements with respect to financial safeguard procedures, information requirements with respect to crossing shareholding thresholds, information concerning UCITSs and, for payments of small amounts, alleviating identification formalities for clients and beneficiaries.

Support for exports

Within the framework of the plan to improve support for French exports, which was launched by the Minister of State for Foreign Trade on 10 February 2011, in the presence of the Prime Minister, the DG Trésor has undertaken several actions for providing Government support to exporting firms:

• Consolidation of Ubifrance's scope of action (increasing from 44 to 63 countries by the end of 2012), with the goal of being able to better intervene in the most promising countries, and negotiation of a new Service Level and Performance Contract for 2012-2014, which was signed by the Government and the agency on 14 September 2011. This contract sets specific objectives for Ubifrance in terms of developing exports for the firms it assists (foreign support for 17,000 SMEs and mid-tier firms, and the development of 10,000 projects for 6,000 SMEs and very small businesses).

• The signature on 5 May 2011 of the Internatio-

nal SME Support Charter, which is prepared by the DG Trésor. Under the terms of the Charter, 13 major French firms will systematically request tenders from their French subcontractors within the context of their export projects, and they will integrate SMEs into their strategies for developing exports. Moreover, for the major firms, an SME support plan is now mandatory for contracts benefiting from a State guarantee granted by COFACE that total €300m.

• An agreement between COFACE, OSEO and Ubifrance, which was signed on 7 June 2011, creating an «Export Toolbox» to facilitate the implementation of a coordinated financing offer to exporting SMEs

• The signature, on 12 July 2011 of the National Export Charter, which brings together all foreign trade partners. The goal of the Charter is to clarify the roles of stakeholders providing support to international businesses, whether in France or abroad, using specific quantitative and qualitative objectives. Exporting firms in France's various regions now have access to «one-stop shops» for their administrative procedures. The Charter has been adapted into regional export agreements (seven such regional agreements were signed in 2011).

• The launch of the Internet site import-export.gouv.fr on 11 October 2011. This new site provides information to French firms on the various

stages in the export process, and on the support and services that foreign trade organisations can offer them.

• Improvement in the instruments providing financial support to SMEs and very small businesses: the prospecting insurance scheme was reformed to adapt to the needs of very small businesses (launch of an insurance product for first-time exporters on 1 January 2012); credit insurance was also adapted to the specificities of SMEs (lowering of the manufacturing allowance and simplification of documentary credit); and the FASEP Garantie (insurance against the economic risk of foreign investment projects by SMEs) was modernised

• The grouping of large, mid-tier and small firms into industry-specific export sectors. These include the solar sector, which launched a call for projects in October 2011, providing €100m in low-cost loans for financing, via the Emerging Countries Reserve's lending envelope, the most promising projects by French firms operating in emerging countries. In the same way, on 6 December 2011, the Minister of State for Foreign Trade launched an export plan for the sporting sector that was prepared by the DG Trésor. Its goal is to better structure France's offer in terms of major international sporting events.

Supporting financing and development for companies

Through its bank loan guarantees, direct co-financing for investments and support for innovation, OSEO provided €31bn in financing for 84,000 firms in 2011. In line with the government's instructions, the recovery plan that was introduced in late 2008 came to a close in mid-2011, with a progressive return to «normal» guarantee activities. Co-financing activity increased as businesses begin to invest more in the first half of the year.

The merger of OSEO's operating units on 31 December 2010 was accompanied in 2011 by significant efforts in the area of risk and activity management, in close cooperation with the DG Trésor: the signature of a shareholders' agreement between the Government and the Caisse des Dépôts et Consignations, the introduction of cost accounting and a review process within the framework of the General Public Policy Review, an examination of the prudential model, the rating of OSEO, an industrial and commercial public institution , and an inaugural bond issue.

In order to support the competitiveness of French SMEs, the Government bolstered its available quasi-equity instruments: given the success of the Participatory Development Contracts, a second envelope of €1bn over two years was announced by President Sarkozy in March 2011. The Government also increased its support for equity investments in areas where the market fell short (above all capital risk and small capital development financing).

In addition to tax incentives for individuals and businesses (€1.17bn in tax expenditures in 2011), the Government contributed directly to SME financing via the FSI-France Investissement Programme and the Invest for the Future Programme.

The DG Trésor took part in bringing the Invest for the Future Programme up to speed, and is a member of the steering committees for the new programmes.

• The €400m National Seed Capital Fund (FNA) was launched in July 2011. It supports equity investments in SMEs working in strategic technological sectors, as defined by the National Research and Innovation Strategy (SSRI): health, food and biotechnologies, information, communication and nanotechnologies, environmental emergencies and eco-technologies.

• The €400m Digital Society Fund for SMEs (FSN-PME) was created in November 2011 to invest in SMEs working in the areas of cloud computing, digitisation and enhancement of cultural, scientific and educational content, development of basic technologies and new uses for digital technology.

• The Social Economy Fund, endowed with €100m, is used for the purpose of creating and consolidating jobs, as well as designing and developing alternative, innovative approaches to starting up new business activities and ventures. It made its initial investments in July 2011.

On 16 June 2011, the Prime Minister announced the renewal of the France Investissement Programme, which was allocated €5bn. The new agreement, prepared by CDC Entreprises and the DG Trésor, was slated to be signed at the beginning of 2012. Discussions, led by the DG Trésor, are ongoing with private stakeholders (banks and insurance firms) in order to define how they might take part in this public-private partnership, and in order to renew the commitment by insurance firms to invest 2% of their assets in non-listed shares.

At regional level, discussions resulted in the creation of «one-stop shops» for SMEs seeking equity funding. Thus, On 12 December, the joint subsidiary OSEO-CDC Entreprises-Avenir Entreprises became FSI-Régions. This structure already has the capacity to directly intervene with small amounts of venture capital and quasi-equity (or mezzanine debt). Moreover, the Prime Minister entrusted René Ricol with the task of coordinating the public support structures for business financing.

Based on the government's desire to develop financing for SMEs and mid-tier firms via the financial market, the DG Trésor continued its actions in cooperation with Paris's financial centre to allow more SMEs and mid-tier firms to benefit from the equity contributions, visibility and liquidity that the stock market can provide.

CIRI

The Directorate also holds the secretaryship of the Interministerial Committee for Industrial Restructuring (CIRI). The 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.

In 2011, the CIRI assisted 68 companies with a combined workforce of 92,000. In 35 cases there was a positive outcome with the result that 52,000 jobs were saved. As of early 2012, 31 businesses with a workforce of 40,000 were still in negotiations.

In the first half of 2011, the number of new cases referred to CIRI dropped off (16 new cases). On the other hand, 26 new cases were registered in the second half of the year, the same number as in 2008 in the midst of the crisis. This increase had its roots in the tensions observed on the financial markets during the summer, which had an impact on the larger economy starting in September.

The DG Trésor thus accompanied the creation of a fund dedicated to listed SMEs and mid-tier firms, which will be financed by the Caisse des Dépôts and institutional investors, thus providing both liquidity and confidence in the SME/very small firm market.

Finally, at European level, the DG Trésor continue to defend an «EU-Listing Small Business Act», so that listed SMEs and mid-tier firms can be provided with more adapted regulatory requirements. The Directorate also monitored discussions on the directive on harmonisation of financial transparency obligations for listed firms.

Protecting consumers

Insurance premiums

At the end of 2010, several insurance firms announced significant increases in their automobile and homeowner insurance premiums. On 20 January 2011, the Minister for the Economy published a report on the reason for these premium hikes that she had commissioned from the DG Trésor and the Directorate General for Competition Policy, Consumer Affairs and Fraud Prevention.

The report showed that there was a relationship between higher premiums and claims, and that in the past, lower premium periods followed periods in which premiums were higher. It also showed that premium hikes varied a great deal from one insurance firm to the next. In such cases, changing one's insurance firm may be the best way to obtain a better price or better coverage at the same price.

In 2011, measures were introduced to simplify the process of changing insurers. Within the framework of the Financial Sector Advisory Committee (CCSF), insurance firms agreed to comply with a single, simple and clear rule in terms of informing policyholders of their right to cancel a policy when it expires (3). The DG Trésor took part in these efforts and prepared the legislative proposals that were included in the bill strengthening consumers' rights, protection and information, which expanded the scope of application of the 2007 Chatel Act to property and casualty/health insurance policies taken out by individuals.

In 2011, the Directorate also closely monitored the implementation of the borrower's insurance reform. For mortgages, consumers may now freely choose between individual insurance and the group insurance offered by the banking institution.

(3) Policyholders are now systematically informed of their right to terminate their policies at least 20 days prior to the policy anniversary date. The information telling consumers that they may change insurance firms must also be more visible, with a standard wording employed by all firms

A new AERAS agreement

On 1 February 2011, following a long process that involved the DG Trésor and the Social Security Directorate, the Minister for the Economy – along with patients' associations and the trade associations in the banking and insurance sectors – signed the new AERAS agreement. The goal is to provide greater access for individuals with serious health risks to borrower's insurance and to loans.

This new agreement provides significant advances: the creation of a specific disability benefit common to all insurance firms, extension of additional insurance premium capping to borrowers with modest incomes, streamlined health questionnaires, and improved consideration by insurance firms of improved health situations (such as remissions).

The DG Trésor, along with the Social Security Directorate, holds the secretaryship of the committee monitoring the agreement. It is also responsible for the agreement website (www.aeras-info.fr), which was completely overhauled in autumn 2011 in order to better inform those concerned.

Better information about retirement savings

DG Trésor drafted implementing measures on retirement savings contained in the Pension Reform Act. An Order now makes it obligatory for insurance firms to communicate each year to policyholders their estimated annuities based on the accrued capital, in order to allow households to better manage their savings efforts; the legal framework for retirement savings schemes (Plan d'Epargne Retraite Populaire – PERP) has been codified and simplified, drawing on what was learned from the first years of marketing this product. The rules governing the management of collective pension savings plans (Plan d'Epargne pour la Retraite Collectif – PERCO) have been updated.

Other consumer protection efforts

• Some twenty decrees and orders were issued to implement the Consumer Credit Act of 1 July 2010: all of the Act's provisions are applicable as of 1 May 2011. In drafting these texts, the DG Trésor worked closely with the General Directorate for Competition Policy, Consumer Affairs and Fraud Control, and submitted all of them to public consultation, since it was critical to have input from experts and consumer representatives.

• The DG Trésor maintained its expert role in discussions on the creation of a national consumer credit database. It holds the secretaryship of the committee tasked with exploring the feasibility of such a database, the conclusions of which played an important role in discussions of the topic in 2011, particularly in Parliament.

• Within the context of the Banking and Financial Regulation Act, it worked to strengthen the obligations incumbent on financial stakeholders with respect to marketing financial products and services to customers. From now on, banking and financial intermediaries are recorded in a single registry managed by ORIAS (Organisme pour le Registre des Intermédiaires en Assurance). This makes it easier to identify these professionals, who are theoretically vetted to make sure they meet the conditions for performing these activities, on the basis of requirements regarding good standing and professional capacities. The status of banking transaction and payment services intermediary is also bolstered by the introduction of rules governing access to this profession.

• The DG Trésor, working with the Financial Sector Advisory Committee, ensured that the banking profession honoured its commitments in terms of bank charges: the introduction in June 2011 of a new «anti-incident» package that sharply reduces bank charges for consumers who experience payment or account incidents; an overhaul of price brochures to ensure comparability of offers; information on total monthly charges on bank statements sent to consumers by banks; and harmonisation of the terms used by banks on these statements.

The Interministerial Social Housing Inspection Task Force (MIILOS)

The Task Force, which is charged with inspecting social housing organisations, is under the dual authority of the ministers with responsibility for housing and for the economy. Its actions are governed by the legislative and regulatory provisions of the Construction and Housing Code (CCH).
In 2011, the MIILOS launched 147 inspections; 151 provisional reports were sent to the heads of organisations to launch the adversarial phase, and 155 final reports were issued.
It is the prefects who are responsible for following up on the MIILOS's reports, which factor in the four priority themes set by its two supervisory ministries: access to housing by underprivileged persons, social assistance, the financial situation (debt and structured products), and taking sustainable development schemes into account.
In addition to inspections, the MIILOS examines the governance of organisations (the status of their executives) and the application of the rules governing public contracts.

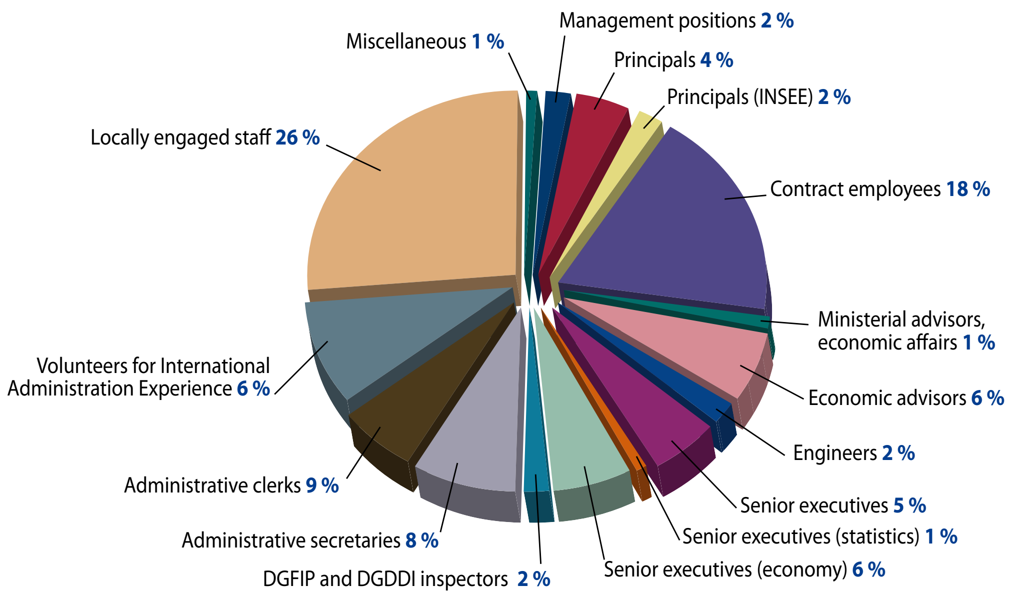
A richly diverse organisation on the move

Since late 2009, at the behest of its Director-General, the DG Trésor has been undergoing a continuous reorganisation process. 2011 was marked by structural efforts to modernise human resources, both for the central administration as well as for decentralised departments. The primary objective is to develop a managerial culture with an eye to bolstering the quality of the service provided to citizens while upholding the Directorate's core values of openness, loyalty and commitment.

As of 31 December 2011, the DG Trésor had 1,695 employees. Of these, 22% were in Category A+, 22.4% in Category A, 12.2% in Category B, and 10.3% in Category C. An additional 6.2% of staff are Volunteers for International Administrative Experience (VIA) and the remaining 26.9% are locally-engaged staff (ADL).

The DG Trésor's staff come from very diverse backgrounds, with over fifteen different administrative and technical fields of expertise. This is a reflection of the wide range of required skills and specialisations.

HR diversity in the DG Trésor's central, regional and foreign offices (1 January 2012)



Modernising human resources management

In 2011, the DG Trésor carried on with its transformation project, whose goals are to improve the quality of service provided to users thanks to a stronger managerial culture, to provide a more quality-oriented, personalised HR management, and to improve staff working conditions. This transformation was spurred by a reduction in Government resources, the stepped-up efforts of the Directorate during the economic and financial crisis, and new staff expectations.

In 2011, the Directorate General updated its human resource management principles and professionalised its toolset.

Updated career prospects

The principles adopted are intended to make career paths smoother and to enhance diversity of experience, by taking better account of previously-acquired skills. To make a career with the DG Trésor more rewarding, greater attention is paid to individual monitoring of staff, thanks to regular career interviews (initially offered to 260 Category B and C staff in the central administration) and to executive reviews.

This allows local management and Human Resources to make regular, shared assessments of the career opportunities and individual goals of each member of staff. Finally, the DG Trésor has made changes to its annual internal mobility programme (known as «transparency») with an eye to facilitating professional career paths that alternate posts in Paris and abroad or in France's regions, thanks to unified «transparencies» between the central administration and the regional and foreign departments.

Professionalised recruiting

Recruitment is a key issue for the Directorate General, which is particularly open to outside candidates, and in which internal and external mobility of executives is high (about a hundred external recruitments annually). The Directorate has made a point of improving the recruitment process, in particular by the «four-eyes principle» involving both the recruiting department and HR, and by increasing the professionalism of interviews, by clarifying recruitment criteria and by publishing a guidebook to the interview process.

Internal opinion poll: staff who are motivated and proud to work for the DG Trésor

The employees of the DG Trésor are satisfied (87%), motivated (82%) and proud to work here (86%). This is one of the main findings to come out of the 2011 survey conducted by Ipsos, based on a confidential questionnaire sent to all employees in the centralised, regional and foreign departments. There was a 62% response rate, compared with 45% for the 2010 survey.

The survey focused on the impact of measures – within the framework of the Directorate's transformation project – concerning management, human resource management, working conditions, communication, etc.

The results confirm the staff's strong adhesion to the Directorate's core values. They also allow us to better understand staff expectations. Thus, despite the progress achieved since the beginning of the project, particularly with the «Working-Time Charter», the desire to achieve a better overall work-life balance remains strong, particularly among executives.

The management team (the top thirty executives) analysed these results during a team seminar in July 2011. They decided, in response to the expectations expressed, to step up their efforts with respect to time management and to factoring in constraints on staff with young children. Discussions on controlling the use of electronic mail also took place at this seminar.

Encouraging diversity

The DG Trésor continued to promote diversity and equality in the workplace. As part of these efforts, it signed an agreement with the Lycée Auguste Blanqui in Saint-Ouen; the goal is to help upper secondary school students prepare for the Sciences Po entrance examination for those from priority education areas, and more generally to give them confidence in their ability to take high-calibre academic courses (22 DG Trésor employees accompanied 27 upper secondary school students, three of whom were admitted to Sciences Po).

Developing a managerial culture

To complement existing management structures (mandatory managerial training for bureau heads, overhaul of the annual performance appraisal), an assessment of the managerial skills of the Directorate's senior executives was introduced: in the central administration the assessment is «180 degrees» (by subordinates), while in the international network it is «360 degrees» (assessment by co-workers, colleagues, "instructing parties" and partners, including businesses). The Director-General, Deputy Director-General, heads of service, assistant directors and heads of regional Economic Departments all took part in this programme, which will be extended to bureau heads in 2012. In all, 689 people were consulted. The programme elicited a great deal of interest (an 81% participation rate in the central administration and 70% in the international network). The executives involved in the assessment were then offered training.

Information systems: ongoing change

The IT Department manages and maintains the information systems (computers, telephones, databases, etc.) at centralised level as well as for the Economic Departments around the world. In 2011, the teams had to deal with new threats and new requirements (support and design services for a number of meetings and international events, heightened computer security, creation of a website for the Directorate General, etc.) across 147 sites in France and abroad.

The DG Trésor will continue to provide services geared to employees' needs and strengthen an already entirely secure information system, focused on «roaming» and on pooling information (in 2011, more than 10,000 documents were entered into the single document database that was created in 2010).

Greater representation for women

The DG Trésor kept to its objective of increasing representation of women in upper-level positions (the goal of 25% was reached on 1 February 2012), and extended that goal to the positions of Economic Department Head and Regional Economic Department Head by 2015 (the percentage of women in these two posts were 7.9% and 17.8%, respectively, as of 31 December 2011).

Steering the international network and change management within the DG Trésor: the new missions of the Strategy, Studies and Steering Bureau (STEP)

The transformation project within the General Directorate and increased efforts to coordinate and steer the international network made it necessary to create a cross-disciplinary steering unit. To meet these needs, the Strategy, Studies and Steering Bureau (STEP) was created as part of the General Secretariat. It is tasked with contributing to the DG Trésor's strategic thought process into change management and implementing decisions.

This steering unit operates at central administrative level and – with respect to the international network – in collaboration with the Director-General's international affairs adviser. It involves coordinating and steering the Economic Departments in liaison with all DG Trésor departments and its international partners (in particular, monitoring agreements with the Foreign Affairs, Environment and Agriculture Ministries). The STEP office is also the single point of contact for the public sphere with respect to work carried out by the Economic Departments abroad.

The General Directorate's strategic priorities are systematically set out and adapted to each Economic Department head and each Regional Economic Department head delegate. They are sent engagement letters with the main objectives they are to meet. These objectives are assessed annually, and modified if necessary, during the regional meeting organised by the Regional Economic Department head. The DG Trésor and its partners (MAAPRAT* and MEDDTL*) have extended this scheme to sector-specific advisors (advisors for agricultural affairs and sustainable development) working in the Economic Departments.

The Fourgeaud seminar

The Fourgeaud seminar (named after the person who created it in 1970) is the Directorate General of the Treasury's seminar on general economic topics. In 2011, ten seminars were organised around a wide variety of themes, including «Industrial Employment and Globalisation», «Macroeconomic Impacts of the Grenelle Environment Round Table», «The Effectiveness of Development Assistance: Evaluation of the Paris Declaration», «Hiring Discrimination», «Public Finances, Pension Reform and Growth», etc. These seminars were widely attended and very open (60% of the participants were from outside the DG Trésor), proof that the seminar is both well-established and well-known. The Fourgeaud seminar will soon have its own website, which will allow visitors to download the principal documents from each meeting.

Streamlining the DG Trésor's international network

The DG Trésor's network is present in embassies and French representations to international organisations. It is made up of regional Economic Departments, which have more staff, including financial advisors and sector-specific experts, and which coordinate the Economic Departments in a specific area, which are greater in number but have fewer staff members. Generally, the DG Trésor's international network covers all aspects of economic and financial activity, and employs individuals from diverse backgrounds (the Ecology and Agriculture Ministries, Banque de France, INPI, etc.). It monitors the economic situation (macroeconomics, foreign trade, investments, financial sector) in nearly 120 countries; it encourages market access by French firms and supports large-scale projects; it provides strategic intelligence on major European, multilateral and regional issues, and relays France's positions to its partners. The Economic Departments are also the primary source of comparative international studies for public-sector entities. They are particularly active in preparing major reforms, or prior to examining bills submitted to Parliament. In 2011, they carried out 61 benchmarking studies to obtain insight into foreign situations and assist public decision-making by providing examples of best practices in other countries and in a wide variety of areas, including financing for higher education, biofuels, taxation of extractive industries, environmental

The DG Trésor's new web site – www.tresor.economie.gouv.fr

Updating and streamlining the Directorate's Internet presence is a structuring project, and a key element in our communication with the outside world. It is part of a larger effort, decided by the Government, to streamline public-sector web sites.
Designed and developed in 2011 entirely in-house, the new DG Trésor site has been online since 24 January 2012.
As part of the Ministry for the Economy's web portal, it offers all of the public economic and financial information produced by the DG Trésor, both at the central level as well as by the Economic Departments in the international network.
The full set of Treasury journals are also available (Trésor Éco, publications by the Economic Departments, Économie et Prévision, Les Cahiers de l'évaluation, etc.).
With this new site, the Directorate hopes to make public its economic and financial production, as well as to offer educational content on current important topics in the economic, financial, European, multilateral and industrial spheres.

certification, the digital economy, access by SMEs to financial markets, fiscal consolidation plans, transport infrastructures, etc.

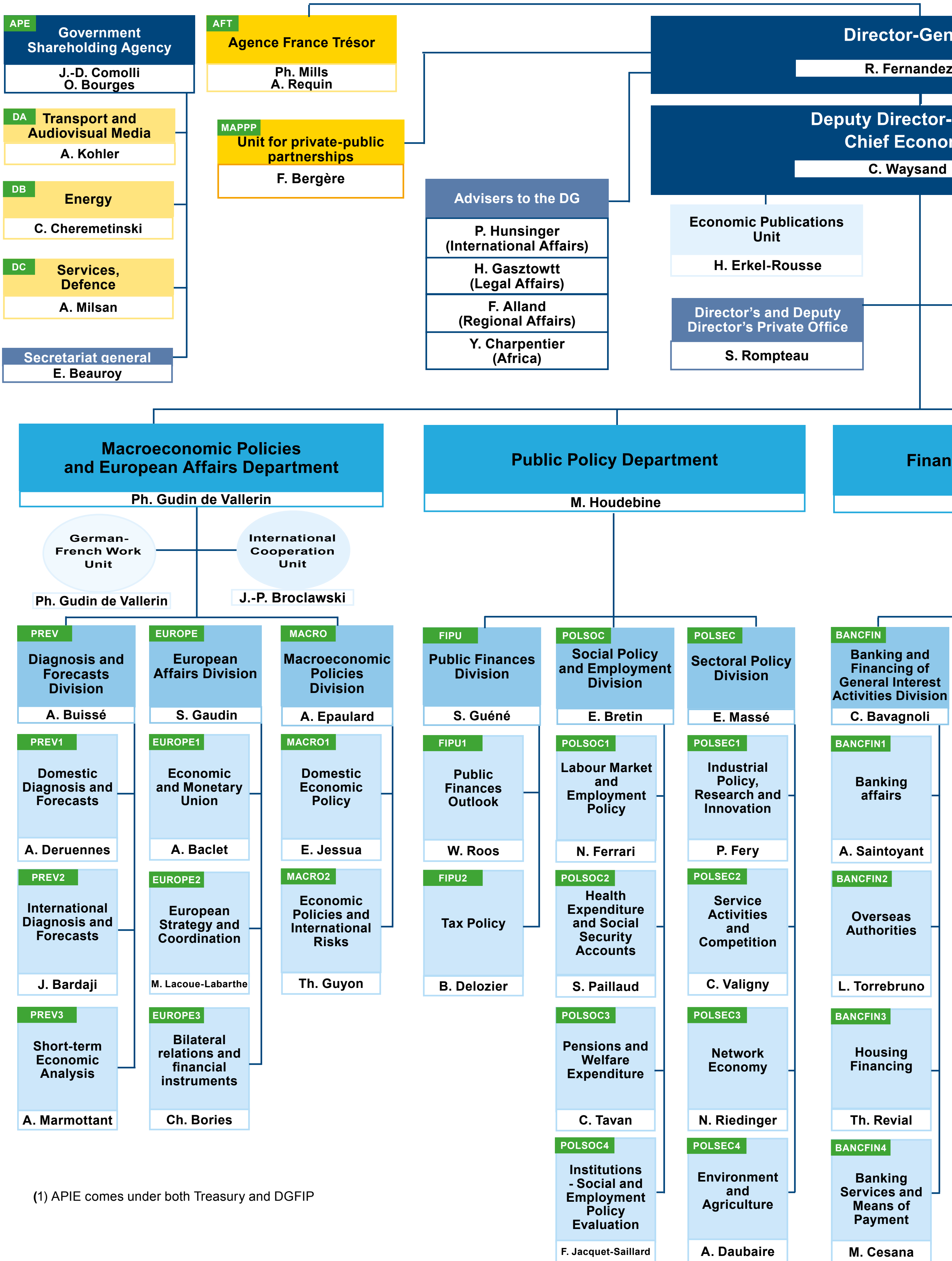
At local level, the Economic Departments support the French business community and coordinate their actions with those of other organisations in charge of promoting French economic interests, in particular Ubifrance, the AFII* and Adetef. They are also active in the economic and financial sector, organising missions by individuals and French delegations.

Streamlining the DG Trésor's structures and resources has led to increased steering of the international network: as part of the trade-related transfer process, Ubifrance (economic missions) will be the contact point for French SMEs around the globe via its local offices (in 65 countries) and local partners. Other activities within the scope of the DG Trésor's network will remain unchanged.

The DG Trésor is also present in France's regions. In 2011, the second year of existence of the Regional Directorates for Businesses, Competition Policy, Consumer Affairs, Labour and Employment (DIRECCTE), the DG Trésor staff working within them developed synergies between their classic role as international specialists and that of the former departments for industrial development. In each region, drafting an export agreement that brings together all stakeholders, including the regional councils, was launched to help SMEs and mid-tier firms expand their global reach.

Appendices

ORGANISATION CHART – DIRECTORATE-



(1) APIE comes under both Treasury and DGFIP

TRÉSOR
DIRECTION GÉNÉRALE

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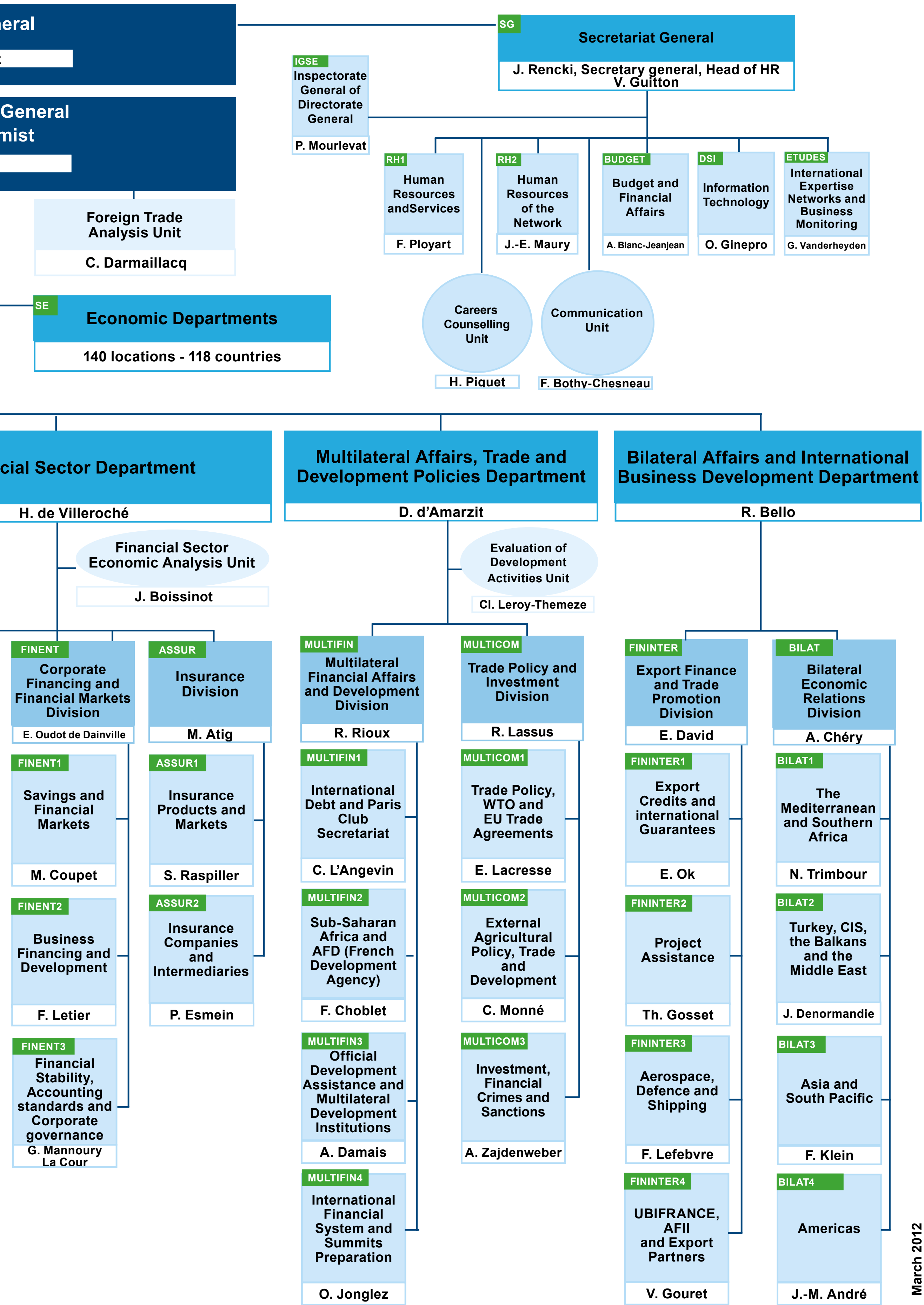
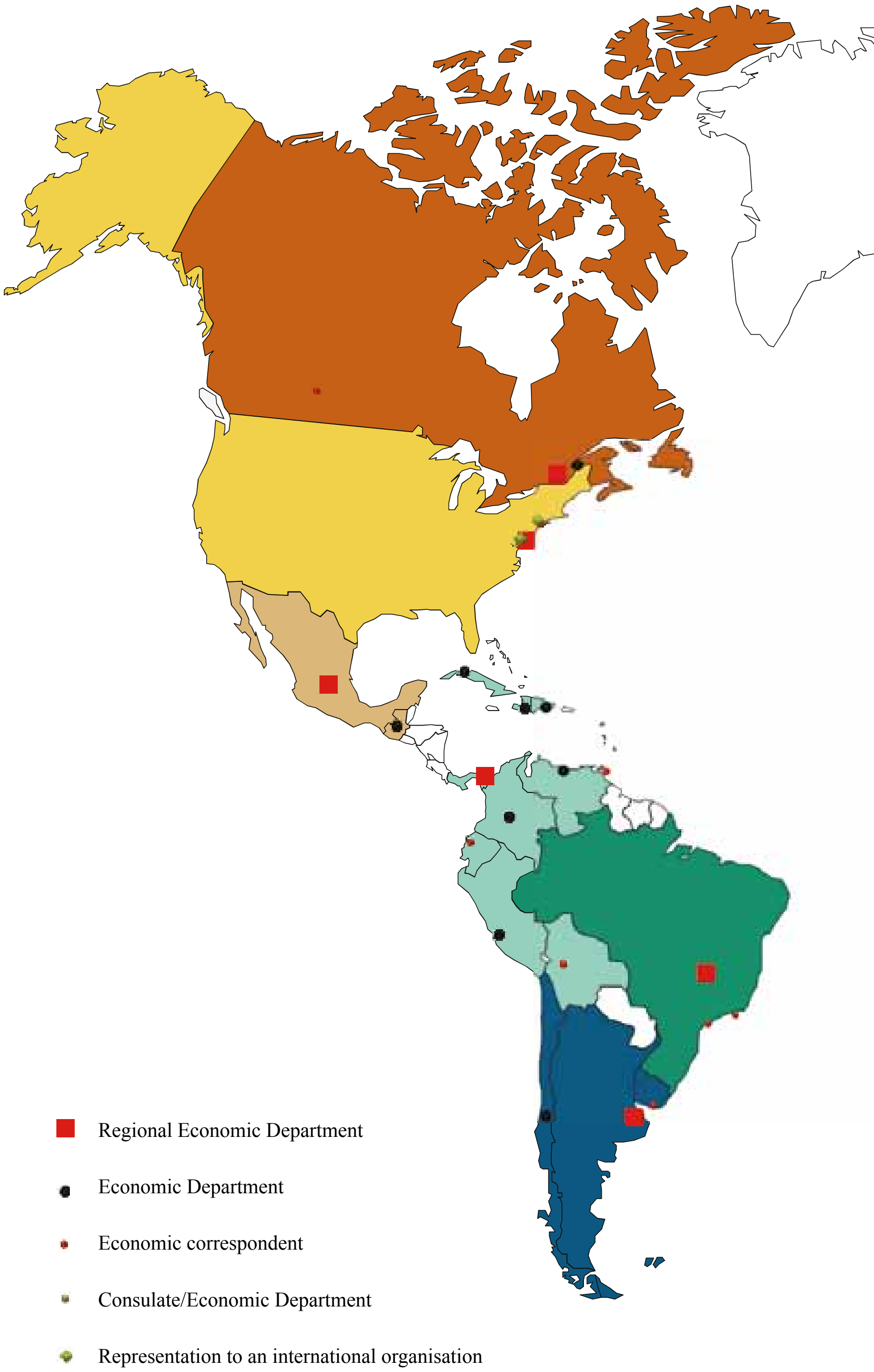


March 2012

Map of the DG Trésor's



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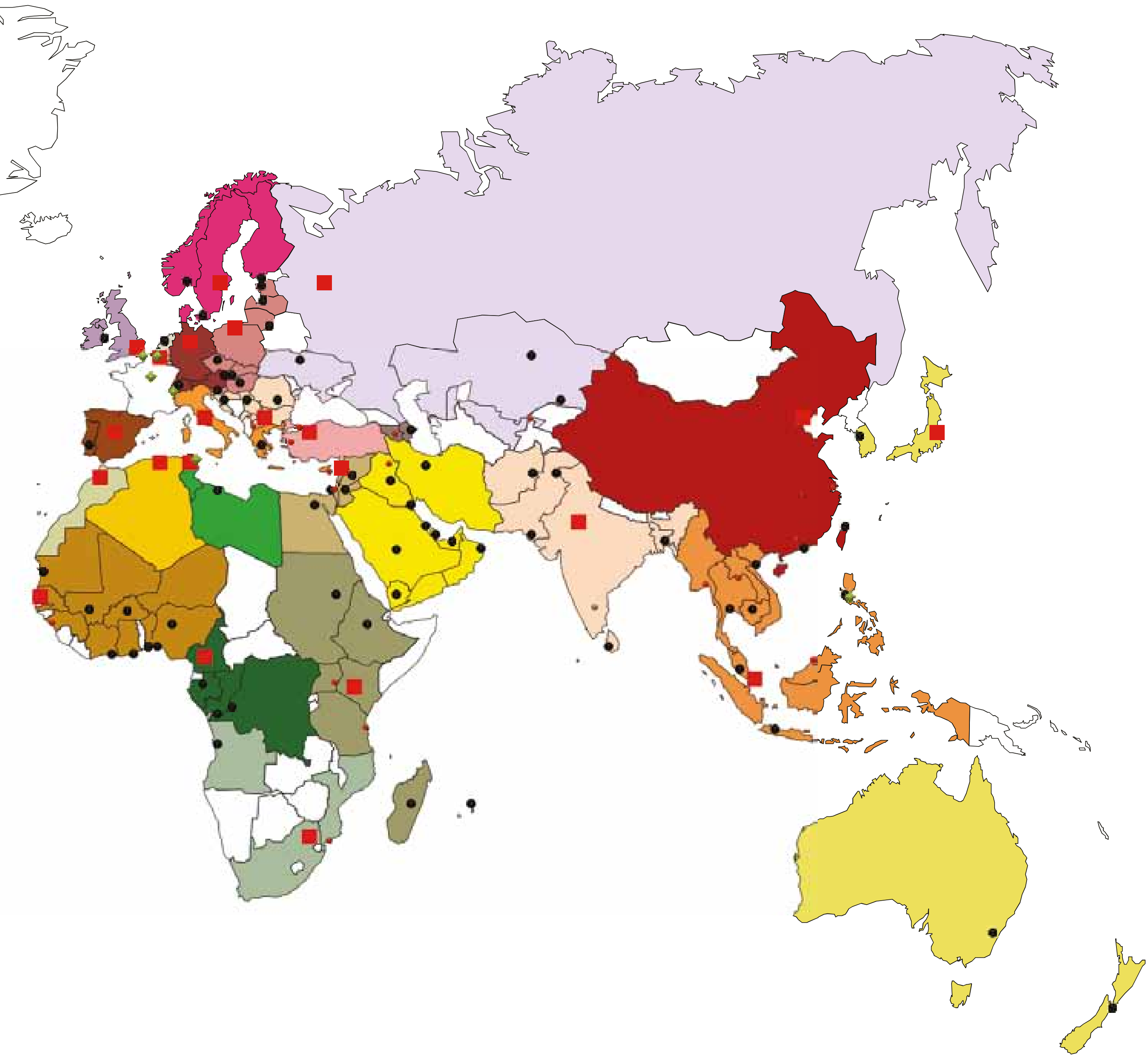
international network



Glossary

AERAS	The AERAS Agreement allows those with serious health problems to insure themselves and to borrow money. The Agreement concerns mortgages, business loans and credit for purchasing consumer goods.
AFII	The Invest in France Agency, which is responsible for promoting, prospecting and facilitating international investment in France.
Basel Committee / Basel Agreements / Basel III	The Basel Committee is a body of banking supervisory authorities. The Basel Agreements define prudential requirements applicable to banks.
Berne Union	The Berne Union is made up of 52 public and private credit insurance companies, each acting in its own name and not on behalf of a State. Its goal is to promote sound principles and develop information exchange, expertise and consulting concerning political and commercial risks.
CCSF	Financial Sector Advisory Committee. This committee is mandated to examine the relationships between financial institutions (credit establishments, insurance and investment firms) and their customers, and to propose measures that take the form of opinions and recommendations. Its membership is equally divided between representatives of financial institutions and consumers, as well as MPs, qualified experts and financial sector company and employee representatives.
COEST	The COEST is a European Council working group that deals with relations between the EU and the countries of Eastern Europe (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia and Ukraine) and Central Asia (Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan). Its activities encompass all aspects of European cooperation with these countries.
CPC	Caspian Petroleum Consortium
Dodd-Frank Act	Also known as the Dodd–Frank Wall Street Reform and Consumer Protection Act, this law seeks to promote financial stability in the US by improving accountability and transparency in the financial system.
EBRD	The European Bank for Reconstruction and Development was created in 1991. It is the number one investor in its region of operation, which stretches from Central Europe and the Western Balkans to Central Asia. It helps countries in this region to successfully manage the transition to a market economy. Its capital is held by 61 countries.

Ecofin	The Economic and Financial Affairs Council of the Council of the European Union coordinates and monitors economic policies within the framework of the Stability and Growth Pact: • Structural reforms via the implementation of the Europe 2020 strategy (formerly known as the Lisbon Strategy) • Legal, practical and international issues related to the euro and Economic and Monetary Union (EMU), particularly monitoring the economic and financial crisis • Taxation • Financial markets and financial regulation • Economic and financial relations with third countries • Adoption of the EU budget, jointly with the European Parliament, on a proposal from the Commission
Eurogroup	The Eurogroup is made up of EU Member States that have adopted the euro as a single currency. It meets the day before each meeting of the Ecofin Council. Its remit basically consists of coordinating Member States' positions in terms of the current economic situation and the position of the euro area with respect to the global scene.
Euro-Plus Pact	Under the terms of the Euro-Plus Pact, which was adopted in March 2011, Member States of the euro area, along with Bulgaria, Denmark, Latvia, Lithuania, Poland and Romania, committed to increased coordination of their economic policies.
FASEP	The Private Sector Research and Assistance Fund is the instrument used by the Ministry for the Economy to provide assistance for project preparation.
FATF	The Financial Action Task Force is an intergovernmental organisation that was created in 1989 by the G7 members. Its goal is to respond to the globalisation of the phenomena of money laundering, which uses cutting-edge technologies that are propitious for faster – and therefore less easily decipherable – money flows.
FSB	The Financial Stability Board is made up of: - Germany, South Africa, Saudi Arabia, Argentina, Australia, Brazil, Canada, China, South Korea, Spain, the United States, France, Hong Kong, India, Indonesia, Italy, Japan, Mexico, the Netherlands, the United Kingdom, Russia, Singapore, Switzerland and Turkey -Six regional and international financial institutions (IMF, World Bank, OECD, Bank for International Settlements, Central European Bank, European Commission) - Six international technical standard-setting bodies (Basel Committee, International Association of Insurance Supervisors, Committee on the Global Financial System, Committee on Payment and Settlement Systems , International Accounting Standards Board, International Organization of Securities Commissions)

G20	The G20 was created in December 1999 in response to financial crises that had affected emerging countries in the early 1990s. Originally, the goal was to bring together, once a year and on an informal basis, finance ministers and central bank governors of both industrial and emerging countries to facilitate international economic coordination. At the end of 2008, at the instigation of France, the G20 became a body for economic leadership, bringing together the heads of state and government of G20 countries and leaders of multilateral institutions. It consists of the G7 (Germany, Canada, the United States, France, Italy, Japan, the United Kingdom), Australia, 11 emerging countries (South Africa, Saudi Arabia, Argentina, Brazil, China, South Korea, India, Indonesia, Mexico, Russia and Turkey) and the European Union.
G7	In 1974, in the aftermath of the first oil shock, a series of informal five-way meetings (between the US, Japan, France, West Germany and the UK) was organised in Washington. This group was replaced by a G6, with the addition of Italy during the initial summit, at the Château de Rambouillet in 1975, which was convened by French president Valéry Giscard d'Estaing. The six founding heads of state agreed to meet once a year to deal with economic and financial issues in an informal manner. The G6 quickly became the G7, when Canada joined the group.
G8	In 1997, the G7 members invited Russia to join the group, given the significant economic and democratic changes that the country had undergone in the preceding years. With the arrival of the G20 on the international scene, the role of the G8 needed to change, taking care to maintain the specific nature of this venue, which allows direct, informal discussions between the heads of state and government of the most advanced economies.
Global Forum	The Global Forum is a multilateral framework for both OECD and non-OECD members. The principal goal of the Global Forum is to develop standards with respect to transparency and exchange of tax information. In 2000, the OECD published a list of tax havens, and in 2002 a series of standards was adopted to regulate compliance by States with the newly-created Global Forum. Since 2006, the Forum has produced an annual review of the legal and administrative framework for transparency and information exchange in more than 80 jurisdictions. For the London G20 Summit in 2009, the Global Forum published a list of tax havens, and was mandated by the G20 to overhaul its procedures in order to be able to carry out more in-depth assessments. The revamped Forum adopted a new set of standards and began its assessments in 2010.

HIPC	The Heavily Indebted Poor Countries initiative represents a coordinated action by all international financial stakeholders, including the multilateral institutions, with an eye to bringing the external debt burden of these countries down to a manageable level. Eligibility and progress made within the framework of the initiative are assessed by the IMF and the World Bank. Thus, the IMF's Executive Board and the World Bank's Board of Directors decide whether a country meets the conditions for debt relief under the HIPC initiative, a stage known as the «decision point.» The international community then agrees to write off enough of the country's debt – at an exact date called the «completion point» – to allow it to reach a sustainable debt level. At each of these stages, the Paris Club agrees to customised treatment of the debt.
MAAPRAT	Ministry for Agriculture, Food, Fisheries, Rural Affairs and Spatial Planning.
MEDDTL	Ministry for Ecology, Sustainable Development, Transport and Housing.
RPE	The Emerging Countries Reserve is a project assistance instrument of the Ministry for the Economy, which provides support to some twenty emerging countries in the form of concessional loans backed by sovereign guarantees.
Shadow banking system	This term refers to the set of financial entities that support credit refinancing outside the scope of prudential regulation.
Solvency	The goal of the Solvency II Directive (which was adopted in 2009 by the European Council and the European Parliament) is to reshape the prudential framework of the insurance sector. In 2014 it will take over from the Solvency I regime, which was a result of 1970s-era directives. Solvency II will maintain a high level of protection for policyholders, but will update prudential requirements and harmonise the European insurance framework.

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