

Benchmark 2020: Modification of the general government perimeter

Public administrations are divided in France into four sub-sectors: central government, within which the State and other central government bodies are distinguished; local government administrations; and social security funds. With the change in the base of the national accounts, the scope of these sub-sectors is modified.

The criteria for belonging to the public administration sector (APU) in national accounting are defined in the European System of Accounts 2010 (ESA 2010) and specified in the manual on government deficit and debt (MGDD, 2022).

A unit is classified in the public administration sector if it meets two criteria:

1. The unit is controlled by government (control criterion, defined by ESA 2010 (§20.18)).
2. The unit is a non-market producer. This non-market character is assessed according to a quantitative criterion: the comparison of sales to production costs (called the market test), as well as a set of qualitative criteria.

Benchmark changes provide an opportunity to update the scope of general government by excluding units analyzed as market-based or outside the control of general government and by integrating those that meet these two criteria. The scope of general government is the subject of ongoing dialogue between INSEE and Eurostat. In this context, units may be recognized as part of the APU scope between two benchmark changes. They are then integrated temporarily in a simplified manner to materialize their contribution to the government deficit and debt. The benchmark change provides an opportunity to integrate their complete accounts.

Thus, the transition to the benchmark 2020 is accompanied by modifications to the scope of general government. Three of them are particularly significant: the full integration of SNCF Réseau and public broadcasting units into the government perimeter, and the reclassification of the additional public service retirement establishment (*Etablissement de retraite additionnelle de la fonction publique*, ERAFP) outside the government perimeter, into the financial corporations sector.

1. Expenditure and revenue of general government significantly revised upwards with the integration of SNCF Réseau and public broadcasting

SNCF Réseau

SNCF Réseau, resulting from the merger between Réseau Ferré de France (RFF) and SNCF Infra on January 1, 2015, is responsible for the management and maintenance of railway infrastructures in France. In 2016, the application of the market test led INSEE to consider that SNCF Réseau was non-market and should be part of the government sector. The integration of the unit during the benchmark 2014 was partial: only the effects on the deficit (expenditure equal to the deficit) and debt were integrated into the government accounts, with SNCF Réseau considered a non-financial corporation. In the benchmark 2020, the entire accounts are integrated within the other central government bodies (► Table 1-1).

SNCF Réseau's expenditures amounted to €17.5 billion in 2019. They are mainly composed of operating expenses: intermediate consumption and employee compensation, as well as investment expenditures, which mostly correspond to the production for the company's own final use in the development and maintenance of railway infrastructures. However, the total consolidated government expenditures are only revised by €11.4 billion for SNCF Réseau, since the unit's deficit was already recorded as expenditures in the benchmark 2014 (for €2.3 billion), and because transfers paid by the State, the Agency for the Financing of Transport Infrastructure in France (AFITF), and local administrations to SNCF Réseau are consolidated in the benchmark 2020, while they were considered intervention expenditures in the benchmark 2014, as SNCF Réseau was classified within the non-financial corporations (€3.3 billion).

SNCF Réseau's revenues amounted to €14.9 billion in 2019. They mainly come from sales and production revenues, which correspond to network access fees paid by SNCF Réseau's customers (rail transport companies), and its production for its own final use. However, the total consolidated government revenues are less revised (€11.1 billion) due to transfers from public administrations to SNCF Réseau.

SNCF Réseau's deficit amounted to €2.6 billion in 2019 (a revision of €0.3 billion compared to the benchmark 2014). In 2019, SNCF Réseau's debt was already accounted for in the public administrations' account (€54.8 billion). In the benchmark 2020, it is slightly revised due to an improvement in the consideration of hedging instruments for measuring debt under Maastricht criteria (+€0.7 billion).

Table 1-1 : Expenditure and revenue of SNCF Réseau – 2019, in euros (billion)

	Benchmark 2014	Benchmark 2020	Revision
Total expenditure	2.3	17.5	15.2
Operating expenditure		10.5	10.5
<i>of which intermediate consumption</i>		6.7	6.7
<i>Of which compensation of employees</i>		3.6	3.6
Interest		1.6	1.6
Social benefits		0.2	0.2
Other transfers and subsidies	2.3	0.0	-2.3
Net acquisition of non-financial assets		5.3	5.3
Total revenue		14.9	14.9
Sales and other production income		10.1	10.1
Other revenue		4.8	4.8
Net lending (+) /net borrowing (-)	-2.3	-2.6	-0.3

Source : Insee, national accounts

Audiovisuel public

Public broadcasting refers to all broadcasting media owned by government: France Télévisions, Radio France, Arte France, France Média Monde, TV5 Monde, and the National Audiovisual Institute (*Institut national de l'audiovisuel*, INA).

The classification of public broadcasting units was the subject of methodological dialogue within the European Union starting in the early 2010s to harmonize treatments between member states. In 2016, the contribution to public broadcasting was considered a tax and not a purchase of services, as it is mandatory for television owners, regardless of their use of public television channels. Therefore, public broadcasting units were to be considered non-market, their main resource being a tax.

In the benchmark 2014, the reclassification of public broadcasting was only partial and focused on compulsory levies. The contribution to public broadcasting was recorded as an other current tax, offset by a social benefit in kind expenditure of an equivalent amount to the fee. In the benchmark 2020, the entire accounts are integrated within the other central government bodies (► Table 1-2).

Public broadcasting units' expenditures amounted to €5.9 billion in 2019. These expenses are mostly composed of operating expenses: intermediate consumption and employee compensation. Investment expenditures largely correspond to production for the entity's own final use, capitalized as part of the production of audiovisual content. The total consolidated government expenditures are

only revised by €1.9 billion in the benchmark 2020, since a part of public broadcasting expenditures was already recorded as expenditures in the benchmark 2014, and the transfers paid by the State to public broadcasting units are consolidated in the benchmark 2020.

Public broadcasting units' revenues amount to €6.0 billion in 2019. They primarily consist of, as in the benchmark 2014, the contribution to public broadcasting, recorded as income tax. They also include sales and production revenues for advertising revenues and production for the entity's own final use. Finally, other revenues cover the State's payments to public broadcasting for the relief of the audiovisual license fee, recorded as transfers between government. The total consolidated revenues of the administrations are only revised by €2.0 billion in the benchmark 2020, since the contribution to public broadcasting was already recorded as revenue in the benchmark 2014, and the transfers paid by the State to public broadcasting are consolidated.

Table 1-2 : Expenditure and revenue of public broadcasting units - 2019, in euros (billion)

	Base 2014	Base 2020	Révision
Total expenditure	3.1	5.9	2.8
Operating expenditure		4.1	4.1
<i>of which intermediate consumption</i>		2.4	2.4
<i>of which compensation of employees</i>		1.6	1.6
Social benefits	3.1	0.1	-3.0
Other transfers end subsidies		0.3	0.3
Net acquisition of non-financial assets		1.4	1.4
<i>of which Gross fixed capital formation</i>		1.4	1.4
Total revenue	3.1	6.0	2.9
Sales and other production revenues		1.9	1.9
Taxes	3.1	3.2	0.1
Other revenue		0.8	0.8
Net lending (+) /net borrowing (-)	0.0	0.1	0.1
Consolidated expenditure		-0.9	-0.9
Consolidated revenue		-0.9	-0.9

Source : Insee, national accounts

2. ERAFP's reclassification as a financial company worsens the public administration balance

The Additional Public Service Retirement Scheme (*retraite additionnelle de la fonction publique*, RAFP) is a mandatory public supplementary pension scheme established by the 2003 pension reform. The scheme is managed by a public institution named "Établissement de Retraite Additionnelle de la Fonction Publique" (ERAFP). The contribution base and rate are defined by decree. The level of benefits is determined by ERAFP, mainly through setting the service value of the point.

In the benchmark 2014, ERAFP has been recorded in the public administrations' account since its creation in 2005, in the sub-sector of social security funds. It is a social security fund that collects social contributions from employers and employees (€1.9 billion in 2019) to build up a reserve of financial assets. It receives income from the property resulting from these placements (€0.8 billion in 2019). It finally pays benefits to its beneficiaries, in the form of cash social benefits (€0.3 billion in 2019).

During the work on the benchmark 2020, a re-examination of ERAFP's activities in light of the European regulation led to its reclassification into the financial institutions sector (► Table 2-3). Indeed, the RAFP is an employer's pension scheme that operates on a capitalization principle: benefits directly depend on the performance of assets accumulated through past contributions. As such, it constitutes a defined contribution funded scheme, a pension fund, for which the European System of Accounts explicitly specifies classification as a financial corporation, in the sub-sector of insurance corporations and pension funds. ERAFP is therefore removed from the public administrations' scope in the benchmark 2020 and added to the pension funds' sector.

Table 2-3 : Impact on general government revenue and expenditure of reclassifying ERAFP as a financial company - 2019, in euros (billion)

Total expenditure	-0.5
Operating expenditure	-0.1
Social benefits	-0.3
Total revenue	-2.7
Property income	-0.8
Actual social contributions	-1.9
Net lending (+) /net borrowing (-)	-2.3

Source : Insee, national accounts

ERAFP has only existed since 2005, the scheme is still in the process of building up its asset reserve in 2019. As a result, the rights accrued by retirees at ERAFP, which lead to payments of cash social benefits, are small compared to the contributions collected. Consequently, ERAFP generated, in the benchmark 2014, a surplus of €2.3 billion in 2019. The reclassification of ERAFP as a financial corporation therefore implies a deterioration in the government deficit.

With ERAFP holding financial securities issued by public administrations, its reclassification outside the public administration sector reduces the consolidation amount of public debt by €3.7 billion in 2019. Thus, the consolidated debt of the administrations is increased by €3.7 billion in 2019.

3. Other changes in scope by institutional sector

Action Logement Services

In the benchmark 2014, Action Logement Services (ALS), a subsidiary of the Action Logement group responsible for collecting and managing the employer's contribution to the construction effort (Participation des employeurs à l'effort de construction, PEEC), was classified in the financial corporations sector. However, it is not engaged in intermediation activity in the sense of the European System of Accounts: ALS receives mandatory contributions in the form of direct contributions or loans, which it redistributes in the form of transfers and subsidized loans. As such, it belongs to the general government sector.

ALS was partially integrated during the benchmark 2014 from the observation of a significant deficit of the entity, starting from the year 2020. A transfer paid to financial companies was thus recorded in 2020 (€2.2 billion) and the following years in the public administrations' account, affecting the public deficit accordingly. Similarly, a debt was recorded from the year 2020.

In the benchmark 2020, the entire account of ALS is recorded in the government account since the creation of the entity. ALS is mainly funded by the PEEC and finances social benefits, investment aids, and transfers to other public units. The government expenditures and revenues are increased by one billion euros in 2019 with the integration of ALS in 2019 in the benchmark 2020. The Maastricht debt of the entity is also taken into account in 2019 (€7.8 billion).

Caisse de garantie du logement locatif social

The Housing Social Rental Guarantee Fund (Caisse de garantie du logement locatif social, CGLLS) is a public institution that performs a redistributive function among various actors in the social housing sector (social landlords and public institutions related to housing policy). It collects mandatory contributions, set by the State, from social landlords and transfers the majority to other central government bodies (National Housing Assistance Fund and National Agency for Urban Renovation). Classified in the financial corporations sector in the benchmark 2014 due to its guarantee activity and financial institution status, it is reclassified into the government sector in the benchmark 2020 because CGLLS has a state-controlled redistributive activity. The contribution on rent, paid by social housing organizations and recorded as a tax on products, amounts to €0.6 billion in 2019 and €0.3 million in 2020. This resource primarily finances transfers to public administrations.

Établissement français du sang

The French Blood Agency (*Etablissement français du sang*, EFS) is the public institution responsible for the collection and distribution of blood products. The price of blood products is set by decree in a way to balance the entity's costs and does not meet the definition of "economically significant price" according to European regulations. As such, the EFS is reclassified into the public administrations sector in the benchmark 2020. The revenues of the EFS are primarily made up of transfers from administrations (hospitals) and allow financing the operating costs of the entity. The total revenues and expenditures of the administrations increase by €0.3 billion in 2019 with the EFS, once the consolidation of blood product purchases by public hospitals is accounted for.

Non-market public units

The detailed analysis of the expenditures and revenues of public units, conducted annually by the national accounts department and more systematically in the context of benchmark changes, has led to the identification of a set of non-market units, i.e. whose revenues do not cover half of the costs for several consecutive years.

In the benchmark 2020, these include research and development units (Geological and Mining Research Bureau; National Institute of Geographic and Forest Information; National Institute of Preventive Archaeological Researches, etc.) and various public education establishments (Arts et Métiers, École du Louvre, etc.).

Local government

In the benchmark 2014, all nurseries were accounted for in the local administrations sector, whether public or private. In the benchmark 2020, private nurseries are considered market entities and reclassified into the non-financial corporations sector. As a result, their partial funding by administrations is represented as social benefits in kind paid to households, rather than as transfers. The consolidated expenditures and revenues of public administrations are reduced by €1.1 billion in 2019 in the benchmark 2020.

In the local sphere, tourist offices, mainly funded by the tourist tax and public subsidies, are reclassified into the public administrations sector in the benchmark 2020. Similarly, departmental houses for disabled persons are attached to the scope of local government.