

COUR DES COMPTES

# Annual Public Report

## 2014

Summaries

Part I

## Observations

Public Finances

Public Policies

Public Management

## Disclaimer

Summaries are intended to facilitate the understanding and use of the report produced by the Cour des comptes. Solely the original report is legally binding on the Cour des comptes. The responses of administrations and other bodies concerned are included in the report.



The 2014 annual public report produced by the Cour des comptes comprises three parts, only the first two of which have corresponding summaries :

- **Part I** which comprises two volumes (I-1 and I-2), outlines the **observations and recommendations** drawn from a selection of audits, surveys and evaluations carried out in 2013 by the Court, regional and territorial courts of accounts, or the Court in conjunction with regional and territorial courts of accounts;

- **Part II** focuses exclusively **on the actions** taken by the authorities, administrations and other audited bodies following the observations and recommendations made in previous years;

- **Part III** provides an overview of the **activities** of the Court and the regional and territorial courts of accounts over the course of 2013.

The annual report produced by the *Cour de discipline Budgétaire et Financière* (French ‘Budget and Finance Disciplinary Court’) is attached as an appendix to these three parts of the report.

The present instalment comprises a series of summaries of the 19 texts that make up Part I, ‘Observations’.

These 19 texts are divided into three parts:

- first part: public finances (1);
- second part: public policies (10);
- third part: public management (8).

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# **First part**

## **Public Finances**

The overall situation of the public finances  
(at the end of January 2014)

## The overall situation of public finances (at the end of January 2014)

### In 2013, a reduction of deficits, actual and structural, slower than expected

The first information communicated by the government on the execution of the State budget in 2013, which has not yet been audited by the Court, shows a deficit greater than was expected. The deficit for the public administrations overall could therefore be greater than 4.1% of GDP. However, significant uncertainties remain concerning the full accounts for the public administrations, which will not be published by INSEE until the end of March 2014. The analysis by the Court is therefore based on the accounts for 2013 associated with 2014 Finance Act, which provides for a deficit of 4.1% of GDP.

The reduction in the actual public deficit, of 4.8% of GDP in 2012 to 4.1% planned in 2013, was only half as much as that set by the Public Finance Programming Bill of December 2012 (0.7 of a point instead of 1.5).

Firstly, downward revision in the GDP growth forecast, and secondly, the forecast elasticity in public income in relation to GDP each explain about half of this gap of 0.8 points expected compared to what was planned.

The reduction in the structural deficit was also slower than forecast, due to

the downward revision in income elasticity.

In spite of structural savings (1.7 percentage points of GDP) of an extent unequalled in the past, which mainly covered obligatory deductions, the actual and structural deficits of 2013 are greater, by one percentage point of GDP, to those in the Planning Act. They would have been lower by 0.2 percentage points of GDP if public expenditure had increased as planned in April 2013 in the stability programme.

The delay became more pronounced in relation to the track for the return to balance.

The actual and structural deficits of 2013 remain greater than European Union and Eurozone averages.

### In 2014, a deficit reduction objective whose outcome is uncertain

From 2013 to 2014, the government forecasts a reduction in the actual deficit from 4.1% currently forecast to 3.6% of GDP, and a reduction in the structural deficit from 2.6 to 1.7% of GDP.

The *Haut Conseil des finances publiques* (French High Council for Public Finances) considered that the GDP growth forecast (0.9%) was plausible but that the government's macroeconomic scenario had elements of fragi-

## The overall situation of public finances (at the end of January 2014)

lity, particularly concerning changes to employment.

Forecasts for the growth in receipts from corporate tax, income tax and payroll deductions, which were made by the government based on this GDP growth forecast, appear too favourable. The overall elasticity in public income could therefore be lower than forecast (1.0) leading to a possible loss of income of between €2 billion and €4 billion.

New measures to increase obligatory deductions, written into the finance and social security financing bills for 2014, as well as in prior texts (tax on heavy goods vehicles) will have a yield that is down by €1 billion to €2 billion compared to what was expected last September, due to amendments made to these bills, the suspension of the implementation of the tax on heavy goods vehicles and decisions by the Constitutional Council.

Given the trend in public expenditure, as estimated by the government, the savings necessary for the growth in public expenditure by volume to be limited to 0.4%, as announced in September, stand at about €15 billion.

The savings for which the content is detailed in the finance and social security financing bills are greater than in previous years. Given the new expenditure, they should nevertheless be insufficient to limit the growth in public expenditure to 0.4% by volume. Cancellations of credits will therefore be necessary during the administration process to reach this objective and

achieve the structural savings planned for 2014 (0.9 percentage points of GDP), which essentially covers expenditure. Furthermore, there is no safety margin to cope with unforeseen expenses, which arise practically every year.

In total, the downward revision in the elasticity of income and the product of new measures could result in actual and structural deficits greater by €3 billion to 6 billion to those forecast by the Government, unless the public expenditure for 2014 is reviewed downwards by the same amount.

Public debt will continue to grow in 2014 and will exceed €2,000 billion at the end of the year.

### Additional savings to be agreed between 2015 and 2017

The Planning Act forecasts bringing the public accounts into structural balance by 2016. This due date was not changed by the Council of the European Union in spite of the postponement, to 2015, of the objective of an actual deficit brought down to 3% of GDP.

Given the delays compared to the track of the structural balances in the Planning Act (1.0 percentage point of GDP in 2013 and 0.6 percentage points in 2014), the structural savings necessary in 2015 and 2016 are higher than specified by the Planning Act and will



## The overall situation of public finances (at the end of January 2014)

represent another 0.7 percentage points of GDP for both of these years.

To make these savings in 2015 and 2016 entirely on expenditure, then to reduce the rate of obligatory deductions in 2017, as the government plans to do, the combined savings required over the period 2015-2017 exceed €50 billion. This will be even greater if the objectives for controlling expenditure and reducing the deficit for 2014 are not reached and if potential growth is reviewed downwards.

Although their extent is unprecedented, these savings, which correspond to a slight increase in the volume of public expenditure, appear possible without compromising the quality of public services and the effectiveness of redistribution. Their achievement requires all-out effort and resolute action by all public authorities.

# **Second part**

## **Public Policies**

# **Chapter I**

## **Agriculture**

- 1 - Food Safety: insufficient inspections by the Ministry of Agriculture
- 2 - SAFER: the excesses of an agricultural and rural development policy tool

## 1 Food Safety: insufficient inspections by the Ministry of Agriculture

The food safety policy concerns all actions aiming to ensure safe and harmless food of animal or vegetable origin. It includes measures that contribute to the quality of primary production (unprocessed vegetables and animals intended for consumption), the processing of foodstuffs, their transport and distribution.

In France, several administrations are responsible for implementing this policy, mainly the Ministry of Agriculture (Directorate-General for Food), which is the subject of the present text, and the Ministry of the Economy (Directorate-General for Competition, Consumption and the Fight against Fraud), as well as their local services.

### Too few inspections

Concerning vegetables, inspections relative to the use of pesticides by farmers remain very low (inspection rates of 1.2%), even though these inspections have increased from 600 per year in 2005 to 6,500 in 2011. They almost exclusively occur amongst those requesting subsidies under the common agricultural policy (CAP), practically ignoring arboriculture and market gardening. Contaminants in vegetables, particularly

heavy metals, are not subject to a control plan by the Ministry of Agriculture.

Inspections establishments for the production and processing of foodstuffs of animal origin (134,335 establishments) and in direct delivery establishments (371,631) dropped by 17% between 2009 and 2012. In abattoirs, France is finding it hard to comply with European requirements in matters of inspections.

The «inspections covering» foodstuffs of animal origin coming from other countries in the European Union, which lead to numerous anomalies being found (25% for meat products, 21% for unpasteurised milk and milk-based products) are few in number and are not implemented in certain departments.

### Supervision of self-monitoring to be improved

European regulations give professionals themselves the responsibility for setting up a food safety control system, which includes self-monitoring, while the Member States are responsible for second-level controls. The regulatory provisions for improving the way the

self-monitoring is carried out by professionals have not been taken.

Therefore, self-monitoring is of variable quality and –anomalies are not necessarily reported to State services.

### Numerous anomalies with insufficiently restrictive consequences

The inspections carried out by the Ministry of Agriculture show a high rate of anomalies, greater than 50% for inspections relative to the use of pesticide products by farmers. For validated inspections in establishments, an average anomaly rate was found in 38% of cases

and a major anomaly rate in 7% of cases in 2012.

However, the consequences of anomalies are few and insufficiently restrictive. They vary greatly from one department to another for no apparent reason

Lastly, France does not make sufficient use of the options specified by European regulations to pass on the cost of inspections to professionals.

## Recommendations

The Court issues the following recommendations:

➔ implement the orders specified by the regulations to oblige laboratories to send anomalous results on foodstuffs to the State services as soon as these anomalies present a risk for public health;

➔ more broadly apply the provisions of article L. 202-3 of the French rural and maritime fishing code (*code rural et de la pêche maritime*) specifying the option to subject laboratories performing self-monitoring analyses to a qualification recognition procedure run by the Ministry of Agriculture ;

➔ make sure that inspections are targeted at those professionals who are most at risk, ensure the quality of inspections (compliance with procedures, observation of essential points, appropriate rating, etc.) and ensure that the consequences are appropriate (more numerous and more restrictive consequences);

➔ for vegetables, extend the risk analysis to silos, to at-risk zones and to contaminants and improve the inspections carried out pursuant to the «Health package»;

➔ strengthen the «inspections covering» products of animal origin coming from the European Union.

## 2 SAFER: the excesses of an agricultural and rural development policy tool

The 26 land management and rural establishment agencies (SAFER) are public limited companies incorporated at the beginning of the 1960s to buy and re-sell agricultural land and farms by using, where necessary, pre-emptive rights granted to them by the law.

They employ 986 staff. In 2012, they purchased 9,700 assets representing 86,600 hectares for a total value of €1.1 billion.

### Broadening of the SAFERs' scope of action

Two factors have strongly affected the activity of the SAFERs: the end of the period of major land regrouping and the reduction in the market for agricultural land under the effect of urbanisation and development: the share of agricultural land went from 62% of the national territory in 1960 to 51.4% in 2010.

The SAFERs' scope of action has gradually broadened. At the same time, their pre-emptive rights were extended, firstly to the entire rural market, then, as part of environmental policies. The SAFERs thus became property operators in the rural environment, including in non-agricultural activities.

This development was accompanied by closer relationships with local authorities. Nevertheless, these relationships have appeared to develop unequally across the territory. Also, a greater role is expected in the area of forestry.

### An essential refocusing of SAFERs on their duties

«Substitution» transactions, which allow a change of ownership without the purchase of assets by the SAFER, have taken an ever more predominant place as a means of intervention in the market (in 2012, 68% of the land area and 78% by value).

Such a development is not unrelated to the broad extension of exemption from registration duties, which the SAFERs benefit from, to «substitution» transactions (in 1999) and to sales of all «rural assets» (in 2000), which represents a tax advantage of €65 million, borne essentially by the local authorities. Just the «substitution» transactions gave them tax benefits of €42 million in 2012.

This tax advantage increasingly concerns transactions relative to rural buildings, although it was intended to allow intervention for public interest

reasons, particularly to allow young farmers to set up in business. However, this latter purpose now represents less than a third of the retrocession activities of the SAFERs.

### Improving the transparency of the SAFERs' activities

An increasing number of practices and legal arrangements, generally carried out for tax optimisation purposes, may act against the duty of transparency in the rural property market which is incumbent upon the SAFERs. These types of transaction should be declared to the SAFERs.

The statistics on the activity of the SAFERs remain fragmented and difficult to interpret. The use of cost accounting, which identifies the cost of each activity, would allow the SAFERs to improve the quality of their administration.

Lastly, the opening of the decision-making bodies of the SAFERs to players other than those of the agricultural world should continue. The essential relationships with the regions and regional State services require that the areas of responsibility of the SAFERs correspond to those of the regions or inter-regions.

### A network to be controlled

Two organisations coexist at national level, the «Fédération nationale des

SAFER» (FNSafer) and «Terres d'Europe-SCAFR». They are very closely interrelated, with common responsibilities, sometimes similar activities and closely linked personnel. The situation of these two entities must be clarified, giving the first the responsibilities of a network head and the second the unique role of a provider of capital.

The State representatives have little involvement, particularly at the level of the Boards of Directors. There is therefore incomplete monitoring of the long-term activity plans. It is necessary to strengthen State control of the property strategies carried out by the SAFERs.

Lastly, the procedure for assigning State subsidies (€3.99 million in 2012) appears particularly cumbersome and should be simplified, taking greater account of the difficulties of a particular region or compliance with the agricultural policies set by the State. The State should also quickly settle the situation concerning the repayment of the 2010 instalment of the advance granted to the SCAFR (€1.5 million).

### Recommendations

These findings lead the Court to issue the following recommendations:

- ➔ reserve the exemption from registration duties to transactions relating to general interest duties exercised by the SAFERs;
- ➔ recover the 2010 instalment of the advance granted by the State;
- ➔ ensure that the decisions taken in the SAFERs are transparent;
- ➔ specify a long-term activity plan covering 2015-2020 for each SAFER and develop the partnership with local authorities according to the priorities of the State agricultural policy;

➔ re-group the SAFERs so that their responsibilities at least correspond to those of the administrative regions and reduce the number of local establishments;

- ➔ establish cost accounting;
- ➔ clarify the breakdown of roles between the FNSAFER and the SCAFR company, re-grouping the studies and advice to the SAFERs in the federation.



# **Chapter II**

## **Defence and space**

- 1 - Franco-British cooperation concerning aircraft carriers: a net loss for the French public finances
- 2 - Space transport: a strategic ambition, a priority for lowering costs

## 1 Franco-British cooperation concerning aircraft carriers: a net loss for the French public finances

### A national project re-launched in a Franco-British framework

Since 1980, France initially planned to have two aircraft carriers, but only one, the Charles de Gaulle, was built and entered active service in 2001, while the project for a second aircraft carrier was postponed several times, essentially for budgetary reasons.

At the beginning of the 2000s, the Franco-British rapprochement in defence matters offered new prospects for cooperation in arms procurement: from 2002, high-level discussions concentrated more specifically on bilateral cooperation in aircraft carriers, and, on 18 November 2004, at the *Lancaster House* summit, the two countries announce their intention to cooperate in building three aircraft carriers, –two for the United Kingdom and one for France.

### A memorandum of understanding dated March 2006 defined the terms of the cooperation, which were unbalanced to the detriment of France

The memorandum signed in 2006 was not based on real cooperation, but upon payable access, by France, to the results of British studies.

Both parties effectively undertook to develop the detailed definition of the common part of the design based on the British work. They intended, where applicable, to identify possibilities for the grouped supply of certain elements common to the French and British aircraft carriers, to «generate benefits and savings for both parties», but without this constituting a commitment. In practice, the only commitment concerned France which, in return for access to the British studies, had to pay an «entrance ticket» for an amount of €103 million (€112 million constant 2013).

Thus concluded, the Franco-British memorandum of understanding did not

## Franco-British cooperation on aircraft carriers

constitute an agreement to cooperate on a common industrial project, but just an off-the-shelf purchase by France from the United Kingdom of certain studies.

### The lack of a common industrial project

Several reasons could lead one to believe, even before signature of the memorandum, that no common industrial project could be implemented.

Firstly, based on the work undertaken by the British, it was clear that the development timetables of the two countries could not coincide.

Secondly, technically, the approaches of the two countries significantly diverged, particularly concerning the aviation installation (choice of aircraft and their means of take-off and landing).

Furthermore, the British had established a procurement policy based on the choice of a network of national suppliers (*preferred suppliers*), which was incompatible with the application of the optional component of the memorandum covering the possibility of common industrial purchases.

Lastly, the industrial reorganisation strategy of the United Kingdom led the British Ministry of Defence to announce the breakdown of the construction of the two aircraft carriers

within British shipyards in December 2005.

Under these conditions, France had no choice other than to abandon sharing the industrial construction with the British.

### An expense taken as a pure loss by France

Other than the «entrance ticket» giving the French team access to the British studies, two contracts, for the amount of €102 million, were directly related to the cooperation process.

However, the studies acquired in return are now obsolete as the programme for the second French aircraft carrier was suspended in 2008, before being abandoned in the Defence White Paper of 2013. Ultimately, this cooperation resulted in a cost of €196 million (€214 million constant 2013) for the public finances, with nothing in return, since France found that it could not continue with this cooperation.

### Conclusion

The Court does not deny the potential advantages of cooperation in armament matters during periods of budgetary restriction providing their purpose is to share development costs while guaranteeing the participating states a fair share in the industrial benefits.

The success of such collaborations nevertheless requires several conditions to be met: sufficiently close technical objectives, in-phase timetables and the acceptance of an actual and rational share in the workload for studies and manufacture.

In the case of the 2006 memorandum, given the positions publicly taken by the British authorities, none of these conditions could be fulfilled, even before the agreement was accepted. The signature of a costly commitment for France, by the Ministry of Defence under these conditions, could only be explained by the illusory hope of «enshrining» a project that was doomed by national budgetary restrictions, by giving it the backing of a symbolic form of Franco-British cooperation.

## 2 Space transport: a strategic ambition, a priority for lowering costs

### Space transport in Europe

Europe currently has, with the European Space Agency (ESA), an independent space transport ability, based on:

- a space port with an exceptional geographical situation, –the Guiana Space Centre (CSG - *Centre spatial guyanais*), managed by the National Centre for Space Studies (CNES - *Centre national d'études spatiales*), for which France bears nearly 80% of costs;

- three launchers – a heavy launcher (Ariane 5, the development and operational support for which is financed at nearly 60% by France), a medium capacity launcher (Soyuz, for which commercial flights have been performed from the Guiana Space Centre since the end of 2011, from facilities financed at 80% by France), and a small launcher (Vega, the development of which is mainly financed by Italy, but with French investment of about 20%);

- a French operating company, Arianespace, for which the primary shareholder is the CNES;

- several leading industrialists, in the first ranks of which is the Franco-German company Astrium (EADS group) and the French company SAFRAN.

The budget that France contributes to this overall, through the European Space Agency or directly through the CNES, on average over the last ten years, is around €500 million per year.

### Developing a less expensive European launcher

Over the last few years, the appearance of competitors in the market for commercial launches (telecommunications satellites) and so-called «institutional» requirements for launches by administrations and European public agencies (civil or military earth observation, observation of the universe, geolocation, etc.) only rarely require the use of a heavy launcher such as Ariane 5, which raises questions about the future of the Ariane system.

Since 2005, commercial launches have been in deficit (each launch of Ariane 5, over the last ten years, has cost an average of about €15 million for the French taxpayer), and a large share of European institutional space transport requirements are fulfilled by the Russian launcher *Soyuz*. The requirement to carry out double launches (because of the cost and the carrying capacity of Ariane 5) for telecommunications satellites is increasingly a commercial handicap against the competition, particularly

## Space transport: a strategic ambition, a priority for lowering costs

the American Space X, which is starting to capture a strategic part of this market.

The main countries concerned, particularly France, Germany and Italy, have for several years been in agreement in recognising that, firstly, it is imperative to ensure balanced operation for Arianespace commercial flights, and secondly, it is desirable to eventually have a European launcher adapted to institutional missions. However, at the last Ministerial Conference on Space, at the end of 2012, no consensus was able to be obtained on how to satisfy this dual objective.

### The possible options

France proposed rapidly developing a «modular» launcher, able to take over from Ariane 5 for commercial flights and from Soyuz for institutional launches. Ariane 6, from this point of view, would present a high version (ability to place 6 tonnes in geostationary orbit) and a low version, equivalent to Soyuz.

Germany considered that, on the contrary, it would be preferable to develop Ariane 5 «upwards», by increasing its capacity and giving it a re-firing stage (project known as the Ariane 5 *midlife evolution* or «Ariane 5ME»);

Italy intended to reserve its funding capacity for the Vega launcher, while showing an interest in the French proposal, due to the predominance of solid propulsion that could offer industrial

synergies between the components of Vega and Ariane 6.

The Ministerial Conference of 2012 did not come to a decision. It was decided that the choice between Ariane 5ME and Ariane 6 would be postponed to the Ministerial Conference on Space, which would be held at the end of 2014.

### Making more profitable use of the Kourou Spaceport

The Court expressed doubts, in a summary ruling sent to the Prime Minister at the beginning of 2013, about the coherence of the options taken by France. In effect, our country appears ready to invest, through Ariane 6, both in a direct competitor to Soyuz, even though France had just spent nearly €500 million to make it possible to operate it from the Guiana Space Centre, and in an option to extend Ariane 5 that is incompatible with the rapid development of Ariane 6.

Since then, on the French side, the situation has significantly developed towards greater coherence: the initial concept of a modular launcher was abandoned in favour of a simple launcher with capacity of about half that of Ariane 5 – this configuration should both avoid direct competition with Soyuz at Kourou, eventually release Arianespace from the restriction of dual flights for commercial launches and, for European requirements, provide a launcher adapted to the heaviest institutional payloads.

# Space transport: a strategic ambition, a priority for lowering costs

## Two uncertainties

Two uncertainties nevertheless remain.

The first relates to the cost of Ariane 6 launches. Given levels of competition (and the level of the US dollar, the reference currency in space transport), the threshold of €70 million, representing almost half the cost of the Ariane 5 «launcher fired» (meaning the empty launcher coming from the factory to which the various space transport services are added), must not be crossed. This implies great simplification of the industrial system for producing the launchers, which is currently very fragmented, due to the rule on «fair industrial return» which applies to the programmes of the European Space Agency. To reach this result, the European Space Agency initiated an open European call for tenders based on the new configuration of Ariane 6, independent of the subscriptions of

Member States. The next few months will show whether this process is viable and whether it does produce the hoped-for industrial simplification and cost reduction effects.

The second uncertainty relates to the convergence that may be envisaged between the main partners, particularly Germany (on the timetable for the development of Ariane 6) and, to a lesser extent, Russia (concerning the cost for delivering *Soyuz* launchers to Kourou, and more generally, on the will to continue cooperation with Europe).

Lastly, the results depend on decisions that the next Ministerial Council of the European Space Agency will take at the end of 2014, particularly concerning the fate of the Ariane 5ME option, upon which the timetable for the development of Ariane 6 depends.

## Recommendations

The Court issues the following two recommendations:

➔ give priority to cost reduction in the common studies on the future of the Ariane system and its adaptation to institutional and commercial requirements;

➔ to the extent that the European Union has become an important institutional user of *Soyuz* and *Vega*, set out to obtain increased participation from the Union in the funding of the corresponding infrastructure.

## **Chapter III**

### **Education and youth**

- 1 - From boarding schools for excellence to boarding schools for success: the chaotic conduct of a social and education policy
- 2 - Civic service: high ambition and an increase in uptake to be controlled 32



## 1 From boarding schools for excellence to boarding schools for success: the chaotic conduct of a social and education policy

Since 1990, successive governments have sought to revitalise boarding schools. In 2008, the creation of experimental «boarding schools for excellence» (Sourdun (Seine-et-Marne) and Montpellier), a component of the «*Espoirs Banlieues*» («Hope for the Suburbs») plan, demonstrated this proactive policy.

In 2010, displaying great ambition with the creation of 20,000 places in «boarding schools for excellence» (12,000 places in specific establishments created for this purpose and 8,000 places approved in existing boarding schools), this system was allocated a budget of €400 million, funded by the Future Investments Programme under the authority of the Commissioner General for Investment (GGI) and managed by the ANRU. To date, contributions from regional authorities have brought the amount in the initial plan more than €600 million.

### Initial guidelines that were imprecise and never corrected

From the beginning, neither the population groups targeted nor the educational results expected were defined in

a clear and consistent manner between public decision-makers. There has been no clear arbitration between a policy that was designed as an educational instrument, intended to modify the range of educational services and run only by the Ministry of National Education, and a tool to serve a broader ambition including policies on cities, youth and the fight against exclusion and coming within an inter-ministerial framework. This imprecision left the academic authorities and establishment heads with great freedom in recruitment. Although this has allowed adaptation to local requirements, it led to great diversity in the groups of people received, for reasons most often related to material and budgetary contingencies.

The diversity of forms of establishments has reduced national visibility of the investment programme, confusion reaching a peak with places reallocated or approved in existing boarding schools. The fact that the State intervened unilaterally to create the first very expensive boarding schools, within an area of decentralised responsibility, has added to this confusion.

### Rapid generalisation, to the detriment of educational resources

Although the ANRU has endeavoured to fulfil the quantitative objectives that were set, particularly by coming within the normal framework of decentralised responsibilities, the projects are not coherent overall. Places in existing boarding schools were created for reasons far removed from the educational and social objectives upon which the decision should have been based: to optimise under-used public infrastructures, or to obtain State funding for regional authority projects that were already decided under their own programmes.

Neither was the vigour of the property programme run by the State operator matched by an equivalent effort to determine the resources for the functioning of establishments, particularly educational, by the Ministry of National Education. These resources remained contingent and unequal, as no national standard was given. One would nevertheless have expected that, given the planned reception of 20,000 boarders under new conditions, the corresponding resources would have been determined and provided for.

Ultimately, the shortcomings in the means of providing finance and educational support to «boarding schools for excellence» raises the problem of the very credibility of the policy conducted.

### A fragmented assessment process with low impact

The assessment process, inherent in an experimental policy, was fragmented. The fact that a very costly assessment was focused on the first establishment created (Sourdun in the Seine-et-Marne) according to terms where there was little consensus between the public players, led to the proliferation of assessments. They were never coordinated by the Ministry of National Education, whose services, responsible for assessing educational policies, were totally absent.

Doubtless, the rules set by the Future Investments Programmes led to the preparation of an overall methodology which contributed to rationalising the existing initiatives. But this process of overall assessment did not begin. The administration could therefore only base its position on fragmented assessments, for which the value is limited.

Constantly, numerous decisions were taken without the result of the assessments in progress being available.

### Positive achievements to be preserved

Despite the shortcomings in the conduct of this policy, results are perceptible: positive assessments by boarders, modernisation of the public estate of boarding schools, improvement of teaching and educational practices in «boarding schools for excellence», and the rekindling of interest by families,

## From boarding schools for excellence to boarding schools for success

local authorities and those involved in social action for this system as an additional instrument for the social inclusion of youths in difficulty.

### Clarifications necessary to the continuation of the programme under the name «boarding schools for success»

Although 8,000 places remained to be opened pursuant to the first Future Investments Programme, the effective implementation of which runs until 2020, the continuation of the policy to renew the range of public boarding schools was confirmed in the Finance Act for 2014 (€150 million for 6,000 places).

Consequently, the coherence of the conduct of the public policy would be improved by having an increased degree

of progress in the first programme, to decide the extent of the second, or even by having the beginning of execution of the second programme dependent on the completion of the first or, at least, a shared assessment of the first component.

Also, the policy on boarding schools for excellence, then boarding schools for success, will entail the commitment of €550 million of State credits for the construction or modernisation of property intended for secondary school education, placed under the responsibility of regions and departments, and for the establishments that are their property. The recurrence of significant investment budgets in these areas, which come under other public entities and which have never been shared since the first laws on decentralisation, also raises numerous questions of principle.

## Recommendations

Consequently, the Court issues the following recommendations:

- ➔ convert the status of the two national public establishments at Sourdun and Montpellier to public local education establishments;

- ➔ increase the reception capacity of the main establishments at constant investment;

- ➔ increase the involvement of the Ministry of National Education in procedures for assessing the Future Investments Programme;

- ➔ develop the sharing of experience and teaching and educational innovations between players on the ground;

- ➔ for future investments, in the charter being prepared, select several

model formats of boarding schools and specify the recruitment criteria;

- ➔ abandon the concept of approved places;

- ➔ quickly make the budgetary choices related to reducing contributions from the Experimental Youth Fund and the National Agency for Social Cohesion and Equal Opportunities (*fonds d'expérimentation pour la jeunesse et de l'Agence nationale pour la cohésion sociale et l'égalité des chances*);

- ➔ standardise and consequently make choices concerning grants for teaching and educational resources for boarders, corresponding to the final objective of 18,000 additional places in boarding schools for excellence and boarding schools for success.

## 2 Civic service: high ambition and an increase in uptake to be controlled

Civic service, created by the law of 10 March 2010, was the successor to voluntary civilian service, for young people aged between 16 and 25 wanting to commit to a collective project in the general interest with approved legal entities.

Managed by the Civic Service Agency, it developed rapidly: 6,000 young people committed themselves in 2010, and nearly 20,000 in 2012, for a total cost of €133 million to the State. In 2013, a deceleration is expected, with 19,000 new entries, but the objective is to reach 100,000 young people committed in 2017.

### Initial results to be consolidated

Although civic service is now gaining the support of young people and participating associations, progress must be made to reach the objectives fixed by the law in terms of social diversity.

Also, civic service is often perceived by its beneficiaries as a tool for social inclusion, alongside other arrangements (work experience courses, work-based learning, youth guarantee, the government's «jobs for the future» and «inter-generation contracts» programmes,

etc.). However, its results in the matter must be put into perspective.

The high rate of non-completion (a quarter of contracts are terminated before they are due to end) and the risk of substitution for employment also require vigilance.

Lastly, the agency has not conducted any studies on the place of the commitment for civic service abroad, which is currently marginal, particularly with regard to other forms of international voluntary work.

### Attention to be paid to the quality of missions

Within the context of a planned increase in the uptake of civic service, the question arises of the ability to produce 100,000 high-quality missions each year. Sources of new missions are found in sectors (health and sport) and categories of organisations (small associations and local authorities) where the risk of substitution for employment is high. There must therefore be increased vigilance when preparing cases and checking projects relating to new missions.

Increased training of tutors to explain the specifics of civic service,

and improved civic and citizenship training of young people, are essential.

### Overall administration to be improved

The agency must improve the way it organises the regional leadership of civic service, improving the connection with decentralised services of the Ministry of Youth and Sports.

It is based on a small number of powerful voluntary service networks, which have significantly contributed to the success of the start-up phase. There should now be diversification through an active search for new partners, particularly local authorities which are broadly ignoring the arrangement.

Furthermore, the large-scale use of intermediation may present risks, which should be reduced. The agency must also design and implement a real strategy for control adapted to requirements. Therefore, the rate of increase in uptake of civic service in the years to come must be correlated with the improvement of quality control for the missions.

Lastly, on the ground, better coordination of the services responsible for arrangements in favour of youth must be sought, to oversee the proper connection between civic service and other instruments in favour of youth employment or social inclusion.

### A cost to be controlled

The programme to increase the number of young people performing civic service is outlined within a restricted framework.

The budgetary sustainability of the arrangement requires choices to be made, both concerning the rate of increase in uptake and concerning the credits allocated to civic service, since responsibility for 100,000 young people under current conditions of State financing would exceed the credits currently allocated for the mission.

In this respect, budgetary tensions have already led, in 2013, to a planned adjustment of the duration of missions to its minimum level, namely six months, which is not optimal for all volunteers.

Furthermore, the new counting mode for 2014 (number of young people performing all or part of their voluntary service during the year, and no longer only new entrants into the system) is leading to a non-transparent downwards revision of quantitative objectives.

Consideration should be given to the possibility of reducing the unit cost of civic service. Setting a fixed-rate payment of a small amount for part-time missions could be examined (each volunteer currently receives net monthly payment of €467.34, or €573.72 according to social criteria, whether his/her mission is 24 hours or 35 hours a week).

Furthermore, it appears that the State bears almost all the expense for the full cost of civic service, in contrast to what happens in Germany, for example. A study should be carried out so that the receiving organisations which can do so pay their fair share of the cost of civic service.

Ultimately, it is desirable for the agency to adopt an approach aimed at

the qualitative development of the system, overseeing the promotion of high-quality missions accessible to all and separate from paid employment, while controlling the unit cost of contracts.

## Recommendations

Consequently, the Court issues the following recommendations:

- ➔ choose a rate of increase in uptake for the civic service that is compatible with controlling the risk of employment substitution caused by increasing the number of missions;

- ➔ set annual objectives in terms of the number of contracts concluded and not the number of contracts in force and make the essential choices for matching the objectives with budgetary resources;

- ➔ reduce the unit cost for the State of civic service contracts, where applicable, by reducing payment for part-time missions and by abolishing the subsidy allocated to associations for the tutorial system;

- ➔ fix precise objectives for social diversity for the organisations receiving a large number of volunteers.

## **Chapter IV**

### **Health and social cohesion**

- 1 - The health of prisoners: progress still vital
- 2 - Disability-related taxation: a stack of measures with no coherence
- 3 - The conversion of hostels for migrant workers into social housing: a policy to be overhauled



## 1 The health of prisoners: progress still vital

Prisoners, of whom there were nearly 68,000 in 2013, have significant health requirements, particularly related to higher prevalence of addictive behaviour, infectious diseases and, above all, psychiatric disorders, than are found in the general population.

The law of 18 January 1994 on public health and social security protection profoundly reformed the case management of their health, transferring it from the prison administration to medical teams attached to health institutions. Twenty years after the adoption of this law, and while the 2010-2014 strategic action plan aiming to remedy certain persistent shortcomings is being completed, the Court and the regional *Cour des comptes* sought to assess the progress that this arrangement has led to and the difficulties that remain.

### The supply of somatic and psychiatric care is still incomplete

Despite the almost doubling of the health personnel working in health units in each prison, the supply of somatic care remains subject to great disparities, particularly for certain medical specialities, notably psychiatry, due to changes in medical demographics, the unequal territorial distribution of health profes-

sionals and the fact that it is unattractive to practice medicine in prisons. The upgrading of premises and computer systems, and the use of remote medicine, still remain insufficient. Capacity for somatic hospitalisation, improved by the construction within hospitals of 235 secure rooms and 9 secure inter-regional hospital units, paradoxically appears under-used. The limited number of escorts available, hospitalisation conditions and insufficient coordination between health units, health institutions and prison personnel combine to produce this outcome.

Other than the lack of psychiatric personnel in prisons, the capacity for hospitalising prisoners with mental problems is very limited: only 7 of the 17 specially equipped hospital units specified by the law of 9 September 2002 were open in 2013. Hospitalisation at the request of a State representative in a psychiatric institution that does not have a specialised unit thus remains the main mode of hospitalisation under conditions that do not ensure satisfactory case management of prisoners (placement in isolation room or unit for difficult patients, accelerated release of the patient).

### Persistent obstacles to overall case management

The obstacles to overall case management of prisoners relate to the highly variable level of cooperation between the various players (prison and health staff, prison services for social inclusion and probation, magistrates, medical-social services, social security organisations, liberal professions and health institutions, etc.), particularly at the end of imprisonment, when the risks of terminating treatment are the greatest.

The social security protection of prisoners is not always effective due to problems of affiliation, or obtaining or resuming social security entitlements.

In spite of progress, any approach towards health remains too often dependent on the conditions of detention (imprisonment, violence, inactivity, broken family links, shortcomings in hygiene, prison overpopulation, etc.). The rules for functioning and security within prisons can make it difficult to access treatment within institutions and lead to breaches of medical confidentiality, as regularly highlighted by the *contrôleur général des lieux de privation de liberté* (General Inspector of Places of Deprivation of Liberty). Prisoners' access to external treatment is subject to the availability of prison and police teams to accompany and guard them. Suspension and modification of sentences for medical reasons remain marginal.

### A public health policy to be organised as such

Overcoming the difficulties observed assumes that it is possible to organise a public health policy that is able to cope with the issues.

However, a national strategy is still lacking and the mobilisation of regional health agencies, which are nevertheless explicitly responsible for assessing requirements and defining the range of treatment available in prisons, remains very unequal. The constituents relative to treatment of prisoners in the regional health organisation diagrams are often imprecise; the coordination work with local players is underdeveloped. Only half of the regional health/justice commissions, which were nevertheless created in 2008, were instituted in 2012.

In addition, in the almost total absence of changes to the funding mechanism defined in 1994, most of the financial cost related to the treatment of prisoners was transferred from the State to the health insurance system: while, in the past, the State bore 76% of the financial cost, this share is now no more than 31%. Moreover, the financial circuits put in place appear to be sources of complexity and malfunction.

A redefinition of the funding procedures is necessary, which should at least involve regular revaluation of the amount of the contribution paid by the State to the ACOSS for each prisoner and looking at the overall financial relationship between the State and the

## The health of prisoners

health insurance system. The legitimacy of including prisoners within the scope of the CMU and the CMU-C could be examined, as these arrangements are also financed by national solidarity.

The improvement of the health case management of prisoners must, ultima-

tely, come within a genuine process of public health that is based, as is the case in the United Kingdom, on epidemiological monitoring of the prison population and indicators covering results, not just resources.

## Recommendations

The Court and the regional Cour des comptes issue the following recommendations:

- ➔ in the next public health law, identify the public health objectives specific to the prison population, based on results indicators with data supplied by regular epidemiological monitoring;

- ➔ increase the available range of treatment, with psychiatric treatment as a priority, while accelerating the modernisation of premises and the procedures under which the medical teams carry out their work, where appropriate by the complementary use of health insurance credits and by ensuring greater consistency in the conditions for case management;

- ➔ improve accessibility to treatment by generalising the framework protocols between medical teams and the prison administration according to best cooperation practices observed, and have the case management of prisoners come within a genuine health programme going beyond release from prison;

- ➔ strengthen the role of regional health agencies as linchpins of the health policy for prisoners, in particular by overseeing the effective generalisation of regional health/justice commissions;

- ➔ redefine the procedures for funding treatment for prisoners, particularly by examining the possibility of including them within the scope of universal health coverage and universal complementary health coverage.

## 2 Disability-related taxation: a stack of measures with no coherence

The scope of disability remains difficult to determine; in spite of the clarification provided by the law of 11 February 2005, the definition of disability fluctuates according to its origin or the assessment of its severity. The tax legislation mixes, often without distinction, disabled persons, dependent elderly persons and sometimes even the able-bodied.

The size of the population concerned is also uncertain; by limiting our consideration to the beneficiaries, in their own right, of a pension or allowance related to disability, we may estimate that the disabled population represented about 4.7 million persons in 2011.

Taxation constitutes the second means of State intervention, after financing allowances on budgetary credits; but the cost of tax measures granted, for which the order of magnitude may be between €3.5 billion and €4 billion, is not shown in the national accounts.

The question is therefore raised of the real impact of this tax arrangement, of its ability to satisfy the requirements of the disabled and its contribution to implementing public policy in favour of the disabled.

### The tax measures in favour of the disabled are numerous and dispersed

However, their presentation in the budgetary documents is only partial: out of 64 tax reduction measures in the general tax code, only 37, dispersed between a large number of budgetary programmes, are listed as tax expenditure in the Finance Bill.

Most of these measures cover elderly persons in modest circumstances, dependent and disabled persons, or come within part of a broader policy.

This presentation means it is not possible to have an overall understanding of the resources devoted to the disability policy. It makes it difficult to understand tax policy in favour of the disabled, which also concerns a great variety of very different taxes.

### The tax system is disconnected from disability policy

As a result of the historical combination of disparate measures, the tax system has not been re-examined to take into account the objectives and priorities set by the law of 11 February 2005 on disability.

## Disability-related taxation

Tax measures, allowances and social security loopholes come within the same scope, with no real verification that they are coherent and complementary. They relate to each other poorly; some of them, which are sometimes quite close in their intention, may set out different disability conditions.

### Taxation is a driver of inequality between disabled persons

By usually relying on decisions on the recognition of disability, the general tax code reproduces the inequalities which are at the administrative origin of the recognition of disability (disability in the strict sense, civil disability, military disability, work-related accidents and illnesses) and according to the departments where the decision was taken.

The tax system gives greater consideration to the origin of the disability than its degree of severity, and takes insufficient account of the income of the persons concerned. It may introduce, or worsen, income inequalities between the disabled persons themselves. This is true in numerous cases, between persons with a comparable degree of disability, or between disabled persons with different levels of income.

### The effects of taxation in favour of disabled persons are not understood

The taxpayers who receive real benefit from tax measures are limited in number and often overestimated. The cumulative effect of these is misleading; in reality, few taxpayers can benefit from all of the measures specified, particularly concerning income tax.

The real cost of tax benefits granted is not really known, any more than their consequences for access to social benefits, their impact on the income of disabled persons or the service provided concerning their requirements in terms of social inclusion, mobility and home support.

### Recommendations

The Court issues the following recommendations:

- ➔ improve understanding of the number and situation of disabled persons, particularly by improving knowledge of their income through surveys by INSEE and the research department, studies, assessments and statistics from the Ministry of Social Affairs;

- ➔ rationalise the presentation of tax expenditure forming part of the policy in favour of disabled persons, particularly by grouping it within programme 157 and improving the relationship of its presentation with that of budgetary expenditure relating to the same policy;

- ➔ supplement and improve the reliability of existing estimates so as to measure the overall impact of tax measures, both in terms of beneficiaries and cost;

- ➔ periodically update lists of equipment concerned (surgical appliances, housing equipment, etc.) according to technical developments;

- ➔ re-examine all tax and social security measures with the aim of improving their interrelationship (eliminate duplicates, incoherence and pointless complexity; improve complementarity; take into account effects on income disparities between disabled persons), by revising, as a priority:

- the measures relating to compensation for disability: in particular, the disability compensation benefit, exemptions from charges and the tax expenditure targeting the same objective (increasing the limit on expenditure for domestic employees, deduction for equipment for the residence, etc.);

- the numerous aids to accessibility: tax, social security (disability compensation benefit, in particular) or others (allowance for the improvement of rented homes, in particular);

- the various tax measures relative to the transfer of assets.

## 3 The conversion of hostels for migrant workers into social housing: a policy to be overhauled

Mostly built between 1968 and 1975 to meet the temporary requirements of foreign workers who came to France without their families, migrant workers' hostels still housed 110,000 residents at the end of 2012.

The gradual deterioration of the buildings justified the introduction, in 1997, of a conversion plan involving several financiers, including the State, local authorities and «Action logement». This plan covered, firstly, renovating dilapidated hostel buildings, and secondly, their conversion to social housing, to provide temporary housing to persons experiencing difficulties finding an independent home or keeping themselves in one.

### Real improvements, but a very limited number of them

The renovations carried out improved the residents' quality of life. Between 2008 and 2012, nearly 7,000 very small bedrooms (less than 7.5 m<sup>2</sup>) or bedrooms with multiple beds were eliminated and nearly 10,000 housing units of at least 12 m<sup>2</sup>, mainly with their own toilet facilities and kitchen, were created.

However, after sixteen years of implementation, these improvements

have benefited only slightly more than 300 hostels, out of some 700 existing hostels. The delays result mainly from the length of the consultation process. The involvement of regional authorities, particularly in identifying new land for building, is decisive although unequal.

### Inefficient administration

The monitoring of the renovation plan, assigned to the Inter-ministerial Committee on Housing for Immigrant Populations (CILPI - *commission inter-ministérielle pour le logement des populations immigrées*) is inefficient, whether it concerns analysing requirements, establishing priorities or ascertaining what has been done. There is no reliable and ordered list of the hostels to be renovated. The CILPI lists validated projects, but does not monitor their implementation or their completion.

The work programmed over the period 1997-2012 represented expenditure of €1.57 billion. At the current rate, and given the uptrend in costs, investment of €3.4 billion spread over 20 years would still be necessary.

It seems essential to obtain an updated and rigorous analysis of renovation requirements, to refocus the plan on the most urgent situations and to redefine the procedures for administration.

# The conversion of hostels for migrant workers to social housing

## The difficulties of conversion to social housing

Turnover of residents is low, at a rate of around 15%-18%. There are various obstacles to the diversification. The main obstacles are the exception made, for residents housed in the hostel before conversion, to the principle of temporary housing attached to social housing, the very low remainder to be paid on the rental charge for those with low incomes and the absence of alternatives in zones where housing is tight.

The diversification of population groups goes hand-in-hand with an increase in their vulnerability, which implies that the managers develop their ability for social support. However, the management of rented social housing, for which the managers receive unequally divided public assistance, cannot substitute for overall case management reserved for social workers in the sectors.

More than 40% of the occupants of hostels, traditional residents who have aged in the same place, are more than 60 years old. This causes constraints: beyond habitual reluctance, specific difficulties of a cultural and financial nature impede their orientation towards

establishments for housing dependent elderly persons.

Thus, to increase the possibilities for home support, adaptation of the home, which generates extra costs, and development of social support are necessary.

## Management risks to be controlled

The problems created by over-occupation and the presence of activities related to the «informal» economy, although eliminated when a hostel is converted, may eventually reappear.

The size of increases in rental charges following renovation, the practice of retired residents travelling backwards and forwards between France and the country of origin, which leaves housing units empty, and the fixed-fee character of the rent, which does not allow managers to pass on the current increase in charges, may damage the economic equilibrium of the residences.

All of these difficulties in converting hostels to social housing bear witness to the sloppy administration of the social component of the policy.



# The conversion of hostels for migrant workers to social housing

## Recommendations

The Court issues the following recommendations:

- ➔ strengthen the inter-ministerial administration of the policy of converting hostels for migrant workers to social housing:

- by giving a minister responsibility as lead manager;

- by increasing the association of the managers of hostels in the definition and monitoring of the policy;

- ➔ review the objectives of the plan to convert the hostels, by targeting priorities:

- in terms of requirements for renovating hostels that are still fully occupied or where bad or inappropriate housing conditions remain;

- in terms of converting hostels not only into social housing, but also into any other reception or housing organisation;

- ➔ update and improve knowledge about those accepted in the converted hostels and their requirements;

- ➔ explicitly specify the temporary nature of the stay in new occupation contracts, both in hostels and social housing

- ➔ encourage, through support measures, access to ordinary housing for residents who desire it;

- ➔ facilitate social rental management by clarifying and harmonising the conditions for its funding with regard to the social requirements of residents.

# **Chapter V**

## **Tourism**

Tourism in French overseas territories: an essential spurt

## Tourism in French overseas territories: an essential spurt

Apart from a recent recovery, tourism in French overseas territories has been in crisis since the beginning of the 2000s, even though it represents an opportunity for overseas island economies coping with high levels of unemployment (between 20 and 30% depending upon the territories).

### A sector in crisis

Even though it significantly contributes to the local economy and employment, over the last decade tourism in French overseas territories has suffered a disaffection that is even more worrying given that competitor destinations are highly dynamic. Social crises related to the high cost of living, as in the French Antilles, and health crises (chikungunya) on Reunion Island, cannot solely explain the poor results for French overseas tourism.

### A lack of dynamism in the local authorities

The regional authorities (regions or countries in French Polynesia) primarily responsible for tourism have not been able to define and drive an innovative policy. Tourist strategies are based on development plans that are often old, with no truly dynamic approach. The French Antilles are still distinguished by mass tourism and Reunion Island is

hesitating between the development of seaside tourism and nature tourism. The tourism committees are developing their own strategies, sometimes in contradiction with those of the regional authorities. Assets, such as the wealth of the cultural and natural heritage, are insufficiently promoted and coordination with other public and private players is inefficient, particularly for developing tourist sites.

### Inefficient public action

The regions and French Polynesia are struggling to act on the three factors that make a successful tourist policy:

- promotion of the destination: this is both too preferential and poorly directed. It remains dependent on a French clientèle and demonstrates a lack of professionalism. New initiatives such as «the Vanilla Islands» at Reunion Island, or «destination contracts» in the French Antilles still remain handicapped by operational weaknesses;

- access to French islands: this is made more difficult by specific visa requirements, which do not exist in the neighbouring competitor islands. There are few regular flights from European cities other than Paris. The obligation, with most companies, to change airports, is another inconvenience. The ticket prices calculated according to the

yield management method (according to the rate of occupancy) may reach a dissuasive level;

- the supply of hotels: having reduced over the last few years, this cannot be sufficient to cope with a substantial increase in tourist flows and correlated

air traffic. Its quality does not always correspond to the demand. Existing aid has not led to the desired results. Overall, the aid arrangements are not clear and the tax relief measures have not achieved their goals.

## Recommendations

The Court and the regional and territorial courts of accounts recommend:

*For the regional authorities:*

➔ draw up an up-to-date strategic plan, based on observation of the sector, setting priority policies over the medium term;

➔ request tourism committees to implement an operational action plan within a programme to develop tourism and leisure;

➔ effectively coordinate the actions of the various public and private players, particularly in the area related to tourist developments and nature activities;

➔ develop a training and awareness-raising policy for professionals and the population in order to better

respond to the expectations of an international clientèle;

➔ simplify and stabilise the regional arrangements for aid to hotel investments and set up a single point of contact;

➔ improve coordination concerning land availability and prepare a strategy concerning existing wasteland;

➔ provide long-term definition of the priority target countries and topics and assess the results obtained.

*For the State:*

➔ eliminate the «Girardin» tax relief in favour of productive investment and replace them by other means of intervention, less costly for the State budget and more effective.

**Third part**

**Public Management**

# Chapter I

## The State

- 1 - Customs tax duties: a role and an organisation to be reconsidered
- 2 - The National Centre for Educational Documentation (CNDP) and its network: an obsolete model, a much-needed reform
- 3 - Public equity investments a poorly managed transaction in the armaments sector

## 1 Customs tax duties: a role and an organisation to be reconsidered

As well as its duties to regulate international trade and to protect citizens and consumers against dangerous and prohibited goods, customs, in tax matters, manages more than 70 indirect taxes, representing annual income of around €68 billion, mainly related to goods (tobacco, alcohol and oil products), energy, waste, polluting substances and means of transport.

### The taxes managed by customs constitute a composite and insufficiently effective group

Numerous taxes for which income is low are characterised by mediocre performance and, in some cases, administration costs that are clearly disproportionate.

Most taxes are still managed by organisations that are too numerous, too dispersed and insufficiently specialised. It would be appropriate to carry out regrouping to allow customs to have more effective administration units grouping expertise that is able to administer complex taxation.

The separation of administration from tax inspection tasks is still insufficient and leads to the dispersal of inspection abilities to the detriment of efficiency.

Concerning computerisation, customs is significantly underdeveloped

and needs to catch up, particularly in order to improve the service provided to users and reduce costs.

### Several duties currently undertaken by customs as part of, or at the margins of, its tax duties, should be reconsidered

In wine matters, customs has tasks that go far beyond the requirements of its tax duties. Certain taxes, such as the tax on sporting events, several categories of port dues or the tax on gaming circles and houses, should be assigned to other authorities. Certain obsolete taxes, such as the tax on flour and cereals or the tax on automatic appliances, should be abolished and replaced.

### Self-assessment of VAT upon import should be established

The payment of VAT at the time of customs clearance, on goods coming from outside the European Union, is inconvenient for companies and has unfavourable consequences for the attractiveness of French ports and airports. Its replacement by self-assessment, which is the common law payment mode for VAT upon import, is called for. It implies interconnecting computer applications belonging to the

customs and the DGFîP, which would also combat fraud more effectively.

The existence, in France, of two networks to collect taxes and duties, that of the DGFîP and that of customs, is currently not adapted to changes in public accounts administration.

## Recommendations

The Court issues the following recommendations:

### *Concerning its duties:*

- ➔ transfer the collection of non-tax information to the wine-producing profession and transfer monitoring the potential of wine production to the Ministry of Agriculture;

- ➔ re-examine the legitimacy of taxes on flour and cereals and proportionately increase the other taxes on beneficiary organisations;

- ➔ substitute the tax on automatic appliances with a fine and substitute a tax credit for reimbursement of the domestic tax on the consumption of energy products (TICPE);

- ➔ transfer the administration:

- of port dues to the port authorities;

- of the tax on sporting events to local authorities;

- of the tax on gaming circles and houses to the Directorate General of Public Finances (DGFîP).

### *Concerning its administration:*

- ➔ accelerate the reduction in the number of regional establishments;

- ➔ generalise, and eventually make the online declaration and online payment of all taxes managed by customs mandatory for professional taxpayers;

- ➔ separate the functions of administration and inspection and group the inspection functions at the inter-regional level;

- ➔ create a single point of contact for registry dues and for ship registration;

### *Concerning collection:*

- ➔ set up self-assessment for VAT upon imports and, to this end, inter-connect the computer systems belonging to customs and the Directorate General of Public Finances (DGFîP);

- ➔ group the collection function within the Directorate General of Public Finances (DGFîP).



## 2 The National Centre for Educational Documentation (CNDP) and its network: an obsolete model, a much-needed reform

The National Centre for Educational Documentation (CNDP - *Centre national de documentation pédagogique*) forms, together with the Regional Educational Documentation Centres (CRDP - *centres régionaux de documentation pédagogique*), a network of 31 national public administrative institutions, known as SCÉRÉN (culture, publication and resources services for the national education department). In 2013, this network had a budget of €135.7 million (including €92 million of government grants) and employed 1,918 staff.

Its purpose is to provide teachers with resources and educational services necessary to the exercise of their profession.

**Educational resources that are not adapted to the requirements of the education system and developments to it**

The choice of publications (57 collections and 17 journals for 547,000 copies in 2012) is rarely made from an assessment of the requirements of tea-

chers. The few satisfaction surveys that exist show that even the most well-known journal does not meet with their approval and is not considered as an educational support. Digital distribution remains very marginal. Turnover has therefore dropped by 23% since 2006.

The CNDP marketing network is too extensive. The 122 points of sale, half of which have turnover of less than €18,000 and only one of more than €1 million, are structurally in deficit and do not correspond to new modes of document distribution.

The CNDP also provides its publications to 133 media libraries and 233 collection points, the traffic for which has not been checked since 2009. At that date, most of the media libraries had less than 1,000 registered users. However, the points of sale and media libraries employ 31% of staff.

The rapid development of new distribution and marketing modes is causing this vast network to lose most of its usefulness. Its drastic restructuring, or even its abolition for marketing, must be envisaged, thus freeing margins that can be redeployed to develop a range of benefits and educational services adap-

ted to the digital public education service and the requirements of new teaching and educational colleges (*ÉSPÉ - écoles supérieures du professorat et de l'éducation*).

## A complex and expensive organisation

The 31 regional centres which form this public network have a total of about 180 places of reception, not reliably listed and not administered by the CNDP, due to the lack of a centralised computer system. Their administration requires 36% of their staff, a high proportion of whom are occupied in the «self-administration» of the network.

The administration of activities by the CNDP comes up against the autonomy of other establishments. Therefore, the editorial range still relates to the decisions of 31 editorial committees. The work towards commonality undertaken by the CNDP, which is real, cannot, in the current legal framework, produce significant simplification, harmonisation and savings.

## The ministerial supervisory authority is confronted with strategic choices

Strategic supervision has been inefficient: firstly, ministers, mainly those from the Ministry of National

Education, have considered the CNDP as nothing more than an agency providing resources and fulfilling specific orders. Secondly, the school projects prepared by the organisation since 2008 have not led to a long-term contract covering objectives and performance with the Ministry of National Education.

And yet, the share of State grants in income has increased very significantly; for the CNDP, it increased from 60% in 2006 to 76% in 2012 and for the CRDP, from 62% to 68%. This increase should have been limited, given the lack of a clear strategic vision.

The audit on the modernisation of public publication, carried out in March 2007, recommended a radical reappraisal of the educational documentation and publication system and mentioned the abolition of the network as a scenario. These recommendations led to nothing.

Six years later, the law on planning and policy for the reform of French public schools makes this reform of the CNDP and CRDP indispensable if their very existence, in the short term, is not to be compromised. The recommendations of the Court will request strong support to the personnel in the network, whose jobs are likely to change, as well as to the local education authorities, whose environment is likely to change.

## Recommendations

The Court issues the following recommendations:

- ➔ define a range of publications according to teachers' requirements;
- ➔ abolish the distribution network and reconfigure the network of media libraries;
- ➔ review the duties and statutes of the activities relating to the CNDP;
- ➔ unify the network within a single, national administrative public institution;
- ➔ greatly reduce the number of network establishments;

➔ set up cost accounting for each activity;

➔ on this basis, prepare a contract covering objectives and performance. establish cost accounting;

If the duties and organisation of are not re-examined, an approach coherent with the recommendations of the Court, the question of the abolition of the CNDP and CRDP network could gain reappear in the near future, due to funding requirements for the public digital education service.

## 3 Public equity investments: a poorly managed transaction in the armaments sector

In 2011, two public companies in the defence sector, the industrialist GIAT Industries (terrestrial armaments) and the financial company SOFIRED (support to defence restructuring) and their supervisory authorities (Ministry of Economy and Finance and the Ministry of Defence) were approached by a small Alsace industrial group, Manurhin, the main shareholder in which was Thannberger, specialised in the manufacture of tools for producing munitions, mainly focused on exports, and employing about 130 persons near Mulhouse, in order to help it resolve serious funding difficulties.

Referring to a request from the staff of the Prime Minister, the Treasury Department services invited the two public companies to study the possibility of an equity investment, in the form of an equity loan.

### A confused decision

During the summer of 2011, based on information supplied by the consultancy firms that were contacted, SOFIRED and GIAT-Industries expressed reservations about this project, particularly due to insufficient information on the real financial situation of the small industrial group, both concerning the

holding company and its various French and foreign subsidiaries.

In spite of these reservations, the Chairmen of both groups submitted a proposal to their Board of Directors to subscribe to a capital restructuring, at €2 million each: this transaction would have the effect, given the simultaneous intervention of private partners, mainly Slovakian and, to a lesser extent, German, of constituting a public group representing about 47% of the capital of the SME, indirectly placing the State as the primary shareholder in Manurhin.

Faced with this proposal, the State representatives on both Boards of Directors did not adopt a common position: the Directors from the Ministry of Defence voted in favour of the proposal, while those from the Ministry of Economy and Finance abstained or voted against it. It was finally thanks to the votes of independent Directors and those representing the personnel that the proposal obtained a majority in both public companies, with an inter-ministerial decree ratifying this decision by authorising the investment.

The capital contributions were made at the beginning of 2012.

### A difficult capital investment

Because of persistent disagreements, not only within the supervisory administrations, but also between the managements of GIAT Industries (which remained very reserved) and SOFIRED (favourable to the intervention), the negotiation of a shareholders' agreement (*term sheet*) with the private partners turned out to be unbalanced to the detriment of the State: faced with the Slovakian company Delta Defence, which contributed €3 million, the governance arrangements significantly marginalised the State, which was nevertheless the principal shareholder in the recapitalised group. Effectively, under the terms of this agreement, management power was placed exclusively in the hands of private partners within a Board of Directors dominated by the representatives of the Slovakian shareholder, while a Supervisory Board, in which the representatives of public shareholders were in a minority, was supposed to have extensive powers of information concerning its management.

This arrangement did not function well: the Supervisory Board, in which the public shareholders were represented, was not able to obtain the information that it requested from the Board of Directors. The Board also obstructed a financial audit of the group, as well as an attempt to establish a connection with the German partner present in the capital.

### The costly intervention of several consulting firms

Part of the capital contribution was immediately consumed, for about €804,000, by fees charged to the issue premium. These charges partly corresponded to audit and lawyers' fees (for about €300,000), while various fees (about €500,000) were paid to external service providers.

At the instigation of GIAT Industries, shortly after the capital increase, Manurhin's audit committee requested, in April 2012, its auditors to examine the fees paid to various service providers to assist the company in the search for partners and in the related restructuring of the group.

The report covers the period from 1 January 2011 to 31 March 2012. It shows that, during this period, ten consulting companies were paid by Manurhin for these transactions, for a total amount of €1.2 million. This amount does not include about €300,000 charged to the issue premium, which corresponded to legal services and could, in every case, have been deducted from the capital contributions of the new partners.

Given the small size of the company, various technical jobs could only be done by external service providers, but their combined amount should not have exceeded a few tens of thousands of euros.

### Questions were belatedly raised about the marginalisation of the public partners

In mid-2013, talks broke down between the group of public shareholders plus Thannberger, and Delta Defence.

In particular, it was alleged that members of the Board of Directors representing the latter did not reply to requests for information from the audit company commissioned by GIAT Industries and SOFIRED.

On 11 October 2013, the two public shareholders obtained a majority within the Supervisory Board to discharge the Board of Directors that was in the hands of Delta Defence.

A new Board of Directors was constituted in such a way as to provide better guarantees of transparency for all shareholders of Manurhin. The Slovakian investor disputed the validity of this decision in court, but its challenge was rejected by the Mulhouse Court of First Instance, giving a summary ruling on 14 January 2014.

Whatever the outcome, favourable or unfavourable, of attempts to protect the interests of the Manurhin group, carried out under the impetus of the public shareholders since autumn 2013, the Court notes that the State committed to this operation under ambiguous and debatable conditions.

## Conclusion

Retrospectively, it appears that, as soon as the principle of public support to redress the financial situation of Manurhin was accepted, the State should have:

- quickly examined the various options allowing it to provide its support according to the most appropriate procedures (investment in the form of capital or equity loan, use of a single vector rather than several public partners with different vocations, whether

or not it was appropriate to associate a little-known foreign partner at this stage, etc.);

- impose a formal and clear inter-ministerial choice to avoid dissent persisting within its own services and between its own representatives, weakening its ability to defend its own interests and those of Manurhin, a situation which still persists.

## **Chapter II**

### **Local authorities**

- 1 - The subsidies allocated to associations by the Provence-Alpes-Côte d'Azur region and the Bouches-du-Rhône department:  
the necessary risk control
- 2 - Railways in the Dauphiné: the failure of the restructuring of a departmental transport authority

## 1 The subsidies allocated to associations by the Provence-Alpes-Côte d'Azur region and the Bouches-du-Rhône department: the necessary risk control

The Provence-Alpes-Côte d'Azur regional Cour des comptes endeavoured to assess the effectiveness of the procedures put in place by the Provence-Alpes-Côte d'Azur region and the Bouches-du-Rhône department to improve their control of the specific risks caused by paying subsidies to associations.

### A poorly supervised process for selecting applications for subsidies

Called upon by numerous associations of all sizes, operating in various sectors, for recurrent or specific operations, the local authorities concerned have not defined precise criteria for selecting applications.

The very general wording of the objectives that underlie their interventions leaves great autonomy to the services responsible, in each sector, for allocating subsidies. This is done according to an approach based on the allocation of funds, as the local authorities have not established investigation pro-

cedures that provide a correctly documented and secure selection mode. The substantiating documentation that associations are requested to provide is insufficient and poorly used. The information provided to commissions of elected representatives is incomplete. Parallel decision-making circuits, partly unofficial, have substituted for investigation procedures by the services.

### Irregular or inefficient allocation

The procedures for allocating subsidies used by the two local authorities cause legal and economic risks.

At the legal level, the obligation to sign an agreement with the association as soon as the subsidy exceeds €23,000 is sometimes disregarded. The same is true of compliance with the applicable rules concerning public subsidies and open competition, when the subsidised activities, in reality, resemble services provided.



# The subsidies allocated to associations by the Provence-Alpes-Côte d'Azur region and the Bouches-du-Rhône department

At the economic level, it is not rare to find over-funding, if we combine the public subsidies received, which the local authorities should have detected. Partner associations have thus applied to the region and the department for identical actions.

## Monitoring to be improved by strengthening control and internal audit

The improvement of the monitoring of subsidies granted involves improving the content of agreements, which is often insufficiently precise, and also the use of tools that are already available to local authorities in the context of these agreements. The clause specifying the reimbursement of the subsidy in case its use is not substantiated should also be more frequently used.

Likewise, compliance with legal obligations incumbent on associations concerning the keeping and production of accounts and financial statements is unequally checked by the local authorities. Associations receiving subsidies greater than €153,000 are thus subject

to the obligation to designate an auditor. The regional Cour des comptes nevertheless noted that the examining services, with regard to the associations, were insufficiently demanding concerning the production of the documents specified by the regulations. Also, the activity reports are often inconsistent, even though they constitute an essential means of organising objective and documented discussions between the associations and the local authority that finances them.

The necessary improvement in the monitoring of granted subsidies requires a more overall development of control and internal audit. Both local authorities have taken measures in this direction, but there is still room for improvement. The audits conducted do not always sufficiently identify risks and only have limited effects on internal procedure control.

# The subsidies allocated to associations by the Provence-Alpes-Côte d'Azur region and the Bouches-du-Rhône department

## Recommendations

In the light of these findings, the Court and the regional Cour des comptes issue the following recommendations for the two local authorities concerned:

- ➔ prepare a list of the risks in the procedure for assigning and monitoring subsidies;

- ➔ establish formalised procedures for examining requests for subsidies, specifying the selection criteria, the relevant information and the checks to be made and ensuring that these checks are traceable at every stage of the procedure;

- ➔ develop personnel training in the examining services covering the identification of risks, internal control and the analysis of financial data;

- ➔ ensure compliance with the obligation for a contract agreement for subsidies greater than €23,000 and lower this threshold, where applicable, with regard to the characteristics of the sector;

- ➔ in the agreements, specify the purpose of the subsidies, the procedures for reporting their use and their evaluation criteria. Specify penalties for the non-application of contractual commitments and implement them before renewing a subsidy;

- ➔ precisely define the duties and responsibilities of the internal audit service, in accordance with the principles of an internal audit charter.

## 2 Railways in the Dauphiné: the failure of the restructuring of a departmental transport authority

The semi-public company (SEM) «Voies ferrées du Dauphiné» is one of the main operators of inter-urban transport by coach in Isère. It was founded in 2006 from the restructuring of the departmental transport authority of the same name, for which the financial situation had severely deteriorated. This change of status was intended to make the company competitive again and diversify its customer portfolio.

The Isère department, the majority shareholder in the SEM with 80% of the shares, established a relationship with an industrial partner, Kéolis, which holds a 15% stake and which is also the holder of a technical assistance contract.

The 2012 inspection by the regional Cour des comptes showed that the SEM had not succeeded in adapting to its new competitive environment and that the department bears a heavy responsibility for this situation due to the management restrictions that it imposed upon the SEM.

### A failed adaptation to the market being opened to competition

The opening of the market to competition and the arrival of a new player, Car Postal, from 2010, destabilised the

SEM «Voies ferrées du Dauphiné», which, in 2011, lost the contract for the Grenoble Agglomeration including four express lines considered as the only profitable ones. The loss of this contract resulted from lack of competitiveness related to salary costs that were too high, partly inherited from the former transport authority. Its consequences had an even greater impact on the company as it was unable to diversify its customer portfolio.

The result of this was a rapid worsening of its financial situation – operating income became negative in 2011 (-€1.2 million) and the management was slow in reacting to this.

### A stalemate that was particularly costly for the department

The department had concluded a shareholders' agreement with Kéolis which, by assuring Kéolis that it would be the exclusive industrial shareholder in the SEM, exposed the department to being solely and indefinitely responsible for the liabilities of the company in case of bankruptcy.

However, at the same time, the technical assistance contract concluded between the SEM and Kéolis at the initia-

## «Voies ferrées du Dauphiné»

tive of the department did not make the company competitive again and it proved to be even more costly in that it implicitly included a margin intended to remunerate Kéolis's capital contribution, instead of dividends.

In 2011, the department established a partnership charter with «Voies ferrées du Dauphiné» intended to improve its control. But by giving the Chairman of the General Council the right to review almost all management decisions, the said charter reduced the autonomy of the company's management.

In this context, the department was called upon to save the SEM from bankruptcy by providing new cash and undertaking, together with Kéolis, to raise new capital. According to the terms of the recovery plan validated by the department in the spring of 2013, the department should have invested nearly €15 million in the SEM by 2015.

At the same time, the committee of heads of the financial services, chaired by the departmental manager of public finances, granted the SEM delays in the payment of public debt.

### A necessary strategic change to exit the crisis

The Court considers that the department had an alternative solution to recapitalisation, for which it is preparing to bear most of the cost. It could

have sold its shares to an industrialist, after having initiated insolvency proceedings, so as to force the minority shareholders to recognise the loss of their investment.

The department of Isère was unable to manage the contradiction in which it placed itself. Indeed, as the authority organising transport, it was successful in containing the increase in its transport budget by arousing greater competition, but as majority shareholder in the SEM, it greatly contributed to its failure to adapt to the new market conditions.

Ultimately, the financial interest of the main industrial shareholder in the success of the company was low and its liability was insufficiently implicated in case of difficulties to allow the company to recover sustainably. The department must therefore envisage opting for a local public company, selling a greater part of the capital of the company to the leading industrial shareholder, or total privatisation.

### Recommendations

The Court and the regional Cour des comptes issue the following recommendations to the semi-public company «Voies ferrées du Dauphiné» and the department of Isère:

→ in the short term, establish a recovery plan for the semi-public company, including restructuring the liabilities and reducing the management constraints imposed by the main shareholders;

→ review the technical assistance contract concluded with Kéolis, both regarding its content and its remuneration and monitoring procedures, so that binding obligations to provide both resources and achieve results are

introduced, associated with penalties in case targets are not met;

→ remove, from the partnership charter, the provisions that withdraw the prerogatives that should belong to the control bodies;

→ more generally, make the status of operators coherent with the degree of control that the department wishes to exercise, with three options: maintain a semi-public company with a significantly greater investment from the leading co-shareholder, create a local public company, or privatise the current semi-public company.

## **Chapter III**

### **Social security organisations**

The CIPAV (Inter-professional Pension and Contingency Fund for the liberal professions): disorderly management, deplorable service to insured parties

## The CIPAV (Inter-professional Pension and Contingency Fund for the liberal professions): Particularly chaotic administration, Deplorable service to insured parties

The Inter-professional Pension and Contingency Fund for the liberal professions (CIPAV - *caisse interprofessionnelle de prévoyance et d'assurance vieillesse des professions libérales*) is the largest of the ten funds attached to the National Pension Fund for the liberal professions (*Caisse nationale d'assurance vieillesse des professions libérales*). It manages the basic scheme, on behalf of the latter, and administers supplementary pension and death-disability schemes for one in two members of the liberal professions, i.e. 550,000 affiliates including 250,000 self-employed entrepreneurs, representing more than three hundred professions.

### Particularly chaotic administration

In 1959, the CIPAV formed the «Berri group» with three other funds in order to pool its resources with theirs. In order to avoid the hegemony of the CIPAV, which represents three quarters of the insured parties concerned, the decision-making autonomy of each fund was retained, creating vague gover-

nance to the detriment of the stability of the managing teams and the efficiency of the pooled functions.

The management of the CIPAV's reserves (€2.1 billion in 2012), which are strongly up largely due to the rapid increase in the number of contributors, has been particularly mediocre and lacking in transparency: the investment of these funds, intended to guarantee payment of the pensions of insured parties, has generated average annual profitability clearly lower than the changes to the reference share and bond indices. A financial department was only created in 2010. Until 2010, the CIPAV's Investments Commission had no delegation to the Board of Directors and it was not until 2009 that an ethics code, which is –nevertheless obligatory–, was adopted. This situation favoured non-compliance with elementary rules on the distribution of risk. Thus, the CIPAV, for several decades and until 2012, assigned the same portfolio manager more than three quarters of the amounts to be invested. At the end of 2012, it still retained 37% of the total assets. The

management of the estate of office buildings was every bit as defective and is characterised by low profitability, due in particular to the use of agents subject to little control and poor monitoring of unpaid bills. In 2008, the CIPAV spent €95 million to purchase, with other funds, a building that was sold before completion with the aim of setting up its head office there, before being obliged to buy a second building (€150 million) for reasons of urgency, leaving the first vacant for more than a year.

The «Berri group» also deliberately refuses to apply the rules on public procurement, which are nevertheless binding upon it. In 2012, more than 82% of expenditure was not committed within the context of formalised competition.

Lastly, the modernisation of the computer system, which was begun in 2004, is still not completed, in spite of expenditure (€24 million) nearly ten times greater than the initial estimate (€2.5 million), due in particular to lack of formalisation by the contracting authority and the lack of organisation of an information systems department until 2008. The significant worsening of the productivity of agents of the CIPAV is not unrelated to these difficulties.

### Deplorable service to insured parties

Major malfunctions affect the CIPAV's administration of its insured parties at all stages: affiliation, calculation and collection of contributions and settlement of pensions.

On 1 January 2011, a single procedure was established for the affiliation of independent workers (skilled tradesmen, shopkeepers and the liberal professions), for which the social security regime for the self-employed (RSI - *régime social des indépendants*) was the prime contractor. The CIPAV nevertheless refuses to refer to the directory of liberal professions established by the RSI. It continues to use an empirical list, based on which it disputes the decisions of the RSI, which causes numerous case rejections and chaos in the files. Thousands of persons coming under the RSI, or who have ceased their activities, are affiliated to the CIPAV. On the contrary, the liberal professions, who are equally numerous, escape it.

The collection of contributions, and therefore the monitoring of the pension rights of insured parties, is seriously degraded. The poor quality of the file of contributors and the insufficient knowledge of income used as the basis for contributions leads to a high number of automatic assessments, a quarter of which concern those insured by RSI. The circuit for payments made by debtors does not have all the required security conditions: several incidents of misappropriation have taken place. Despite the costly use of a centralising bailiff, debtors are not seriously pursued. Thus, although the limitation period is three years, the CIPAV has not notified any dstraint from 2007 to 2009 or in 2011 and 2012. In 2011, more than 38,000 debtors escaped any recovery action.



## The CIPAV

The settlement of pensions is every bit as mediocre. Firstly, the fund pays the first arrears after long delays, even though its insured parties have uneven incomes. In 2012, less than one case in two of direct entitlement or reversion pensions gave rise to a payment at the normal due date and this percentage reached only 15% for those with multiple pension schemes. Furthermore, checks before and after payment in settlement are very poor, even though the extent of anomalies that they would detect shows that it is essential to improve them.

These malfunctions are causing increasingly heated discontent amongst insured parties, who have the greatest

difficulties in contacting the fund: the two centres that it has only manage to handle one call in four on average.

The CIPAV also refuses to include self-employed entrepreneurs who are exercising one of the liberal professions. No seats are reserved for them on the Board of Directors. Three quarters of them did not take part in the ballot to renew this body in July 2011. More seriously, until 2013, the fund did not even record their entitlements. Moreover, the CIPAV undervalues them in the absence of any legal basis, with the corollary of also limiting the share of contributions that the State must pay in their favour.

## Recommendations

The Court issues the following recommendations:

- ➔ appoint a temporary administrator in case of failure to implement, without delay, by the CIPAV, a plan to rectify its management, associated with a precise timetable and results targets;

- ➔ strictly comply with the unique affiliation procedure applicable to self-employed workers;

- ➔ comprehensively and quickly give credit for the rights acquired by insured parties pursuant to the contributions paid, taking particular care to restore the rights of self-employed entrepreneurs;

- ➔ impose upon all retirement funds for the liberal professions the requirement to recruit their managers and accountants from amongst the social security managers;

- ➔ merge the funds of the «Berri group» or, failing this, establish a union of funds.

## **Chapter IV**

### **Private subsidised organisations**

The French Film Archive: a revival and  
new issues

## The French Film Archive: a revival and new issues

The French Film Archive (*Cinémathèque Française*) is a non-profit-making association which is subject to the optional control of the Court.

Since its creation in 1936, its purpose has been to collect films from bygone days to show them to the public. It has also given itself the objective of collecting objects and documents related to the history of the cinema.

### A successful renewal

Inspection of the accounts and the administration since 2006 showed that the establishment of this association on the premises of the old *American Center* at Bercy allowed it to implement an ambitious development project, in return for the large initial investment by the State, which purchased and redeveloped this building for an overall amount of €57.5 million.

The Film Archive has begun a process of modernising its administration. It has sought to develop its own resources, while controlling its costs. It has set up improved monitoring of administration procedures and obtained tools for assessing the costs and results of its various activities.

Concerning the management of collections, it has clarified its strategy for

additions to them. Thanks to a diverse cultural range, it has benefited from a continuous increase in attendance, with more than 720,000 entries in 2012. These results are the fruit of a strategy that aims to broaden the audience, particularly by targeting and retaining the younger generations.

### Requirements for the future

Beyond these successes, the Film Archive is now confronted with new issues that it must cope with, in relation to its supervisory authority, in order to ensure its long-term development.

These involve ensuring the long-term storage of collections, learning the lessons, in terms of asset conservation, of the development of digital media, promoting partnerships with other French and foreign film archives, clarifying relationships with the public authorities and lastly, undertaking a study on the future strategic and statutory framework of the Film Archive.

## Recommendations

The Court issues the following recommendations:

*Concerning the governance of the French Film Archive:*

- ➔ sign a performance contract with the State setting the objectives of the French Film Archive, particularly for partnerships with other French and foreign film archives;

- ➔ study the possible scenarios to improve the French Film Archive's connections with other French film archives.

*Concerning resource management:*

- ➔ continue the implementation of internal control and cost account-

ing, particularly for monitoring the financial result of each activity;

- ➔ continue the development of own resources and improve control of operating expenditure and remuneration;

- ➔ reduce the cost of storing collections by examining possible pooling with other French film archives.

*Concerning asset management:*

- ➔ in agreements on the restoration of films signed with rights holders, include an obligation for a security deposit or a fixed-fee participation in the expenses entailed.

## **Chapter V**

# **Public-private partnerships**

The public-private partnerships of the Hospital  
2007 plan: a poorly controlled procedure

## The public-private partnerships of the Hospital 2007 plan: a poorly controlled procedure

Most of the property transactions undertaken, from 2003 to 2007, as part of the Hospital 2007 plan, were carried out according to the public project management procedure and financed by loans. Nevertheless, at the initiative of the Ministry of Health, a limited number of institutions used the public-private partnership (PPP), which was new at the time. Twenty-four transactions were carried out in this way, for an investment of €613 million out of total investments made under the plan of €15.9 billion.

The Court and the regional Cour des comptes drew up an initial methodological assessment.

### Procedures undertaken in a hasty manner

In 2002, the managers of the regional hospitalisation agencies received a ministerial instruction inviting each of them to propose at least one investment project carried out under a PPP. Under this constraint, the studies prior to committing investment and choosing the procedure to realise it were not carried out in sufficient depth, or sometimes not carried out at all. In particular, the

analysis of the financial consequences of choosing the public-private partnership procedure was often not done in the initial studies, a choice that was made easier by the fact that it was not obligatory in the regulations. Moreover, the conviction that there would be an increase in hospital activity and in the resulting income because of the introduction, at the same time, of pricing by activity, drove the managers to ignore the financial risks.

The size, very often limited, of the hospitals engaged in the partnerships meant that they did not have teams that were sufficiently equipped to prepare a precise, finalised functional programme and were not able to control, in all of the often highly complex aspects, the negotiation of the contract and the monitoring of its execution. The support mission that was created for them could not support them on site and its first objective was to publish methodological guides, which often appeared too late. The diversity of the transactions chosen added to the isolation of each of the institutions.

# The public-private partnerships of the Hospital

## 2007 plan

### Gradually constructed legal, accounting and financial supervision

Prior studies to define the transaction, choose the implementation procedure and examine the financial capacity of the institution have been obligatory since 2004 and have been examined by an expert organisation since the same year. The inclusion of the financial consequences of public-private partnerships in the accounting and budget documents of health institutions was only organised dating from a decree of 16 December 2010. The concept of economic efficiency was introduced by a decree of 29 April 2010, although it should have been considered in the prior assessment process from 2008.

### Mixed results

The public-private hospital partnerships concluded under the Hospital 2007 plan contributed to accelerating the modernisation of hospital facilities without, however, avoiding the pitfalls that are often found in transactions benefiting from financial aid under this plan: the tendency to over-size, an unfinished effort to rationalise activities and insufficient attention to changes to the case management of patients. The intention to quickly make investments, the hasty selection of transactions that were often already waiting for funding, the inexperience of public negotiators in applying new legislation and the

weakness of poorly organised support were all factors that led to the signature of contracts that, too often, were unbalanced to the benefit of private investors, as illustrated in particular by the example of the construction of the «Sud francilien» hospital.

Nevertheless, most of these transactions were delivered within the planned deadlines in spite of changes to the programme during construction in most cases. Innovative solutions at the technical level, in the reception of patients or in the working conditions of personnel were sometimes provided beyond the instructions in the specifications and the functional programme in several transactions, thus showing the benefits of the competitive dialogue procedure. The use of PPPs, in certain situations where the regional supervisory authority was heavily involved, facilitated pooling between public and private institutions, even though poorly negotiated risk sharing sometimes led to setbacks.

In any case, there is now a requirement for a clear doctrine on the use of this procedure, for more rigorously selecting transactions that may be the subject of a PPP – the first lessons learned seem to show that these procedures are easier to adopt for logistical construction projects than for centres where treatment is provided. The requirement, since 2012, for ministerial authorisation to use this type of procedure and the establishment, at the beginning of 2013, of an inter-ministerial committee on the performance and

# The public-private partnerships of the Hospital

## 2007 plan

modernisation of the range of treatment facilities, which is responsible for validating investment projects when State aid is requested, reflect this policy. The announced resumption of hospital investment, at €45 billion over ten years, nevertheless assumes a net streng-

thening of support to institutions and the expert appraisal abilities of the regional health agencies.

## Recommendations

The Court and the regional Cour des comptes issue the following recommendations:

→ improve the abilities of the National Support Agency for the Performance of Health and Medico-Social Facilities (ANAP - *agence nationale d'appui à la performance des établissements de santé et médico-sociaux*) in producing methodological guides based on analysis of best practices and preparing independent comparative analyses, and assign it the duty

of supporting the on-site institutions during negotiations;

→ improve the technical, legal and financial skills of the regional health agencies (ARS - *agences régionales de santé*) to allow them to better assess the appropriateness of public-private partnership projects and improve monitoring their implementation;

→ prompt institutions undertaking a public-private partnership transaction to set up a stable project structure to prepare the functional programme, negotiate the contract and monitor its implementation.