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January 11, 2021

**Statement by Mr. Hilbers and Mr. Scholer on France
(Preliminary)
Executive Board Meeting
January 13, 2021**

We thank staff for the comprehensive analysis, as well as Mr. Buissé and Mr. Rozan for their informative Buff statement. We broadly share staff's main conclusions and recommendations and commend the French authorities for their forceful policy response to the ongoing COVID-19 pandemic. We also express our sympathy to all French citizens who were impacted by the significant social and economic repercussions of this health crisis.

We associate ourselves with Mr. Poso's statement and wish to make the following points for emphasis.

We agree with staff that the economic disruption caused by the pandemic represents an opportunity to reorient the economy and make it greener, more inclusive, and more productive. We thus welcome the authorities' efforts to kickstart a job-rich green recovery through the *Plan de Relance*, as well as the use of funds from the EU's Next Generation EU. For these efforts to reap their full benefits and raise potential growth sustainably, it is essential that investments are accompanied by continued ambitious structural reforms addressing pre-existing weaknesses – notably in the labor market, the pension system, and the regulatory environment – to ensure that the whole society can benefit from newly created jobs, including low-skilled people. In this regard, staff's dedicated Selected Issues Paper to advise the authorities on their ambitious climate mitigation policy is highly welcomed and we encourage staff to continue its focus on the green transition.

We fully support staff's recommendation to continue fiscal support in the near term and start consolidation once output has broadly recovered to its pre-crisis level. We thus appreciate the authorities' commitment to maintaining the sustainability of public finances and their intent to swiftly start the planning process to put public debt on a firm downward path over the medium term. In this sense, we would however note staff's analysis that some non-temporary measures totaling 0.7% of GDP are not compensated, calling for a careful design that takes their impact on public finances into account.

We broadly agree with staff's assumptions on the development of the pandemic in the baseline scenario. However, given the quickly evolving situation, *we would welcome staff's comments on the impact of recent developments as regards the pandemic evolution and the agreement between the UK and EU on the economic and fiscal outlook.*

Finally, we concur with staff's recommendation to strengthen corporate balance sheets and address insolvency risks to protect the financial sector and support the recovery. According to staff's solvency stress test, banks may see material capital depletions in an adverse scenario. *Could staff comment on how it assesses the impact on bank lending in such a negative scenario and which policy conclusions it draws from this?*