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WORLDEUROPE

French Prosecutors Launch Probe After Senate Scrutiny of Macron Government Spending on McKinsey

Launch of investigation delivers a blow to French president just days before election



French President Emmanuel Macron during a campaign rally in Paris on Saturday.

PHOTO: BENJAMIN GIRETTE/BLOOMBERG NEWS

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PARIS—French prosecutors have opened a **tax-fraud and money-laundering investigation** stemming from a Senate report on **government spending on consulting firms**, delivering a blow to President Emmanuel Macron just days before voters head to the polls.

France's financial prosecutors issued a brief statement Wednesday saying they were probing the findings of a Senate report published last month. The report detailed how the government spent €893.9 million, equivalent to \$975.8 million, last year on consultants, including McKinsey & Co. That was a sizable increase on the €379.1 million spent in 2018, Mr. Macron's first full year in power, the report said.

Prosecutors said their investigation was focused on potential tax fraud and money laundering, without naming any suspects. The Senate report alleged that McKinsey, which is based in New York, hasn't paid corporate tax in France for at least a decade, despite making €329 million in revenue in the country in 2020 and employing some 600 people.

On Wednesday the government said it has always called for full transparency on McKinsey's fiscal practices, adding that the Finance Ministry had already opened an investigation into the firm's tax situation in December, before the Senate's report was published.

"The financial prosecutor's probe is part of this same approach," government spokesman Gabriel Attal told reporters. "This consulting firm will pay what it must pay."

McKinsey said it was fully cooperating with authorities, answering their questions about its fiscal practices. "McKinsey is surprised by the attention on the firm, which makes up only 1% of the public administration's purchase of consulting services," the firm added.

Prosecutors didn't respond to requests for comment.

The French unit of McKinsey has previously said that from 2011 to 2020 it paid "over €422 million in French taxes and social-security contributions, representing nearly 20% of its cumulative revenue over the same period."

Mr. Macron has said there was nothing improper about the consulting-firm contracts, adding that he had fought since the start of his term to make sure companies that operate and make profit in France pay taxes.

The move by prosecutors comes as millions of voters prepare to head to the polls Sunday for the first round of voting in France's presidential election.

Mr. Macron built a double-digit lead over far-right challenger Marine Le Pen last month. That margin, however, has been whittled down in recent days with one poll showing Mr. Macron defeating Ms. Le Pen by just 3 percentage points in the April 24 runoff. That is a far cry from the 30-point margin of victory he notched in 2017.

Dubbed the *Affaire McKinsey* by the French media, the scandal has provided fodder for opponents who cast Mr. Macron, a former investment banker, as being part of a cabal of global elites that aims to dismantle France's public services. His government's reliance on globe-spanning consulting firms has generated bewilderment in a country that employs an army of civil servants to manage state affairs.

“Finally!” said far-right candidate Éric Zemmour in a Twitter post after the prosecutors issued their statement. Mr. Zemmour, a former TV pundit, has been publicly pressing prosecutors to probe the matter.

The government has said the use of private consulting firms by governments is nothing new, pointing to a section in the Senate report that said France used them less than Germany, the U.K. and other neighbors. Two-thirds of the total expenditure on consultants was for IT and cybersecurity services, the government said.

The Senate, which is dominated by Mr. Macron’s conservative opposition, filed a criminal complaint in late March alleging that a McKinsey executive gave false testimony in telling a Senate hearing the firm paid corporate taxes.

In its report, the Senate highlighted McKinsey’s work on France’s Covid-19 response, including its vaccine rollout, for which the consulting firm received some €12.33 million.

The report said McKinsey’s French unit reduced its tax liability to “nothing or negative” by booking charges from its U.S. headquarters for services such as administrative support and the use of its brand.

“It seems we’re dealing with a caricature of tax optimization,” the Senate report said.

On Wednesday McKinsey said it had disclosed its fiscal practices to French tax authorities, adding that its approach conformed with the guidelines of the Organization for Economic Cooperation and Development

—*Nick Kostov contributed to this article.*

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