



## PRESS RELEASE

Date: 23 May 2018

### FINANCES AND PUBLIC ACCOUNTS

## THE 2017 BUDGET OF THE FRENCH GOVERNMENT Results and management

**The Cour des comptes (the French Court of Auditors) is making its report public on the French government's budget in 2017<sup>1</sup>, along with 66 analyses on execution of the budget.**

**Budget execution in 2017 saw stronger economic growth than expected by the Initial Finance Law (LFI). In spite of the resulting large increase in revenue, the deficit only fell very slightly due to a nearly equal increase in expenditures. These increased expenditures resulted, on the one hand, from the decision in the LFI to increase spending by €5.9 billion (on a like-for-like basis) and, on the other hand, from the need to attend to risks identified by the Cour mid-year, in June 2017. These risks were particularly related to under-budgeting, amounting to €6.4 billion.**

**The execution of the government's budget in 2017 also exposed several risks and weaknesses affecting the quality of management and its compliance with major budgetary principles.**

### **A very slight reduction of the deficit, covering a sharp increase in expenditures and revenue**

The French government's budget deficit reached €67.7 billion in 2017, a very slight reduction compared to the level forecasted in the LFI (€69.3 billion). This does not take into account revenue of €1.5 billion from registration fees that could not be included. The 2017 deficit was around €22 billion above the level that would have stabilised the debt burden in relation to GDP.

The strong increase in government revenue (+€14.4 billion compared to 2016 and +€5.5 billion compared to the LFI) resulted from increased tax revenue, made possible by a stronger growth rate, and from an unprecedented decrease in levies on revenue (contributions to the European Union in particular). However, spending increased by €5.4 billion, showing the ineffectiveness of the budget management mechanisms put in place.

---

<sup>1</sup> This report examines the budget of the French central government and is based on French budgetary accounting rules (which differ from the European System of National and Regional Accounts - ESA 2010).



The increase in revenue did not, in the end, enable a larger decrease in the government's deficit because of a simultaneous and major increase in government expenditures. For the budgets of ministries alone (i.e. excluding debt and pensions), spending increased by €10.6 billion compared to 2016 (+4.8%), the largest increase since 2007. Personnel expenses increased by 3.9% in 2017, a larger increase than the last six years combined. Operating expenditures also increased sharply compared to 2016 (+4.7% on a like-for-like basis, excluding the Areva bailout), as did subsidy expenditures (+5.1%).

## **Confirmation of expenditure risks found by the Cour**

In its audit in June 2017, the Cour identified budgetary shortfalls for expenditures, valued at €4.6 billion to €6.6 billion, affecting the accuracy of the government's budget. These shortfalls ultimately reached €6.4 billion, of which €4.35 billion was from under-budgeting.

In total, the executed budget was significantly different from the initial budget, with expenditures (excluding for personnel) for certain missions straying far from approved levels of credit, both above and below.

## **Recurring infringement on major budgetary principles**

Reserve allocations of credits for the government's general budget reached €14.3 billion in 2017 (excluding for personnel). Reserve allocations, whose level has increased markedly since 2015, have been diverted from their original purpose of covering for unforeseen circumstances in management, essentially to cover for under-budgeting. In 2017, 71% of frozen credits ended up being unfrozen because of largely unrealistic reserve allocations that were actually for inevitable expenses.

Because of this, in spite of the significant level of initial reserve allocations, reallocations, and significant cancellations, very significant additional finance measures were required. These included, notably, net openings of credits for €3.1 billion and the use of €1.1 billion in deferred credits from 2016.

Other practices, such as management ways and means for future investment programmes or the growing usage of funds without legal status, are infringements of the principle of budgetary universality.

The Cour has developed 10 proposals aiming to improve the conditions for drafting, presenting, and executing finance laws.


### **[Read the report and the analyses of budget execution](#)**


#### **MEDIA CONTACTS:**

**Ted Marx** ◻ Communications Director ◻ T +33 (0)1 42 98 55 62 ◻ ted.marx@ccomptes.fr

**Denis Gettliffe** ◻ Media Relations Manager ◻ T +33 (0)1 42 98 55 77 ◻ denis.gettliffe@ccomptes.fr



 @Courdescomptes

 ccomptes

The Cour participates in opening up public data by publishing data, some of which are brand-new, used to prepare this report.