



PRESS RELEASE

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PUBLIC ENTITIES AND POLICIES

THE INVESTMENTS FOR THE FUTURE PROGRAMME

An extraordinary approach, with drifts to be corrected

The investments for the future programme (PIA - *programme d'investissements d'avenir*) implements the report "Investir pour l'avenir : priorités stratégiques d'investissement et emprunt national¹", submitted in 2009 to the President of the Republic. To this end, it was allocated €35bn, recorded in the amending Finance Act dated 9 March 2010.

The first PIA (PIA1) was recorded in a derogatory framework, both as a matter of governance as well as budget management, justified by the extraordinary nature of the approach. Its perpetuation, with a second PIA in 2014 (PIA2) and the announcement of a third (PIA3), has today imposed the return to common law as concerns budget and financial management. However, the PIA has allowed developing practices, especially the selection of projects and assessment, which would be improved by being generalised.

An ambitious project, the specificities of which tend to be blurred

The specific management of the PIA is based on the transfer of credits to State operators in the year of its launch, with the operations being progressively carried out by the said operators. This results in bypassing the rules of budgetary annuality and not allowing these credits to be subject to the regulations. While the PIA1 corresponds to the initial strategic version, the PIA2, launched in 2014 even before the results of the first one could be assessed, was used in a less targeted manner, for sometimes financing actions that did not fall under its initial objectives. A PIA3 would weaken the extraordinary nature of the programme even further.

Moreover, the currently available amounts (approximately €24bn for the PIA1 and €10bn for the PIA2) appear to be less than those advanced (€35bn and €12bn respectively), due to the existence of non-consumable allocations, of which only the interests can be used by the beneficiaries. For that matter, there has not been any increase in the global investment efforts of the State since 2010, which the PIA has only been able to keep stable rather than improve.

On the other hand, the PIA has allowed a more centralised management of investments, a better prioritisation of the funded actions and the mobilisation of academic and economic participants, with the objective of building a better structure for higher education, facilitating research for innovations and developing digital technology and green economics.

Distinctive budgetary characteristics with debatable consequences

¹ "Invest for the future: strategic priorities of investment and domestic borrowing" (unofficial translation)



The extra-budgetary management of the PIA credits, which deprives the Parliament of its decision-making power and control over large public expenses, aimed at preserving the annual and infra-annual budgetary regulations. Yet, approximately 20% of the PIA1 and PIA2 credits do not comply, either completely or partially, with the initial vocation of the programme, either because they replaced ordinary budgetary credits instead of being added to them, or because they fund actions that are not part of the priorities of the PIA and, in fact, constitute extra-budgetary operations. Therefore, the Court believes that the special budgetary processing of the PIA credits, especially their exclusion from the spending norms, is no longer legitimate.

Moreover, the PIA is at a risk of incurring expenses for public finances at the medium and long term. In fact, certain operations, especially concerning research, finance the expenses of the staff and the functioning of structures, and sustaining this once the PIA ends could require normal budgetary funding. In addition, there are uncertainties on the fate of the non-consumable allocations of certain programmes, which represent close to €9bn; they may force the State to pay, for an undetermined duration, interests to the beneficiaries, resulting in an annual budgetary expense that may reach €300m per year, or to pay them the allocation itself.

Specific methods and governance

The general commissariat for investment, a simple structure created to supervise the entire process, has demonstrated its effectiveness but has not fully played its inter-ministerial role. The ministries often find themselves in a weakened position, since the creation of the PIA is partially based on certain distrust as regards their capacity to rule in favour of medium-term investments.

The transfer of credits to the operators has helped avoiding the creation of *ad hoc* bodies, while simultaneously limiting the operating costs of the whole process. The operators were able to demonstrate adaptability and flexibility even when the implementation of the PIA was often slower than expected. However, recourse to the operators is not justified when the administration continues to fully insure the management of the credits concerned.

Finally, despite a certain amount of progress, the procedures remain too complex and must be better adapted to suit the size and purpose of the operations to be funded. However, some good practices concerning the selection and assessment of actions and programmes should be deployed on a larger scale.

Conclusion and recommendations

The Court believes that the objective of giving priority to productive investments and protecting the credits allocated to them over time, while being legitimate, must not result in subsequently setting up, aside from the general budget, a form of an extraordinary investment budget. The innovations of the PIA can definitely be implemented as part of the Constitutional Bylaw on Budget Acts.

It will therefore be preferable that, unlike the PIA2, the PIA3 take the form of a budgetary programme placed under the responsibility of the Prime Minister, with specific rules as regards budgetary regulation. It must also be based on a mid-term review of the actions that were already launched by the previous PIA and result in a new exercise of strategic reflection, which will be part of a more global vision of the State spending and other forms of public support to productive investments.

The Court has set out eight recommendations.

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