



PRESS RELEASE

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PUBLIC FINANCES AND ACCOUNTS

THE CENTRAL GOVERNMENT BUDGET FOR 2018 Results and management

The Cour des comptes has presented its report on the Central Government budget for 2018, as well as 66 budget execution analyses carried out, in particular by mission and by programme.

In 2018, execution of the budget was better controlled than in previous years, notably thanks to a more realistic expenditure schedule. Despite higher than expected revenue, the Central Government deficit nevertheless grew, as a result of tax cuts and spending which continued to increase, albeit at a slow pace, particularly with regard to the wage bill. The Central Government deficit thus diverged from that of all public administrations, highlighting its particular place among them.

The ever-increasing complexity of the Central Government's budgetary framework, which is also insufficient and unstable, hinders the analysis of expenditure and its effectiveness, particularly given the scale of tax expenditure and the growing use of funds without legal personality. The performance-based approach, the results of which have been disappointing, needs to be reformulated in order to improve expenditure efficiency.

Results of the 2018 budget execution

For the first time since 2014, after three years of virtual stability, the Central Government budget deficit increased from €67.7 billion in 2017 to €76.0 billion in 2018. It represented 23.4% of net expenditure in the general budget (compared with 21% in 2017), exceeding the revenue generated from personal income tax (€73 billion) and expenditure by the department for *School Education* (€71.6 billion).

The Central Government deficit in national accounting reached 3 GDP points and Central Government debt continued to rise, in contrast to the situation recorded for all public administrations, for which the deficit fell (€59.6 billion, or 2.5 GDP points), in particular on account of the surplus generated for the second year running through social security (€10.7 billion, or 0.5 GDP points). These divergent trajectories highlight the particular role played by Central Government among the public administrations. In effect, it offset reductions in the mandatory levies it imposed on local authorities and social security. It therefore bore most of the net cost of the reduction in the levies it implemented, as well as the interest burden of nearly 80% of the public debt.



The evolution of income and expenditure

The Central Government's net tax revenues fell slightly compared to 2017, with significant tax reductions (-€16.5 billion), decided in 2018 or earlier, offsetting the spontaneous evolution of tax revenue, which remained strong in 2018. France's contribution to the European Union increased by €4.3 billion, while the reduction in the levy earmarked for local authorities (-€3.5 billion) was more than offset by the allocation of VAT to the regions, with payments to local authorities exceeding their 2014 levels for the first time.

The execution of expenditure was close to the schedule set in the Initial Finance Act and new expenditure standards were respected. Under-budgeting was limited to €1.5 billion in 2018 compared with €4.4 billion in 2017. The reserve rate was substantially reduced on non-payroll credits, down from 8% in 2017 to 3% in 2018, and additional ongoing freezes were moderate. The increase in general budget expenditure was limited to 0.3% on a like-for-like basis, a much smaller increase than in 2017 (+3.2%), however the wage bill increased by 2%, despite the workforce remaining stable.

A complex and unclear Central Government budgetary framework and a performance-based approach to be reformulated

The scope of general budget expenditure does not represent a comprehensive and coherent picture of Central Government expenditure, which forms a heterogeneous, unclear and unstable whole. Furthermore, budget allocations only reflect part of the funding of some public policies, which is also provided through tax expenditure, the allocation of ear-marked accounts, the assignment of tax to operators and the growing use of funds without legal personality. Such circumventions undermine the coherence of the budgetary framework and limit Parliament's ability to comprehensively grasp the financial issues associated with the actions of Central Government, particularly over the long term.

The performance-based approach introduced by the "LOLF"¹ aimed to move away from resource-based management towards results-based management. Its results were disappointing overall: the performance information produced, which is excessive and often not suited to assessing the effectiveness of public policies, is seldom used by Parliament and not sufficiently known to the general public. It has only a marginal influence on the allocation of resources. The approach needs to be clarified by distinguishing between policy- and management-level objectives, and form part of a more global environment that is conducive to efficient expenditure, with greater managerial accountability, and the regular implementation of expenditure reviews or public policy evaluations.

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

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¹ New French budgetary framework introduced in 2001



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