



2021 state budget (results and management)

Financial and compliance audit

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[FULL REPORT \(FR\)](#)

[SUMMARY \(FR\)](#)

What we assessed and why

In 2021, the COVID-19 crisis was still ongoing. There was tremendous uncertainty about how the pandemic would evolve, which resulted in the extension or adjustment of some support measures. There was also uncertainty regarding the pace and extent of economic recovery. In 2020, the rapid development of a pandemic with no recent precedent had led the government to introduce four amending finance laws to provide funding for the emergency measures. In 2021, the crisis and further waves made revenue and expenditure forecasts more difficult and necessitated two amending finance laws preceded by an advance decree.

What we found

In 2021, net expenditure from the general state budget, including assistance funds and revenue allocations, amounted to €426.7 billion, €37.1 billion more than in 2020. This increase was due to emergency measures, stimulus expenditure and other expenditure related to COVID-19. Emergency expenditure remained high (€44.7 billion) due to the ongoing pandemic. The recovery plan launched in 2020 took on greater proportions in 2021, with expenditure amounting to €19.6 billion, an increase of €17.5 billion compared to 2020. General budget expenditure (excluding support and stimulus measures) increased rapidly, in particular due to the cost of inflation compensation, the ramping-up of expenditure under the military programming law, and the increase in the burden of interest on debt.

General budget revenue for 2021 amounted to €255.2 billion, up €38.2 billion compared with 2020, mainly due to strong economic growth. Tax revenue benefited from exceptionally high GDP elasticity (2.2). However, the revenue was underestimated in forecasts, rising from €257.9 billion originally to €277.6 billion in the second amending finance law of December 2021, while actual revenue ended up exceeding €295.7 billion. The budget deficit for 2021 was slightly down compared to 2020, remaining high nonetheless at €170.7 billion. Revenue only covered 60 % of expenditure, leading to an increase in government debt, which reached €2 145 billion at the end of 2021. Despite falling interest rates, the debt burden increased in 2021, reflecting the rise in both inflation and the volume of debt. Due to the increase in debt, the interest burden is sensitive to any rise in interest rates.



In the report, we criticised the management of the budget due to practices such as the large-scale carryover of unspent appropriations from 2020 to 2021, affecting the principle of budgetary annuality. Our analysis also extended to ancillary budgets, special accounts and fiscal expenditure, and we flagged up shortcomings in the control and monitoring of funds without legal personality.

What we concluded

Based on our analysis, we made several recommendations:

- in accordance with the principle of budgetary annuality, only make available (in initial and amending finance laws) the appropriations required for the financial year underway, and ensure that carryovers of appropriations to the following financial year are strictly limited;
- develop a programme to assess the fiscal expenditure items to be implemented as part of the next public finance programming law, with a view to reducing the number of such items and their impact on government revenue;
- explain, in the “Ways and means” annex to the draft initial finance laws, the origin of the discrepancies between the tax revenue collected for the last financial year for which accounts have been closed and the forecasts of the initial and amending finance laws relating to that year;
- lay down a government standard for steerable expenditure for the whole period covered by the next public finance programming law, regarding all appropriations except those beyond the government’s control (estimated appropriations, pensions expenditure, etc.), and set out the calculation and analysis of any discrepancies with the target in the annual budgetary documents.