



# Editorial: The organic financial law act: a reform left unfinished on account of its ambiguity

**Michel Bouvier**

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## Editorial

### **The organic financial law act: a reform left unfinished on account of its ambiguity**

For several years now the organic financial law act (*loi organique relative aux lois de finances* – LOLF) has been criticised for its effective application. Several reports and colloquiums have highlighted the difficulty in materialising and developing the act's momentum and even its fundamental meaning, namely holding stakeholders accountable and assessing budget implementation with regards to both consistency and performance. Admittedly, recent proposals have been made to remedy this. However, it is clear that they have not attracted the same attention nor have they won over as many supporters as when the initial proposal for the LOLF was made.

We may be inclined to believe that the culture advocated by the LOLF cannot be enforced by its singular virtue of being an act – even an organic act – and that everything relies on how it is applied by the members of the French parliament and the entire French civil service. However, this is not a sufficient answer. In reality, everything depends first and foremost on how you interpret the question. With this perspective in mind, we need to bring to light what we believe to be the major and fundamental obstacle that prevents the LOLF from being fully implemented and that makes it so difficult to amend.

We are referring here to the ambiguity the act nurtures. This ambiguity is associated with a philosophy and systems that are not completely aligned with the theoretical, bureaucratic or political framework in which it must be enforced. It is my belief that this is the main pitfall that has so far prevented the LOLF from achieving the general objective, which it potentially supports, to form a junction of political democracy – bolstered by strengthening the powers of parliament – and management culture, using a corporate culture as a frame of reference. This objective is at the core of what appears

to be the foundation of the reform: the accountability of political and management stakeholders acting within the framework of a liberal economic model. We should remember that this model's goal is to integrate the political sphere within an economic mindset, as advanced by public choice theories.

In this regard, the LOLF plays a part in progressing towards a model that differs from the Keynesian model, while, on the other hand, the political framework and culture that govern the practical implementation of budgetary law do not adhere to the same logic. They have both remained entrenched in a notion that favours the executive branch and limits parliament's initiatives, and consequently keeps its members locked in a culture that fails to hold them accountable. The same can be said for the management framework which has held on to a statutory understanding of the civil service. In other words, the framework defined by the LOLF and the one already in place, which has not yet been amended or in any case not sufficiently amended, are incompatible.

Ultimately, this reform was designed to hold political and bureaucratic stakeholders accountable by educating them on an economic and management culture, and its implementation has been limited by the vestiges of the previous system, which are still strong and standing. We are therefore facing an issue of institutional incompatibility, which is the source of both political and bureaucratic hurdles and an ambiguity preventing the act from evolving into something more concrete. However, this ambiguity cannot be cleared up without first identifying the determining factors of the budgetary and accounting reform it supports. Only then can the most crucial obstacles be brought to light and adapted answers be given.

We have not fully realised that the LOLF is the result of a process transforming the economic and political model of the 1960-1970s. This transformation is pushing for all the stakeholders concerned by the budgetary process, i.e. the political and management stakeholders, to appropriate the corporate management and governance model, and therefore an economic culture. However, with regards to the political stakeholders, the political culture still resembles, for the most part, the culture under the previous model. Concerning the management stakeholders, the management culture has not been able to integrate itself into an approach founded on accountability, even if we notice a sort of entropy regarding the development of management tools. It is regrettable that a technical management approach actually tends to prevail over the approach that should first and foremost concern the

organisation of the political decision-making process, on which the efficacy of management control ultimately depends.

When all is said and done, the political regulation process is at stake. There is a dichotomy between a way of working which, according to the French Constitution of 1958, does not hold parliament accountable and the philosophy on which the LOLF is founded, which aims to strengthen parliamentarism but does not fully embrace its project's logic. It would therefore be appropriate to question the development of a political model to regulate the state's finances so as to no longer confuse it with the model for control, oversight and management and to apply every aspect of the LOLF<sup>1</sup>.

Michel BOUVIER

1. In reference to the two previous editorials.