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## **TR2010/0136.01-01/001- Technical Assistance for Improved Strategic Management Capacity**

*Country Report: France*

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## Country Visit Synopsis

<b>Country Visited</b>	France
<b>Purpose of the Visit</b>	Component 2: Central capacity building Organise 3 five-day study visits (10 participants each) to OECD/EU member states and produce 3 country reports
<b>Period</b>	08.07.2013 – 12.07.2014
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## Table of Contents

<b>I- General information .....</b>	<b>3</b>
I.1. Area .....	3
I.2. Population .....	3
I.3. GDP and financial and budgetary situation .....	3
I.4. Main economic and commercial characteristics .....	3
<b>II- Government and public administration .....</b>	<b>4</b>
II.1. Constitutional structure (Head of State, Head of Government, parliament, judiciary) .....	4
II.2. Central bodies (President's office, PMO, ministries) .....	4
II.3. Civil service (number, grades, recruitment, assessment, training, promotion) .....	6
II.4. Reforms to the structure of government (past, in progress, planned) .....	8
II.5. Key issues, lessons learnt, trends .....	12
<b>III- The process of strategic planning and management .....</b>	<b>14</b>
III.1. History .....	14
III.2. Lead body and co-ordinating bodies .....	15
III.3. The SPM cycle (development, implementation, monitoring and evaluation) .....	16
III.4. Key issues, lessons learnt, trends .....	19
<b>IV- The process of (performance) budgeting .....</b>	<b>21</b>
IV.1. History .....	21
IV.2. Lead body and co-ordinating bodies .....	22
IV.3. The (performance) budget cycle (approval, implementation, accounting, auditing) .....	22
IV.4. Key issues, lessons learnt, trends .....	33
<b>V- Evaluation by the participants of the study tour in France: .....</b>	<b>34</b>
V.1. Overall evaluation .....	34
V.2. Key issues, and lessons learnt by participants .....	35
<b>VI- Conclusion: .....</b>	<b>39</b>

## I- General information



### I.1. Area

- Surface area in Europe: 552,000 sq. mi (biggest country of the EU)
- Overall surface area: 640,000 sq. mi (42nd biggest country in the world)

### I.2. Population

- 65,8 million in Europe (2nd biggest population of the EU)
- Overall population: 66,5 million (21th biggest population in the world)
- Density: 116/sq. mi
- Life expectancy: Women: 85,7 - Men: 78,7

### I.3. GDP and financial and budgetary situation

- 2,805 bn US dollars (second largest economy of the EU)
- Economic growth: + 0,5% (est. 2013)
- Public debt: 91,7% of GDP (est. 2013)
- Public inflows: 1,341 bn euros
- Public expenses: 1,458 bn euros
- Public deficit: 3,7% (est. 2013)

### I.4. Main economic and commercial characteristics

- Agriculture: 3,8%
- Industry: 24,4%
- Services: 71,8%
- Unemployment rate: 10,9% (September 2013)
- Main sectors: Agriculture, Aeronautic, Lux, and Tourism

## II- Government and public administration

### II.1. Constitutional structure (Head of State, Head of Government, parliament, judiciary)

#### Constitution and Political life:

- Adopted by referendum in October 1958 (Fifth Republic).
- Head of State: François Hollande (Socialist party) elected in May 2012 for a 5-year mandate.
- Prime Minister: Jean-Marc Ayrault (Socialist party) appointed in May 2012 (no fixed term).
- Parliament: Bicameral system: National Assembly: 577 MPs - Senate (High Chamber): 348 Senators.
- Judicial system: Division between administrative justice (highest administrative court: *Conseil d'Etat*) and common law (highest judicial court: *Cour de Cassation* equivalent of a Supreme Court).
- Constitutional court: *Conseil constitutionnel* (9 members appointed for 9 years and the former still living Presidents of the Republic).
- Other constitutional bodies: Court of Accounts (*Cour des comptes*). Social, Economic and Environmental Council (CESE). Defender of Rights (*Défenseur des droits*: Ombudsman).

#### Administrative organisation:

France is a unitary State divided into:

- Regions: 27 (22 in Europe and 5 more overseas).
- 101 districts (*départements*), (96 in Europe and 5 more overseas).
- 36,681 municipalities (*communes*), (36,552 in Europe and 129 more overseas).

### II.2. Central bodies (President's office, PMO, ministries)

France has a semi-presidential system of government. The presidential candidate is required to obtain a nationwide majority of non-blank votes at either the first or second round of balloting, which implies that the President is somewhat supported by at least half of the voting population. No President has been elected at a first round. Just 3 Presidents were re-elected: De Gaulle, Mitterrand, and Chirac and just 2 finished their 2 mandates: Mitterrand (2 times 7 years) and Chirac (first time for 7 years and the second mandate for 5 years).

#### The President of the Republic:

The President is the head of State and supreme commander-in-chief of the French Armed Forces. He appoints the Prime Minister. If the Prime Minister is from the same political side, he/she can, in practice, have him resign on demand. The President appoints the Ministers, Ministers-delegate and Secretaries. When the President's political party or supporters control parliament, the President is the dominant player in executive action, choosing whomever he wishes for the government, and being able to follow his political agenda.

The President is elected for 5 years (before 2002, it was for 7 years) and can be re-elected one time (before 2002, there were no limits even if no President never had more than 2 mandates in the last 140 years).

The President is the pre-eminent figure in French politics:

- The president promulgates laws.
- The president has a very limited form of veto: when presented with a law, he/she can request another reading of it by Parliament, but only once per law.
- The president may also refer the law for review to the Constitutional Council prior to promulgation.
- The president may dissolve the French National Assembly.
- The president may refer treaties or certain types of laws to popular referendum, within certain conditions.
- The president may order the use of nuclear weapons and can proclaim the state of emergency.

- The president names the Prime Minister but he cannot dismiss him. He/she names and dismisses the other Ministers, with the agreement of the Prime Minister.
- The president names most officials (with the assent of the Council of Ministers).
- The president names three members of the Constitutional Council.
- The president receives foreign ambassadors.
- The president may grant a pardon (but not an amnesty) to convicted criminals; the president can also lessen or suppress criminal sentences.

The Prime Minister must countersign all decisions of the President, except dissolving the National Assembly. This means that the President is not legally responsible for his/her decisions.

### The Prime Minister:

The President of the Republic appoints the Prime Minister. The President can choose whomever he/she wants.

According to article 21 of the Constitution, the Prime Minister "shall direct the actions of the Government". In addition, article 20 stipulates that the Government "shall determine and conduct the policy of the Nation". The President "on the recommendation of the Prime Minister" appoints other members of the Government. In practice the Prime Minister acts on the impulse of the President to whom he/she is a subordinate, except when there is a *cohabitation* (different majority between the President and the National Assembly). In case of *cohabitation*, the responsibilities of the Prime Minister are those of a classical parliamentary system (this happened 3 times: between 1986 and 1988, between 1993 and 1995 and between 1997 and 2002).

The Prime Minister signs decrees establishing regulations, which the concerned Ministers countersign. In some areas, they constitute primary legislation, and in some others they must be subordinate to an existing legislation. In some cases, statutes impose a compulsory advisory review by the *Conseil d'Etat* (the highest administrative court) *décrets en Conseil d'Etat*, as opposed to *décrets simples*.

The executive cannot issue decrees in areas that the Constitution puts under the responsibility of legislation, issued by Parliament. However, the Parliament may authorise the executive to issue ordinances (*ordonnances*), with legislative value, in precisely defined areas. These Authorisation Laws (*Lois d'habilitation*) specify the scope of the ordinance. After the ordinance is issued, Parliament is asked whether it wants to ratify it. If the Parliament votes no to its ratification, the ordinance is cancelled. Most of the time, ratification is made implicitly or explicitly through a Parliament act that deals with the subject concerned, rather than by the ratification act itself.

The Prime Minister can engage the responsibility of his/her government on a law, under article 49-3 of the Constitution. The law is then considered adopted unless the National Assembly votes a motion of censure, in which case the law is refused and the government has to resign.

### The Ministries:

Traditionally, the government comprises members of three ranks:

- Ministers are the most senior members of the government (*Ministres*).
- Deputy Ministers (*Ministres délégués*) assist Ministers in particular areas of their portfolio.
- State Secretaries (*Secrétaires d'Etat*) assist Ministers in less important areas, and attend government meetings only occasionally.
- Some Ministers of particular political importance are called "State Minister" (*Ministres d'Etat*); (in the current government, there is no State Minister).

The government is responsible to Parliament, and the National Assembly may pass a motion of censure, forcing the resignation of the cabinet (this happened only one time in 1962). This, in practice, forces the government to be from the same political party or coalition as the majority in the Assembly. Ministers have to answer questions from members of Parliament, both written and oral (*questions au gouvernement*).



In addition, Ministers attend meetings of the houses of Parliament when laws pertaining to their areas of responsibility are being discussed.

Government Ministers cannot pass legislation without parliamentary approval. The Prime Minister may issue autonomous regulations or subordinated regulations (*décrets d'application*) except in the legislative domain, which is detailed in the constitution.

Ministers, however, can propose legislation to Parliament. Since the Assembly is usually politically allied to the Ministers, such legislation is, in general, very likely to pass (80% of the laws adopted in France have a governmental origin and only 20% a Parliamentary origin). However, this is not guaranteed, and, sometimes the opinion of the majority parliamentarians may differ significantly from those of the executive, which often results in a large number of amendments.

The individual Ministers issue ministerial orders (*arrêtés*) in their fields of competence, subordinate to statutes and decrees.

Each ministry has a central administration (*administration centrale*), generally divided into directorates. These directorates are usually subdivided into divisions or sub-directorates. A director, named by the President in Council of Ministers, heads each directorate.

The central administration largely stays the same regardless of the political tendency of the executive in power.

In addition, each Minister has a private office (*Cabinet*), which is composed of members whose nomination is politically determined. The private offices are quite important and employ numbers of highly qualified staff to follow all the administrative and political affairs. They are powerful, and have been sometimes considered as a parallel administration, especially, but not only, in all matters that are politically sensitive.

The State also has deconcentrated services (*services déconcentrés*) spread throughout French territory, often reflecting divisions into the regions and the *départements*. The Prefect (*préfet*), who is the representative of the central government in each region or *département*, supervises the activities of the deconcentrated services in his or her jurisdiction.

Generally, a high-level civil servant, often called director (*Directeur général des services*), but not always, manages the services of certain administration in a region or *département*.

### II.3. Civil service (number, grades, recruitment, assessment, training, promotion)

#### Figures:

- Number of public employees: 5,2 million.
- Central administration: 49%.
- Local administration: 31%.
- Health sector: 20%.

#### Status and categories of public sector employees:

Together, the public sector employs 5.2 million people. Nearly half are employed by the central government, 31% by the local government and 20% by the hospitals. Each branch is governed by a specific set of provisions, which are applied nationwide. The General Regulations for all three branches of the civil service were unified by the Law of 13 July 1983 (Title I: General Regulations), which, however, defined and maintained the specificities of each branch. Judges and members of the military are also civil servants but are governed by special regulations.

### **Rights and obligations:**

The main obligations of civil servants involve professional discretion, informing the public, performing the tasks entrusted to them, following orders from superiors and discretion. Their principal rights are freedom of opinion (whether political, trade-union-related, philosophical or religious), the right to strike, the right to join a union, the right to on-going training, the right to run for political office, the right to be compensated for work performed, and the right to protection.

### **Social dialogue:**

In theory, trade unions cannot initiate collective bargaining. In reality, the practice of bargaining has grown and deepened over the past ten years. During negotiations, the Ministry for Civil Service represents the Government (central government civil service), the Ministry for Health (hospital civil service) and by the Ministry for Local governments (local government civil service).

Employee representatives come from eight major trade unions. Usually, subjects discussed include compensation, working conditions, employee status, and modernisation of the social security system, training, health and safety, and the employment of people with disabilities.

Although the agreements reached are not binding, the political weight that they represent is definite. Within the framework of social dialogue reform, on 2 June 2008, six trade unions signed the "Bercy Agreements". The goal of these agreements was to strengthen the role of bargaining and social dialogue between civil service branches and between ministries, underscore the legitimacy of technical committees and advisory bodies, and to reinforce the rights and means for trade union action.

### **Recruitment and training:**

Although civil servants can be recruited on a contractual basis, the principal path to the three civil service branches is via competitive examination.

The public authorities have set up several dozen schools and training institutes that are specialised in training for civil servants. These institutions have a twofold mission:

- Ensuring training for the successful candidates (practical and professional skills and working methods needed for various positions).
- Organising lifelong learning for civil servants.

In addition, some schools have a mission with respect to international cooperation. These include the National School of Administration (ENA), and the five Regional Administration Institutes (IRA). Each ministry also has a number of schools and institutes that provide training for specific posts.

### **Remuneration and advancement:**

According to article 20 of the Law of 13 July 1983, compensation is based on the employee's grade and the rank he or she has achieved, or on the post to which he or she has been appointed.

Individual remuneration is determined by a civil servant's membership in a corps, depending on the person's grade within that corps. A civil servant's rank, to which a gross index is assigned, precisely sets out that person's position on the index scale that is common to all civil servants.

### **Special provisions for the Senior Civil Service:**

Recruitment of senior civil servants is basically centralised. The ENA is the main pathway to senior positions. Nevertheless, Decree no. 2005-1569 of 15 December 2005, which implemented the government's initiatives in terms of career advancement, makes it easier to recruit senior executives (*administrateurs civils au tour extérieur*). This procedure, which is open to Category A civil servants (Managerial level) with at least eight years of service, is specifically designed to take account of professional experience, a practice that the government wishes to foster and encourage.



Finally, as part of a policy to develop mobility between the three civil service branches, the decree stipulates that local government and hospital civil servants seconded into the corps of *administrateurs civils* may move there permanently after two years of service.

## II.4. Reforms to the structure of government (past, in progress, planned)

### Governmental structure:

According to the Constitution the Prime Minister directs the work programme and action of the government and manages the Public Administration.

There are no constitutional constraints on the number of Ministers. As a consequence, the number of Ministers has varied greatly over the past 50 years.

Spending ministries do not need a law for their establishment. Government decisions create, merge, or abolish ministries. The number of ministries, as well as their names has varied enormously, as different Councils of Ministers have attempted to reform government administration via ministerial fragmentation or consolidation. Their internal organisation - particularly the number of internal directorates (*directions générales*) is established by Prime Ministerial decrees, after draft decrees are examined by the Council of State (Conseil d'Etat).

The Constitution specifies that categories of public establishments have to be established by law. However, no overall framework law has been adopted, even though public establishments play a very important role in implementing the annual budget.

In broad terms, there are two main categories of public establishments:

- About 1000 Public Administrative Establishments (*Etablissements Publics Administratifs*, EPA) (excluding thousands of schools and hospitals).
- About 100 Commercial and Industrial Public Establishments (*Etablissements Publics Industriels et Commerciaux*, EPIC).

Public establishments are legal entities, separate from the State, with financial management flexibility of varying degrees:

- Public establishments are distinguished by function - notably those that perform commercial functions (EPICs), administrative functions (EPAs), or scientific, cultural, or educational functions (specialised public establishments). The major social security funds are national EPAs.
- EPICs are public enterprises, usually governed by corporate law. EPAs are governed by public law. Personnel of EPAs are treated as civil servants and public accountants under the Ministry of Finance perform all accounting.

Within the Public Administrative Establishments (EPAs), there are several sub-categories, the most important of which are the social security organisations. Individual public establishments are created either by law or by decree. Apart from the social security public establishments, there is no common framework for essential matters such as governance structures or the preparation and submission of mission statements to supervising ministries. The law does not require regular reporting to Parliament of the activities of public establishments (except for the social security EPAs), however, a dedicated unit in the Ministry of Finance closely monitors State-owned companies and reports to Parliament annually.

### Past reforms in public administration:

The first version of “managerial reform” in the French administration took place in the period 1984-86 under Prime Minister Fabius, and continued in another form by Chirac government (1986-88).

It was perfected in 1989 with the policy entitled “Public Service Renewal” (*Le Renouveau des Services Publics*, RSP), initiated by the Prime Minister Michel Rocard (1988-91). This modernisation programme was close to the “Public Service Orientation” model of New Public Management.

It valued service quality, user concerns, some managerial techniques and a continuing set of distinctive public service orientations with strong participation of public servants and control through mutuality. The reform claimed an explicit link to public service values of public servants. Experiments and learning processes were favoured as the dominant style of reform. In a context of major social unrest within the public sector in 1988-1989, the “Renewal” programme offered an acceptable trade-off by enhancing civil service unions, human resources management and the social dialogue and by introducing managerial principles and techniques such as a policy evaluation programme.

It also experimented with forms of contracts between ministries, the Civil Service Ministry and the Budget Ministry, the latter being rather reluctant to commit into managerial instruments in the 1980s.

Incremental micro-changes were adopted in the 1990s:

- Aggregated headings to give ministerial managers latitude in how to (re)allocate appropriations.
- Contracting between central administrations, State local units and the Budget Directorate was experimented.
- More control over spending at the territorial level was adopted.

Ideas, policy instruments, goals and the scope of the LOLF reform were largely redesigned by the mid-1990s, to such an extent that the New Public Management “tool-kit” gradually became the dominant inspiration in administrative reform policies.

#### **Changes in the management of the civil service introduced by the LOLF:**

The Organic Law on Finance Laws (LOLF) adopted in 2001 has changed the way the staff and the payroll of the State are presented and voted on in Parliament. It was also a very strong incentive to modernise the management of human resources in the State.

The 1959 Ordinance was foreseeing that the Parliament votes appropriations staff costs in a way which brought together all the ways of running a Ministry, as well as the number and distribution of public employees by body and grade.

This mechanism has several drawbacks:

- Lack of consolidation of the payroll of the State: it was exploded among other credits, operating expenses, but also intervention credits (contracted staff) and the budget of common expenses for pensions and contribution to national family Allowances Fund.
- Failures to take into account the diversity of conditions of employment in the State (contractual staff under status, etc.).
- Very strong constraints on personnel management, contained in the formal rules for authorisation of budget for jobs (so that they were more often bypassed by managers who were transferring jobs to public institutions, and contracting out, etc.).

The LOLF has introduced more transparency and flexibility by giving Parliament a more complete picture of the number of public employees paid by the State - regardless of their status - and the amount of the payroll of the latter.

Thus, the human resources of the State are apprehended in the budget documents in two ways:

- Each programme must be linked to human resources allocated to the corresponding public policy through the volume of staff costs, and through the information in the budget documents, which must mention the indicative distribution of jobs.
- Each ministry is assigned a maximum number of job positions (ETPT) that should not be exceeded,

but each ministry is free to allocate the volume of ETPT according to its own needs. This maximum number of ETPT is grouped and voted in once in the Budget Law of the year.

The implementation of these provisions has been accompanied by:

- The development of the Management of Workforce and Skills Planning policy (*Gestion Prévisionnelle des Effectifs, des Emplois et des Compétences*, GPEEC), and, in particular, assessments of the future number of retirement.
- A General Review of Public Policies (*Revue Générale des Politiques Publiques*, RGPP) aiming at reducing the number of departments and services in the public administration.
- The development of tools for counting jobs and a reform to open up the management of the State Civil Service, with, in particular, a substantial reduction in the number of categories of posts through an Inter-ministerial Review of Jobs and Posts aiming at creating a Registry of the jobs and posts in the overall civil service (*Répertoire Interministériel des Métiers et des Emplois*, RIME).

The budget presentation for jobs introduced by the LOLF, together with ways of managing the administration's performance, lead to a modernisation of the management of human resources within the State civil service.

Indeed, managers have greater flexibilities in managing their staff. They can choose, in accordance with the rules of the status of the civil service to recruit people according to their skills and experience, according to their actual needs, in accordance with the rules of the Civil Service, and regardless of issues body or grade; for example, two jobs of category C (execution level) can be replaced by a category A (management level). The managers can also make trade-offs in the allocation of jobs.

Finally, the implementation of the Organic Law gave rise to new needs in terms of skills and training that the civil service relating to the development of the budget and accounting functions, professions related to public management (control management in particular) and to the implementation of new information systems and many training institutions for civil servants are delivered continuous training in this area.

#### **The General Review of Public Policies (RGPP):**

The objective of the RGPP conducted between 2007 and 2012 was to improve the quality of public services and to meet the objective of replacing only one out of two retiring civil servants. In 2011, this policy represented some €7bn in savings by 2011 and a reduction of 150,000 civil of the number of servants in central administration. Half of this amount has been redistributed among civil servants through performance bonuses.

The reforms involved:

- Modernising the ministries: wide-scale reforms have been adopted for each of France's fifteen ministries in order to refocus them on their core missions, better meet users' needs and to improve their efficiency. Several ministries (including those of Finance, Defence, Sustainable Development and the Interior) prepared a ministry-wide modernisation roadmap.
- A series of cross-departmental measures: these include a multiyear State budget, modernisation of the State's territorial organisation, streamlining internal procedures, modernising human resource management, improving users' reception by public services, modernising the State's support functions (payroll, real estate policy, and State purchases), and a "zero red tape" policy.

The current government stopped the RGPP process after the change of majority in May 2012 and replaced it by the "Modernisation of Public Action".

#### **The "Modernisation of Public Action" (MAP)**

Following the "Modernisation of Public Action" Plan adopted by the government in 2012, the current Minister for State's Reform, Decentralisation and Civil Service is currently conducting several reviews, which are replacing the RGPP.

In the framework of the MAP:

- Different draft laws aiming at strengthening the decentralisation process and at transferring new competencies to local governments are currently prepared.
- A draft Law aiming at reducing the number of municipalities is currently under preparation.
- Private consulting companies have been recruited and are currently assessing the administrative procedures in order to propose a simplification aiming at facilitating the relations with the citizen.
- Some parts of the MAP are related to the use of ITC and to the access to administrative documents.

### **The Inter-ministerial Register of Public Service Occupations (RIME):**

The RIME is an inter-ministerial index/registry of jobs, which has been elaborated in 2006. It was a process to review all the jobs of State civil service.

23 functional areas have been identified (and linked to the 32 missions of the LOLF) and over 260 job sheets have been established at inter-ministerial level.

To conduct this review, a Project team has been created as follows:

- Participation of all Ministries in 20 working groups.
- Information of Unions (participating in working groups).
- Involvement of outside experts from private consultancies.

As a result of the RIME process, the following has been achieved:

- At the overall level, 3 strategic functions of the State has been defined:
  - Formulation of public policies.
  - Implementation of public policies.
  - Evaluation of public policies.
- These 3 strategic functions of the States have been divided in 23 operational functions:
  - Diplomacy.
  - Security.
  - Justice.
  - Control.
  - Education, training.
  - Research.
  - Development.
  - Healthcare.
  - Social programmes.
  - Services to citizens.
  - Territories and environment.
  - Culture and heritage.
  - Defence.
  - Public Finance.
- To ensure these 3 strategic functions and 23 operational functions of the State, 6 support functions have been defined:
  - Financial and fiscal.
  - Logistics.
  - Legal.
  - HR.
  - IT.
  - Communication.

As a consequence, the RIME allowed to reduce the number of reference jobs in the civil service to 236 reference jobs and to define the missions of each organisation/Ministry and to draft standard jobs descriptions for the overall civil service. And, finally, inside each ministry, at the directorate level, this allowed to draft work post or job description.

Overall level	Ministry level	Directorate level
<b>MISSIONS OF THE STATE FUNCTIONS (3)</b>	<b>MISSIONS of the organisation</b>	<b>MISSIONS of the Directorate</b>
<b>FUNCTIONAL (23) DOMAINES</b>		
<b>REFERENCE JOBS (236)</b>	<b>STANDARD JOBS</b>	<b>WORK POSTS</b>

Every sheet of the inter-ministerial index of jobs (RIME) is equally built, in order to allow comparisons between ministries and mobility of civil servants during their career.

Job sheets comprise a brief description of the job, the main activities carried out by the civil servant and indicate the knowledge, skills and behaviours required for the job. It also introduced a performance appraisal system with bonuses with a yearly performance evaluation for each civil servant.

#### **Performance remuneration:**

A harmonised, streamlined and more individualised bonus system, known as the "Function and Performance Bonus" (*Prime de Fonction et de Résultats*, PFR) has been introduced in 2009. It is directly linked to the performance budgeting system created through the adoption of the LOLF.

This bonus consists of two parts:

- A functional part that takes account of the civil servant's responsibilities.
- And another that covers a person's individual performance, which is evaluated in individual interviews.

In addition to this, a collective bonus has been introduced to reward the collective performance of a directorate or service on the basis of objectives with simple and measurable indicators, adapted to the tasks and missions of each directorate and service. Significant amounts are paid to all civil servants, which are identical regardless of the functions performed (until 20% of their overall salary).

These compensation arrangements contributed to create a culture of performance in the civil service.

### **II.5. Key issues, lessons learnt, trends**

The scope of the reforms varies from ministry to ministry. Some have opted to include their deconcentrated services, while others have limited reform to selected units. The scope of the responsibility centres varies, important issues may be missing.



The policy function should be strengthened at the central level through restructuring central government ministries, improving the planning and decision-making capabilities of central government, and strengthening the analytical, forecasting, assessment, and monitoring functions of the central government.

Significant reductions (10%) in the number of staff of the central administration took place during the last years. However, the number of staff in local administration increased in the same proportion during the same period. France still has an important number of public employees compared to other OECD countries.

The current strategy is to provide more managerial flexibility in turn for clear accountability for performance, both internally through performance measurement and externally through service quality initiatives.



## III- The process of strategic planning and management

### III.1. History

The origins of French planning lie in the wartime preparation of French emergency needs for overseas assistance after liberation. With liberation of France achieved, the programme was extended, and a special department set up in the Ministry of National Economy. But the requirement of the French mission in Washington for a more systematic statement of governmental intentions and requirements resulted in the consolidation of scattered agencies into a central General Planning Commissariat in January 1946, under the direction of Jean Monnet, who was then the chief Washington negotiator.

A year later, the first four-year plan, covering 1946-50, was adopted. It was extended to 1952 to coincide with the coverage of the Marshall Plan. The First Plan chose to concentrate expansion on six “basic” sectors: coal, electricity, steel, cement, agricultural machinery, and transportation. At the time of the extension of the initial four-year period, two further industries were added: fuel and fertilisers.

The Second Plan covered 1954-57 and rested on a more systematic basis in national accounting. The basic sectors of the First Plan were followed by the “basic actions” of the Second and covered also Research, improved productivity, marketing reform, assistance to equipment, and training. The threat of socialisation had ended, and the Planning Commissariat was transformed into an Agency for Forecasting.

The Third Plan ran from 1958 to 1961 and was addressed to growth and to the correction of the balance of payment. The need to reduce costs was underlined by the prospective entry into force of the Common Market (initiated by Jean Monnet).

The Fourth Plan covered the period 1962 to 1965 and was called Plan for “Economy and Development” whereas earlier plans were called “Modernisation and Equipment”.

The Fifth Plan, covering 1966-70 has a five-year duration, rather than four. Five other 5-year plans were launched until 1993.

Like in the US, administrative reforms in France first emphasised the techniques of Planning, Programming and Budgeting System (PPBS) through the Rationalisation of Budgetary Choices (*Choix de rationalisation budgétaire*, CRB).

Launched in January 1968, the CRB policy had three different aims:

- Developing micro-economic tools (cost-benefit analysis) to improve the quality of decision-making through optimising techniques.
- Rationalising the budget process by using a planning-oriented approach to developing a programme budget.
- Developing managerial tools to favour the steering of public policies.

During the seventies, this programme slowly declined while alternative approaches focussing on citizens’ rights developed and resulted in several laws actually imposing new constraints on public administrations in defence of users.

In the early since the early eighties, many reforms have been set on the agenda and implemented with various results in France, under the name of “Modernisation of administration, “Administrative reforms” or “State reform”, which are still ongoing.

The Centre for Strategic Analysis (CAS) has been created by a Decree of 6 March 2006 to replace the Council of Economic Analysis, and the General Commissariat for Planning. Its mission was to advise the

Government in the formulation and implementation of its strategic priorities in economic, social, environmental or cultural areas.

The General Commissariat for Strategy and Prospective (CGSP) has replaced the CAS by a Decree of 22 April 2013. The CGSP is a forum for discussion and consultation, and it assists the Government in determining the main priorities of the future of the nation and in defining the objectives in the medium and long terms of its economic, social, cultural and environmental policies. It contributes in the preparation of the reforms adopted by the government.

According to the decree of its creation, the General Commissariat for Strategy and Prospective is an institution for cross consultation and reflection that need to:

- Renew the strategic approach in the field of economic and social forecasting to inform the government about the possible medium-and long-term trajectories for France's economic, social, cultural and environmental policies.
- Reinvigorate the consultation with the social partners and develop dialogue with civil society.

The General Commissariat must work in networks with eight sector organisations: the Council of Economic Analysis, the Council for Retirement Guidance and the Council for Guidance for Employment, and the High Council of the family, the High Council for future for health insurance, the High Council for financing of social protection, the National Industry Council, the Centre for Future Studies and International Information. The Commissioner shall coordinate their work.

In spite of expert committees' historical tradition in France (for example, the former General Commission of Planning and the current General Commissariat for Strategy and Prospective or the Council of Economic Analysis), the direct influence of these structures on government policies is somewhat limited.

A visible trend has developed in recent years, in which experts are commissioned on an *ad hoc* basis to create reports concerning the state of France's economy or its competitiveness to complement official government policy.

Advisers and confidants, who traditionally influence the politics of the President, assume a central role. For years the government and President have conducted policies in the fields of employment and economy, a role that has gone against the opinions and analyses of most economists.

Strategic planning is also made difficult by the fact that leading up to elections, the wishes of local politicians are carried out at short notice. The observance of election campaigns plays a much more significant role than does strategic political planning.

## III.2. Lead body and co-ordinating bodies

The Prime Minister or the President primarily determines the political agenda and the political priorities and strategies. The government ministries generally have to subordinate their wishes to the government agenda, as they have a comparatively limited scope to pursue their own initiatives and political goals.

If the ministries want to be successful, they have to affiliate themselves with the President's agenda and coordinate their plans with the President's Office or that of the Prime Minister. If there are conflicts of interest between the Ministry of Finance and other ministries, either the Prime Minister's Office or the Prime Minister himself must settle the matter.

The General Secretariat of the Government (SGG), which is an administrative institution under the Prime Minister, plays a central role in preparing the political agenda. The SGG conducts mandatory impact

assessment studies for each change in the legislation, (including international treaties) before its transmission to the State Council (*Conseil d'Etat*) and prepares the agenda of the Council of Ministers.

The impact assessment studies aim at conducting a prior evaluation before passing a law in order to improve the quality of the laws, and to give more information to the Parliament on the content of the reforms included in the law and on its legal, economical, financial, social and environmental consequences.

The State Council (*Conseil d'Etat*) has a central function in the appraisal of draft (legislative) laws, as every draft proposal is put before the State Council for approval by the French government. In general, the government usually accepts all suggestions and corrections proposed by the State Council. If the financial implications of legislative laws need to be evaluated, the Ministry of Finance takes a decisive role in this evaluation.

### III.3. The SPM cycle (development, implementation, monitoring and evaluation)

#### The process of preparation of public policies:

Statute legislation may be proposed by the government (in Council of Ministers), or by members of Parliament. In the first case, it is called “draft law” (*Projet de loi*); in the latter case, it is called “law proposal” (*Proposition de loi*).

All *projets de loi* must undergo compulsory advisory review by the State Council (*Conseil d'Etat*) before being submitted to Parliament. Since 2009, a law submitted to Parliament must also come with a study of the possible impact of the law mentioning other possible options, interactions with European Law, economical, and social, financial and environmental consequences.

According to the Constitution, the *Propositions de loi* (initiated by the MPs) cannot increase the financial load of the State without providing for funding.

The *Projets de loi* (initiated by the Government) start in the house of the government's choice (except in some narrow cases). The *Propositions de loi* start in the house where they originated. After the house has amended and voted on the text, it is sent to the other house, which can also amend it. If the houses do not choose to adopt the text in identical terms, it is sent before a Committee made of equal numbers of members of both houses, which tries to harmonise the text. If it does not manage to do so, the National Assembly can vote the version of the text it wants having the final say (except for laws related to the organisation of the Senate).

The law is then sent to the President for signature. At this point, the President of France, the speaker of either house or a delegation of 60 deputies or 60 senators can ask for the text to undergo constitutional review before being put into force. In that case, it is then sent before the Constitutional Council (*Conseil constitutionnel*). The President can also, only once per law and with the countersigning of the Prime Minister, send the law back to Parliament for another review. Otherwise, the President must sign the law.

After being countersigned by the Prime Minister and the concerned Ministers, it is then sent to the *Journal Officiel* for publication.

The Budget Law (*Loi de finances*) and the Social Security Financing Law (*Loi de financement de la Sécurité Sociale*) are special laws (regulated by Organic laws) that are voted and approved through specific procedures by the Parliament.

In the past, parliamentarians would often add unrelated amendments (*cavaliers budgétaires*) to the Finance laws, to get such amendments passed - because of the reduced time in which the budget is examined. However, these are nowadays considered unconstitutional. If Parliament cannot agree on a budget within some specified reasonable bounds, the government is entitled to adopt a budget through an ordinance. This

threat prevents parliamentarians from threatening to bankrupt the executive.

The way the Budget Law is organised, and the way the government has to execute the budget, were deeply reformed in 2001 by the *Loi organique relative aux lois de finances n°2001-692* generally known as the LOLF.

France's Court of Accounts (*Cour des comptes*) and Regional Accounts Courts (CRC) audit government finances, public institutions (including other courts), and public entities. The Court of Accounts publishes an annual report and can refer criminal matters to public prosecutors. It can also directly fine public accountants for mishandling funds, and refer civil servants who misused funds to the Court of Financial and Budgetary Discipline.

The main and regional account courts do not judge the accountants of private organisations. However, in some circumstances, they may audit their accounting, especially when an organisation has been awarded a government contract over a public utility or a service requiring the permanent use of the public domain or if an organisation is a bidder on a government contract.

Various State agencies, parliamentary Committees, and public regulators often solicit the Court, but it can also petitioned to act by any French citizen or organisation operating in France.

The Court's finances are overseen by the Finance Committees of the two Houses of the Parliament, which also set the Court's working budget in the annual Budget Law.

#### The process of evaluation of public policies:

Since the 1980s, performance evaluation and reviews have become one of the main instruments for performance management.

The objectives of the evaluation of public policies is to assess whether a public policy has met its objectives, to compare expected and actual results, and explain the gaps, and to analyse the reasons for failures, draw lessons and identify keys for success.

To conduct the evaluation, the methods use cost/benefit analyses, ex-post impact analyses, sociological and economic analyses, and national and international benchmarking.

Evaluating →	public policies	organizations	employees
ex ante	impact assessment studies		Competitive exams Job interviews Assessment centers
yearly	performance indicators	collective performance indicators	Rating Performance interviews
ex post	public policy audit/evaluation	RGPP and MAP audits	

The inputs, processes, outputs, intermediate outcomes, outcomes are reviewed as well as every document produced by the government and the public service, such as the legislation, judgments, statistics, etc.....

The two traditional means of financial auditing (*ex ante* financial controls and control of the regularity of expenditures made by independent controllers, and *ex post* through external controls either by ministerial inspectorates or by the Court of Accounts) have evolved towards a more performance-oriented approach. In particular the Court of Accounts, empowered by law to “ascertain the good use of public funds” has developed a range of methods for performance audits and evaluations.

The General Inspectorate for Finance established in 1816 has a broad mandate for inspecting the use of public money in any institution, enterprise or organisation which receives public funding. The main task of the inspectors is to verify public accounts, but they also provide information to the government on the implementation of programmes and policies and internal auditing in order to ensure the efficiency of the public sector.

The fact that this type of control is not solely *ex ante* allows the inspectors to evaluate the appropriateness of financial decisions. In addition to this, the direct contact that the inspectors have with the agencies and services is of great importance in assessing efficiency.

In addition to this, new units have been set up within some ministries to evaluate the performance of activities and the public bodies in charge of them. For example, some ministries, such as the Ministry of National Education have created divisions for Evaluation and Forecasting or for Research, Studies and Statistics.

Therefore, several actors can conduct *ex ante* and *ex post* evaluations of public policies:

- The General Secretariat of the Government through impact assessment studies.
- The State Council through legal review.
- The Prime Minister can request a person to prepare a report; this person can be a MP, a top-level civil servant or a recognised specialist coming from the academic or private sectors.
- The Prime Minister can create a Committee, which will be composed of different representatives.
- Each Minister can also appoint a person to prepare an evaluation report.
- Most of the ministries have internal inspectorates that can be requested by a Minister to conduct the evaluation of a public policy; this is mainly the case with the General Inspectorate for Finance within the MoF and the General Inspectorate for Administration within the Ministry of Interior.
- Within the Parliament, the Committees for Finance can request to all Ministries documents and information concerning the implementation of a public policy. It can also decide to nominate MPs who will prepare assessment reports.
- The Parliament can also create *ad hoc* investigation committees to assess the implementation of a public policy.
- The Internal Inspectorates within each ministry and mainly the General Inspectorate for Finance.
- Finally, the Court of Accounts conducts every year performance oriented controls and publishes report concerning the implementation of public policies.
- Other units play important “think tank” or consultative role, such as the State Council (*Conseil d'Etat*), the General Secretariat of the Government (SGG), the Social, Economic and Environmental Council (CESE), and the General Commissariat for Strategy and Prospective (CGSP).

#### **Result-oriented management practices:**

During the last 30 years, responsibilities have been considerably deconcentrated and decentralised and control mechanisms have been developed accordingly. The decentralised sub-national governments enjoy considerable managerial freedom in their fields of competence. They are only subject to *ex post* controls of a legalistic rather than performance-oriented character.

Deconcentrated services (i.e. local agencies) enjoy more managerial flexibility. Efforts have been made to “delocalise” administrative units (for example, the decision to move the headquarter of the National School of Administration, ENA from Paris to Strasbourg has been taken in 1992). Instead of central supervision through parent ministries, State supervision over deconcentrated administration is exercised by the Prefects

(*préfets*), which are responsible for central representation and co-ordination of local agencies. The prefects co-ordinate policy implementation but do not have authority on financial issues.

Responsibility Centres have been created over the last 20 years and have given rise to new ways of managing the State's running costs budget. This has also paved the way for performance management reform. The objective of the Responsibility Centres was to improve the responsibility of public employees through a Contract of Performance and Objectives (*Contrat d'Objectifs et de Performance*, COP) between an administrative unit and its parent ministry.

Responsibility Centres can be based on different approaches, which have, however common features:

- A strong participation of all the agents at the local level.
- Costs evaluation and efficient management tools.
- A greater flexibility and autonomy.
- A better service delivery to the users.

The Responsibility Centres are based on a contractual approach, which provides autonomy. There is in fact a double contractual framework:

- One contract is signed between the service concerned and its parent ministry.
- Then another contract is signed between the parent ministry and the Ministry of Finance and then with the Ministry for Civil Service.

All contracts and annual amendments, as well as agreements between ministries, are negotiated by the parties involved and this includes a consultation of the trade unions representing the civil servants working in the respective service.

All contracts include mid-term and annual objectives as well as list of indicators for assessing the achieved performance and the achieved results.

Based on the objectives, the negotiation with the parent ministry is based on the means given to the respective service in terms of budget and staff.

During the 1990s, all the regional divisions under the Ministry of Industry, under the Ministry of Interior and under the Ministry of Education, became Responsibility Centres.

During the last decade, it has been extended to all the deconcentrated services of the State at the local level as well as to all 1000 Public Administrative Establishments (*Etablissements Publics Administratifs*, EPA) and to all 100 Commercial and Industrial Public Establishments (*Etablissements Publics Industriels et Commerciaux*, EPIC).

The civil servants working in these entities are responsible for achieving a part of the performance objectives assigned to their service and their annual performance appraisal is made on this basis as well as the performance bonuses they receive.

### III.4. Key issues, lessons learnt, trends

France had an old tradition of strategic planning, which was mainly focusing on economic development and helped France to increase its economy after the end of the Second World War and to prepare its entry in the European Community.

In the past years, the LOLF contributed to create strategic planning and management procedures with the introduction of multi-year budget plans.





However, France does not have concrete development plans or mid-term programmes, as it is the case in Turkey. In addition to this, in practice, there is no specific strategic management cycle model even if legal and evaluation processes are efficient.

France favours the notion of “public policies”, which are more indicative than development plans but are implemented for several years and assessed on a regular basis by different actors.

Important progresses have been made in contracting the relationships between central administration and its legal entities through performance and objective contracts based on results.

## IV- The process of (performance) budgeting

### IV.1. History

France has a comprehensive legal framework for the State budget, with a Constitution that provides the executive with strong powers in budgeting. The 1958 Constitution limits the role of Parliament in budgetary matters by changing the composition of expenditures: During budget discussion, the Parliament cannot raise total expenditures, nor can it lower revenues of the State budget. The Constitution also contains some fundamental principles for the State budget and, since 1996, for the social security organisations as well.

The adoption of the Constitution in 1958 was a major reform at that time, as it reduced Parliament's powers in budget making. Prior to 1958, the Minister of Finance was obliged to present to Parliament a draft Budget that had already been amended by parliamentary Finance Committees (*Commissions des finances*). The Constitution removed this parliamentary privilege, set a limit on the number of parliamentary committees (previously many committees influenced the shape of the budget), and provided the executive with strong powers in budget preparation and execution. Parliament's powers of amendment became more limited. The adoption of the 1959 Ordinance on the budget system drastically reduced the number of budget lines from the 4,000 prevailing in 1956.

The 1962 Public Accounting Decree lays out the responsibilities of key players in budget and accounting processes. A 1922 Law put the financial controllers (*contrôleurs financiers*) under the authority of the Ministry of Economy, Finance and Industry. These controllers are responsible for *a priori* checks on expenditure commitments. The accounting and expenditure controls reflect a traditional highly centralised approach to budget management occurring in France.

The Ordinance of 1959 was characterised by its stability during more than 40 years as it was amended only twice, and only on points of parliamentary procedure. But it was challenged long (more than thirty projects of reform had failed) and the consensus around the need for reform was finally reached to develop the LOLF.

Several reasons led to the reform of the 1959 Ordinance:

- Managers were criticising the text considering it is too legal oriented, setting clear rules but with a disempowerment of the actors and some concepts (including public employment) were imperfectly observed. The 1959 Ordinance did not prevent the continuing budget deficit, and many actors were considering that the introduction of new management methods inspired from other countries could stop the budget deficit.
- Parliament wanted to benefit from better information and better control of public finances.
- Finally, significant changes had occurred in the public finances:
  - The decentralisation process, which increased the financial burden of local authorities and made more complex their financial relations with the Central State.
  - The development of social finance, with the establishment of the Law on the financing of Social Security.
  - The influence of the European integration, including the rules for national fiscal policies linked to the EC Stability and Growth Pact.

Therefore, the Ordinance of 1959 has been replaced by the main law governing budget processes adopted in 2001 as the Organic Law on Finance Laws (*Loi organique relative aux lois de finances*, LOLF), which is fully implemented since 2006.

This Law lays out principles relating to the content, preparation, and adoption and reporting of annual budget laws of the State. However, annual State expenditures cover only 37% of total general government expenditures.

Various extra budgetary funds account for 45% of general government expenditures:

- The principal funds relate to healthcare, pensions, unemployment insurance and family support. Since 1996, the financing of the Social Security budget is examined by Parliament in the conditions of a separate Organic Law (LOLFSS).
- The remaining 19% of general government expenditure is executed through local governments' budgets, governed by a comprehensive legal framework called the Local Government Code. A separate Public Finance Code has not been adopted, although the idea has been raised.

The Constitution and the two Organic Laws are accompanied by a hierarchical system of laws and regulations that elaborate on budget processes and procedures.

### Main budget system legal frame (from the highest to the lowest):

- Constitution (1958).
- Organic Law on Finance Laws (LOLF), (2001).
- Organic Law relating to the Financing of Social Security (LOLFSS), (1996).
- Social Security Code.
- Financial Jurisdictions Code (External Audit Law), (1995).
- Local Government Code.
- Public Accounting Decree (1962).
- Law on Controlling Expenditure Commitments (1922).

## IV.2. Lead body and co-ordinating bodies

The Minister of Finance is not mentioned in the Constitution. His/her roles are specified by a presidential decree, signed also by the Prime Minister. In 2004, the Minister headed a “super-ministry” covering economy, public finance and industry. The Minister's attributions include preparing and executing the budget, pensions, public accounting, and tax/customs policies. Several of these responsibilities have been delegated to the Secretary of State for the Budget and Budgetary Reform. Based on Decree No. 2002-952, the Secretary of State for the Budget and Budgetary Reform is specifically charged with implementing the 2001 LOLF.

The Constitution states that the Prime Minister is responsible before Parliament for the government's programme (Art. 39). The LOLF (Art. 38) specifies that the Minister of Finance prepares the draft Budget Law, under the authority of the Prime Minister. The timing and most procedures for preparing and approving the draft Budget Law within the executive are determined internally. The President of the Republic can also play a role in shaping the draft annual Budget Law. In particular, the LOLF states that the draft Budget Law is discussed in the Council of Ministers, which is headed by the President (Constitution, Art. 9). In practice, the roles of the President, the Prime Minister and the Minister of Finance are dependent on the political situation. In normal times, the President of the Republic makes final decisions when budget clashes occur in the Council of Ministers (which happens rarely). In contrast, in times of cohabitation - when the President of the Republic and the Prime Minister are from different political groupings, the Prime Minister takes the final budget decisions during meetings with Ministers not attended by the President of the Republic.

## IV.3. The (performance) budget cycle (approval, implementation, accounting, auditing)

The schedule for the development and adoption of the Budget Law may vary from one year to another, depending in particular on whether or not it is the first year of the multiannual programming under the Law of public finance programming.

The draft Budget Law (*Projet de Loi de Finances*, PLF) must be submitted to in Parliament by the first Tuesday of October (LOLF, Art. 39).

Annual Budget Law for the State and for Social Security financing must be initiated by the government, and not by the Parliament. The Constitution (Art. 39) specifies that the annual draft Budget Law must first be debated in the National Assembly, *i.e.* the government may not first submit the draft Budget Law to the Senate. This article shows symbolically the political pre-eminence of the National Assembly.

The Constitution specifies strict time limits for debate in the two houses on the annual budget. The aim of these provisions is to accelerate parliamentary debate and to adopt the Budget Law and the Law for financing Social Security before 1st January. Following the reception of the draft Budget Law in early October, the number of days allowed for completing the first readings are specified by Law: the National Assembly has 40 days (Constitution, Art. 47) and the Senate 20 days (LOLF, Art. 40). A 70-day limit from the reception of the draft is mentioned as an overall limit for both houses. This limit is inclusive of committee examinations in the two houses. In the case of disagreement of the committees of the two houses, the Prime Minister may establish a joint committee to resolve the impasse (Constitution, Art. 45). If the 70-day limit is not respected, the government adopts the budget by a special ordinance. Similarly, a 50-day limit for parliamentary decision on the draft Law for financing Social Security is included in Article 47-1 of the Constitution.

### **Budget cycle:**

#### **February**

- Technical meetings between the staff of the Directorate of Budget (MoF) and the staff of the ministries (directors of financial affairs, programme managers, budget and accounting controllers) to:
  - Review the performance and the budget execution of the past year.
  - Prepare Annual Performance Reports (RAP) comparing the forecasts mentioned in the Budget Law of the previous year and the achieved results mentioned in the Budget Execution Law (*Loi de Réglement*).
  - Build the main assumptions for the preparation of the draft Budget Law to be presented to the Parliament in the fall (spending of major strategic importance, potential savings).

#### **March-April**

- “Performance Conferences” between the Directorate of Budget (MoF) and the directorates of the ministries to study the objectives and indicators to be used for the following year, based on the analysis of the achieved objectives and indicators included in the budget of the previous year.
- Sending of the “Framework Letter” (*Lettre cadre*) by the Prime Minister to all Ministers mentioning the priority ministries/policies and the limits of the budget for each Ministry.
- After debate in Parliament, sending to the European Commission of the multiannual programme of stability for France.

#### **May-June**

- “Distribution Conferences” between the Budget Directorate of the MoF and the directorates of the Ministries:
  - Distribution of funds and of maximum public jobs by programmes.
  - Arbitration meetings with the Cabinet of Prime Minister, if some points of disagreement remain between the Budget Directorate of the MoF and some Ministries.

#### **June-July**

- Sending by the Prime Minister of the “Ceilings Letters” (*Lettres plafonds*) that specify the maximum credit and jobs by programme.
- Orientation debate on public finances taking place in Parliament on the basis of the “Report on the evolution of the economy and the guidance of public finances”.

#### **July-September**

- Preparation of budget documents by the Budget Directorate of the MoF and by the Ministries.

### September

- Mandatory referral of the State Council (*Conseil d'Etat*) to get its opinion on the Draft Budget Law.
- Adoption of the draft Budget Law in the Council of Ministers.
- Presentation of the draft Budget Law to the Finance Committees of the two chambers and to the press.

### October to December: Review of the budget by the Parliament

- Submission of draft Budget Law to the National Assembly (before the first Tuesday in October).
- Discussion and vote on the draft Budget Law in the two chambers: the first reading is limited to a maximum of 40 days in the National Assembly and to 20 days in the Senate. In total, the Parliament shall not exceed a period of 70 days after the filing of the project. Otherwise, the provisions of the draft Budget Law can be implemented by Ordinance that is to say by the Executive alone.
- If necessary, referral to the Constitutional Council by the MPs to cancel a provision of the Budget Law if some provisions are considered unconstitutional.

The Budget Law is promulgated by the President and published in the Official Journal before December 31.

### The LOLF: A budget based on objectives and indicators:

Traditional principles have been incorporated in successive Organic Budget Laws (LOLF and LOLFSS). However, the annual-basis principle, which relates to annual appropriations, was often not respected. Also, the 1959 Ordinance on the budget system did not require the annual budget projections to be placed in a medium-term context (even though medium-term projections were prepared prior to 2000).

This was changed in the 2001 LOLF (Art. 50), which requires four-year projections of revenues and expenditures. The LOLF states that there is to be a single “account” (meaning a document) for total revenues and expenditures of the general budget (Art. 6), an embodiment in law of the principles of budgetary universality and unity.

Although the principle of universality has traditionally been stressed, the State budget is presented by the Minister of Finance, whereas the Social Security financing Law is presented by the Minister of Health - clear exceptions to the principles of universality and unity, resulting in a dual budget process as the two separate budget processes are regulated by two separate Organic Laws.

The State budget itself is not unified, as earmarked funds, budget annexes, and special treasury accounts supplement the “general” budget. The 2001 LOLF, like its 1959 predecessor, provides the legal basis for segregation of the State budget. However, the concept and application of a single treasury account is an important principle of public finance in France.

The principle of specifying the budget balance is incorporated in the 2001 LOLF (Art. 1). The notion of “balance” is not clearly defined in the LOLF, which requires the budget to present tables showing the main data associated with the fiscal balance and how the fiscal balance will be financed (Art. 34). The LOLF also requires the government to present a report on future orientations of economic and budget policies, taking account of its European commitments (Art. 48). However, there is no legal requirement to specify the links between the revenues, expenditures and balance of general government (as reported to the European Union) and the aggregates of the annual State budget, the social security funds and local governments’ budgets.

The presentation of expenses, as well as the presence of the inflows must be sincere. The principles of sincerity and transparency was gradually cleared by the courts, but is enshrined in the LOLF.

Previously, from 1815 to the 1959, the expenditures were presented by ministry and by chapter. The 1959 text had innovated by organising funds by ministries, then by title according to the nature of expenditure (personnel, operations, investments, etc.), and by chapter for the budget managers. The State budget included about 850 chapters.

If the LOLF has not changed the structure into two parts of the Budget Law and the requirement of the adoption of the first part before the second, it has fundamentally changed the terms and conditions of the budget vote. The new method of budget debate came into force for the discussion on the budget for 2006.

In the first part (inflows), in addition to the tax provisions and to the balance article, the LOLF brought the vote:

- An overall ceiling expressed in full time equivalent jobs for all employees paid by the State.
- Each tax payable on revenues (e.g. taxes payable to the European Union).
- A table of State funding presenting the way the State will finance expenses for the year.
- A maximum net change in debt, which cannot be exceeded, and which constitutes the increase in debt during the year.

In the second part (expenditures), the LOLF has replaced the vote-base (expenses automatically renewed from one year to the other, representing 90% of general budget expenditures) and the vote of new measures (these were before by title and department) by a vote "at the first euro." This is the vote of the total appropriations for each mission. Especially, within the review of each mission, MPs can now propose redeployment of funds between programmes, subject to not increase funding for the mission.

The LOLF has significantly changed the atmosphere of the budget debate. Debates on spending are much more dynamic, much more focused on public policy objectives but they also lead to more amendments concerning credits.

The budget debate also helps to address some major financial issues, such as employment or public debt. In addition to this, voting levies on income can generate discussion on financial relations between the State, local authorities and the European Union.

The LOLF has profoundly changed the management methods of the State from a resource-based management to a results-based management. The LOLF provides an overview of credit according to a new nomenclature, referring to the purpose of the expenditure and having management rules giving great freedom to managers.

The nomenclature in missions, programmes and actions provides a gain in terms of readability of public policies: it helps to know the resources allocated by the State for public policies it drives. The previous nomenclature organised the loans by type of expenditures (operating, investment, etc.) and by ministries.

Only a few budgetary aggregates were able to give information on the allocations of funds per consistent administrative unit.

Regarding the loans, the LOLF provides a device for defining and monitoring strategy of public action: for each programme, an Annual Performance Plan sets goals, and indicators measure their achievement. At the end of the year, the Annual Performance Report lists the obtained results. These documents are annexed to the draft Budget Law for the year, and provide the basis for the work of monitoring realised by the Parliament.

With the assistance of the Court of Auditors, the MPs are now able to check the way the strategies are formulated, the relevance of the objectives with regard to the expectations of citizens, consumers and taxpayers and to see the evolution of the indicators.

These objectives are used to address public policy from different points of view:

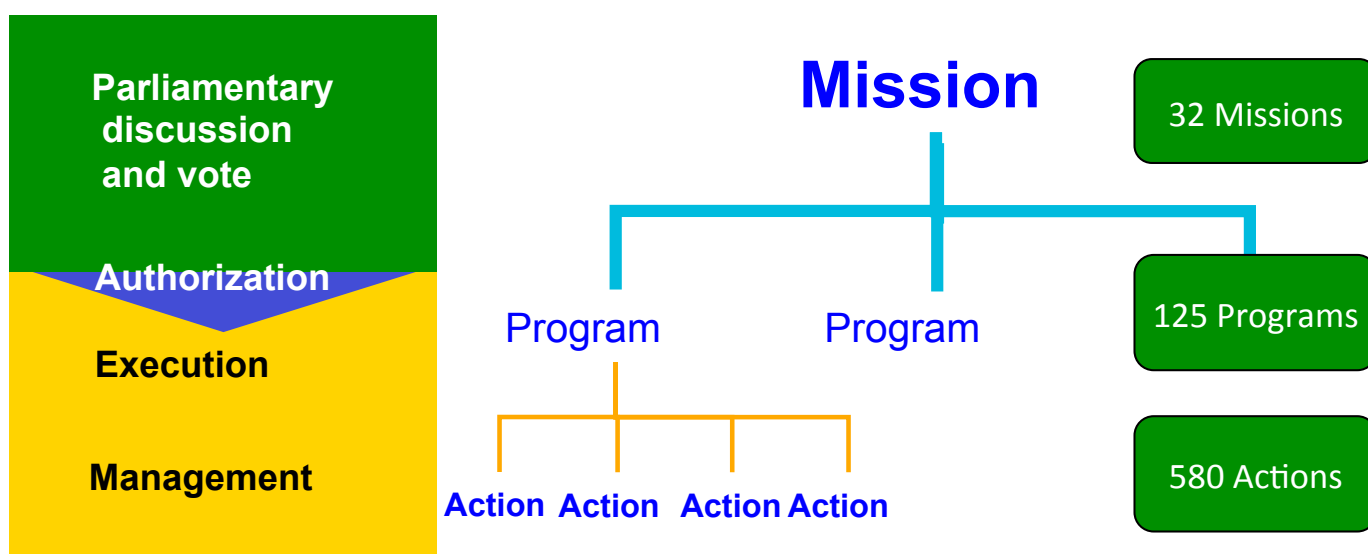
- For assessing socio-economic efficiency.
- For assessing the quality of service provided to the user.
- For assessing the management efficiency.



The LOLF allocates appropriations of the general budget for missions, programmes and actions according to the purpose of the expenditure:

- The mission is a set of programmes that contributes to the same public policy. It may depend on one or more ministries. Appropriations are voted by mission (unity of vote). It is also through missions that are assessed whether a parliamentary amendment increases or not public expenditures.
- In the Budget Law 2013, there are 32 missions for the general budget.
- The programme is the distribution unit for funds (unity of specialty). It depends on a single ministry. It is the support of the management by objectives.
- There are 125 programmes for the general budget in the Budget Law 2013.
- The objectives and indicators allow measuring the performance of the programmes.

## The budget architecture according to LOLF



### Distribution of the 32 missions in the Draft Budget Law 2013 (PLF 2013)

The mission "Tax Reimbursements" aims at reimbursing taxpayers is the biggest in the Budget representing 96,16 bn euros (24,6% of the Commitment Authorisations); it is due to the complex fiscal system applying in France.

The mission "Primary Education" is the second biggest representing 64,07 bn euros (16,38% of the Commitment Authorisations. It is an inter-ministerial mission, this means managed by different ministries, namely the Ministry of National Education and the Ministry for Agriculture, Fishing and Forest who is in charge of Technical Agricultural Education.

The third biggest mission aims at paying the "Public debt" which represents an amount of 49,62 bn euros (12,69% of the Commitment Authorisations.

Then the fourth budget is for the "Defence" mission representing 38,6 bn euros (9,87 % of the Commitment Authorisations.

In fifth position, the mission “Research and Higher Education” represents 25,94 bn euros of the Commitment Authorisations (6,63% of the total).

Therefore, it can be said that around 25% of the French budget aims at financing Research, Primary and Higher Education which is one of the higher amount in OECD countries.

Another comment can be made concerning the budget related to Defence, which is one of the biggest in terms of percentage among the EU Member States and linked to the nuclear defence and to the external actions implemented by the French army for the UN or for the EU.

<b>Mission</b>	<b>Commitment authorisations</b> “Autorisations d’engagement” in bn euros	<b>Payment Appropriations</b> “Crédits de paiements” in bn euros
External Action	2,963	2,972
Territorial and General Administration	2,518	2,555
Agriculture, Fishing, and Forests	3,310	3,358
Development Aid	2,429	3,120
Veterans	3,062	3,068
Advice and State control	0,654	0,626
Culture	2,595	2,638
Defence	38,604	38,124
Direction of Governmental action	1,253	1,209
Sustainable development and Territorial planning	8,360	8,354
Economy	1,796	1,801
Equality of territories, Housing and Cities	8,062	7,997
Debt payment	49,625	56,148
Primary Education	64,073	64,002
Public Finance Management and Human Resources	11,680	11,624
Immigration, Asylum, and Integration	0,662	0,670
Justice	7,334	7,692
Media, Books and Cultural industries	1,208	1,215
Overseas	2,188	2,038
Territorial Policies	0,303	0,320
Public Authorities	0,991	0,991
Provisions	0,334	0,034
Research and Higher Education	25,943	25,935
Social and Pension Schemes	6,543	6,543
Relations with territorial governments	2,748	2,737
Tax Reimbursements	96,163	96,163
Health	1,288	1,288
Security	17,620	17,619
Civil protection	0,408	0,439
Solidarity, Inclusion and Equal opportunities	13,400	13,403
Sport, Youth and Associations	0,463	0,469
Labour and Employment	12,442	10,316
<b>Total</b>	<b>391,037</b>	<b>395,483</b>

### **Link between performance budgeting and strategic planning:**

In submitting the draft annual Budget Law to the two houses of Parliament, the LOLF foresees in its article 48 that “the government presents a report on the evolution of the national economy and on the outlook for public finances, including the major orientations of its economic and budgetary policy, taking into account France’s European commitments.

This report must include:

- Macroeconomic projections, based on national accounts. These are to include the hypotheses on which they are based and projection methods.
- Medium-term developments, covering at least four years following the year in which the draft budget is submitted of consolidated revenues, expenditures and balance for general government, with disaggregation by sub-sectors.
- Medium-term projections of revenues (resources) and expenditures (charges) of the State budget, with the latter disaggregated by main functions.

The LOLFSS concerning the financing of Social Security also requires medium-term projections of revenues and expenditures.

In addition to this, the requirement for the government to prepare a set of performance reports is a major innovation of the LOLF. The draft annual Budget Law must be accompanied by the projected annual performance of each programme (Art. 51). After 12 months, actual budget expenditure outcomes for each programme need to be explained in terms of actual performance, based on reports of *ex ante* and *ex post* performance indicators for each programme.

Also, since salaries and employment are still centrally controlled, an explanation of why authorised employment levels and costs may be different from those planned is obligatory (Art. 54).

### **Budget implementation:**

The appropriations made by the Budget Law are made available to Ministers. Since the implementation of the Organic Law on Finance Laws (LOLF), the Government allocates funds, from the enactment of the Budget Law of the year, by programme, distinguishing appropriations to cover staff costs and other loans.

In practice, the funds available do not match the appropriations opened by the Budget Law, as there are appropriations carried over from the previous year, and there is always a “reserve of funds” (*réserve de précaution*) voted under the Budget Law to be used for major contingencies.

Budget execution begins once the Budget Law is promulgated in the Official Journal. Credits are made available to managers who must then follow specific rules for spending it. These operations take place within the executive branch, under the control of the judge of the Court of Accounts but also under the control of the Parliament.

The Parliament gives the Government a budget authorisation that is similar to an option, not an obligation, to spend the funds. In this context, the Minister of Finance makes funds available to his/her colleagues, who are principal Authorising Officers (*ordonnateurs principaux*) through “decrees of distribution” (*décrets de répartition*).

Ministers may then delegate their power to authorise expenditures to senior officials from their ministry, who are Secondary Officers (*ordonnateurs secondaires*). This reflects the administrative organisation of the Ministry, including its level of devolution.

The distribution of appropriations must receive a parliamentary approval. This distribution is presented by units of speciality (in “chapter” in the 1959 Ordinance and in “programme” with the Organic Law of 2001).

However, the Government can make changes - subject to *a posteriori* ratification by Parliament - through regulatory procedures:

- To change the allocation of funds, the Government can use the transfer technique (change the unit of speciality without affecting the nature of the expense) or the credit transfers technique (change the unit of speciality as well as the nature of expenditures). The LOLF has made more binding these movements, by capping the amount of authorised transfers, by requiring the use of a decree and by requesting information of the Parliament.
- To change the level of appropriations, the government may use “Advances Decrees” (*décrets d’avances*) to open appropriations in case of emergency. These openings must be secured by a cancellation on other chapters and, from 2006, on other programmes unless absolutely necessary. The LOLF provides notice of the Finance Committees of the National Assembly and the Senate and limits the amount of 1% of authorised appropriations.
- Finally, each manager may have other appropriations than the one foreseen by the Budget Law of the year, through reports from previous years (the LOLF's capped at a maximum of 3% of possible appropriations from the previous year).

Once it has appropriations and received the power from his hierarchical superior to spend it, the manager can incur expenses. It is the act of generating the expense. This is done under the of a financial controller (*Contrôleur financier*), who is the representative of the Ministry of Finance in each public administration. For amounts over 50,000 euros, the Financial Controller must give an *a priori* written approval of the expense.

The “expenses commitment act” (*acte d’engagement de dépenses*) takes place in two phases:

- Legally: it is the act by which the public official "creates or establishes an obligation which result in a load".
- Accounting: the Authorising Officer reserves funds, by checking the speciality of the expenses (the proposed expenditure must match the type of credit) and the availability of funds.

After the commitment, the Authorising Officer must “liquidate the expense” (*liquider la dépense*), that is to say, make sure it is certain that the service or the good has been performed or purchased. If it is the case, the Authorising Officer must sign a certificate of “service rendered” (*Attestation de service fait*) and then calculates the amount that the administration has to pay.

By signing this certificate of “rendered service”, the Authorising Officer confirms that the expenditure can be paid and then he/she proceeds to a “scheduling order” (*Ordonnancement*), act by which he/she orders the Public Accountant (*agent comptable*) to pay the invoice. However, before disbursing the funds, the Public Accountant will verify the correctness of the order and supporting documents of expenditure, and will check if funds are available. In case of problems, the Public Accountant may suspend the payment, or be required to do so (this rejection will then releases from his/her personal liability). After these formal controls have been performed, the Public Accountant can then pay the provider and he/will record the movement and the documents in its accounts as the Court of Accounts can check them *a posteriori*.

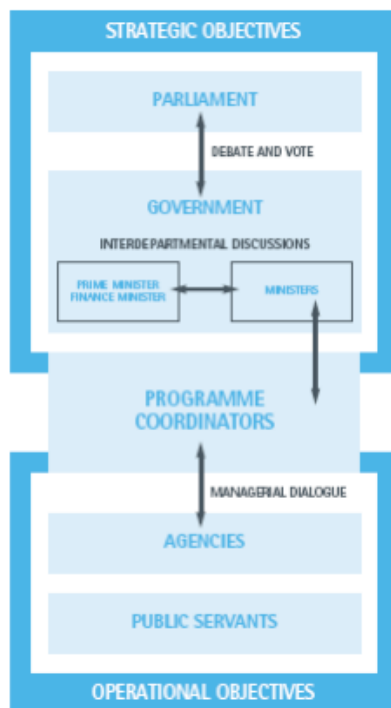
The LOLF has contributed to modify and simplify these procedures by conducting the Authorising Officers for to make more accounting actions, and by decreasing the controls made by Public Accountants. The role of Public Accountant has evolved to the advice and support to the managers as Authorising Officers. However, the fundamental separation between Authorising Officers (who spend money) and Public Accountant (who pay expenditures and are under the control of the Ministry of Finance) has remained.

### Budget accounting:

The LOLF has also dramatically altered the conditions of budget execution, including the role of the different actors of the expense.

Each programme is led by a Programme Manager, responsible for the leadership and responsibility for

achieving the goals set under the authority of the Minister. To give him/her the means to accomplish this mission, the LOLF gives the Project Manager great freedom of management allowing him/her to redeploy in his/her own way the credits available within his/her programme, with the only limit not to exceed the ceiling for personnel costs, and with the condition to accurately reflect his/her management at the end of the year.



The Programme Manager allocates his/her funds in “Programme Operating Budgets” (*Budgets Opérationnels de Programme*, BOP), developed at the appropriate level of public action (regional, departmental, inter-regional, etc.). The number of BOP is between 1500 and 2000.

The Programme Manager determines for each BOP responsible its own objectives and establishes a system of reporting for the management of each Programme Operating Budget.

These objectives, indicators and targets results are adapted to the context of each BOP and reflect the reality of the means mobilised by the head of each BOP. Intermediate objectives of production, activity or means, contributing to the achievement of the strategic objectives of the programme can also be added.

In turn, the head of BOP divides means available between the various “Operational Units” (*Unités Opérationnelles*, UO), under the authority of an Officer, who implements the activities identified in the BOP.

Each BOP consists of:

- A performance component (breakdown of objectives and indicators) associated with a programme of activities to be carried out to achieve the expected results.
- A provisional budget comprising “commitment authorisations” (*Autorisations d’engagement*, AE) and “payment appropriations” (*Crédits de paiement*, CP), including payroll, and job scheme as part of the limiting ceiling of each Ministry.
- A “financial organisation scheme” (*Schéma d’Organisation Financière*, SOF) detailing the breakdown of planned activities and the associated estimated budget between operational units attached to the BOP.

Within each programme, the Programme Manager can theoretically allocate funds among the different actions and different titles, but also within each of them. The only limitation is that the Programme Manager

does not exceed the ceiling of staff costs. This is called the “asymmetric fungibility” (*fongibilité asymétrique*). At the end of the year, the Programme Manager is accountable for his/her management and must present the way how he/she implemented his/her budget and the Programme Manager must justify any deviations occurred from the forecasted budget.

Therefore, by voting the LOLF, the Parliament has given a lot of *a priori* confidence to the Programme Managers linked with a stricter *a posteriori* verification.

This accountability accompanied by greater flexibility of use of resources aimed at enabling an improvement of public management:

- By bringing management decisions at the appropriate level.
- By giving greater flexibility in the management of funds.
- By convincing managers in doing savings, and thus by promoting the optimization of work by ensuring that staff obtains bonuses.

In return for the extension of the scope of the budget authorisation given by the Parliament to the Programme Managers, the budget authorisation must be better respected during the execution of the budget. The possibilities of movement of appropriations by decree or order of the Government (transfers, payments, cancellations, postponements, order in advance), and therefore without parliamentary approval, are more tightly controlled than in the 1959 text. The Parliament is also better and more regularly informed. Postponements and cancellations of appropriations are capped.

#### **Budget control:**

The implementation of the LOLF has changed the three modes of control of public finances – the administrative control, the judicial control and the parliamentary control.

The new speciality unit, the programme is much more larger than the chapter, and Programme Managers enjoy more freedom, which have led to an evolution of the administrative controls:

- Decreasing of the financial control performed before each act of spending, aiming at assessing the regularity of procedures and the availability of funds.
- Development in the ministries of internal modes of certification of the accounting discipline and of methods of management control aiming at creating a better management of fiscal performance.
- Implementation of evaluation tools in the executive branch, including with the ministerial general inspectorates.
- The judicial controls have progressed and have increased the capacity to establish the liability of Authorising Officers.
- Finally, the Parliament has invested more in the evaluation of public policies, and, along with the Court of Auditors, in controlling the proper use of public funds including by organising frequent audition of Programme Managers.

The Budget Execution Law (*Loi de Règlement*) is the annual report on budget execution - for resources and expenditures - presented by the Government. Article 37 of the LOLF foresees it is adopted by the Parliament as a law.

Traditionally, the draft Budget Execution Law was accompanied by the Court of Account's “declaration of conformity” (*déclaration de conformité*), which was the written confirmation by the Court of Account that the figures mentioned in the Execution Budget were correct.

As a legal document, the Budget Execution Law:

- Ratifies in-year modifications to appropriations made by the government within its legal powers, notably those of advance appropriation (Art. 13).
- Increases budget appropriations that were overspent for justifiable reasons beyond the control of government.



- Cancels unspent budget appropriations that are not being carried over.

An annex must specify, for each programme, the reasons for divergences between budget allocations and final outcomes (Art. 54). This includes the special funds, which had previously been a source of abuse. The Budget Execution Law also formally acknowledges the final outcomes for revenues, expenditures, and financing transactions.

#### **Budget auditing:**

The LOLF does not mention internal audit or internal control. For expenditure control, the Ministry of Finance - through a body of financial controllers - exercises *a priori* control on expenditure commitments. An internal audit unit also exists in the Public Accounting Directorate of the Ministry of Finance. Within ministries, internal inspection units do not carry out all the functions of an internal audit body.

The Inspectorate of Finance (*Inspection générale des finances*, IGF), a specialised body within the Ministry of Finance attached to the Minister, carries out several audit activities. The IGF fulfils an internal audit role within the executive branch as a whole. Decrees specify that the IGF's inspection powers with respect to public accountants and Authorising Officers (*ordonnateurs*), and the special rules for inspectors. IGF reports are sometimes released to the public, following ministerial decision.

The Court of Accounts is a public authority whose existence pre-dates Parliament. The Constitution only refers to the Court assisting both branches of government in their control of the execution of State Budget Law and the implementation of Social Security financing Law (the latter role not being specified until the 1996 constitutional amendment) (Art. 47 and 47-1).

Neither the Constitution nor the laws pertaining to the Court of Accounts refer explicitly to its independence. Nonetheless, the independence of the Court is asserted by the fact that its members have a legal position of magistrates and as such are fully independent from both the executive and legislative branches. The Constitutional Council has upheld this position on various occasions.

For day-to-day operations, including the extent of delegation of work to the 22 Regional Accounts Chambers (CRC), the Court of Accounts is independent. The Law establishes that the Court has full rights to fulfil its duties (Financial Jurisdictions Code, L111-9). Consequently, the Court of Accounts approves its rolling three-year work plan on the basis of propositions from its seven chambers. In view of its independence as a judicial body, the Constitutional Council declared as unconstitutional the proposed obligation that the Court of Accounts presents its draft annual work programme to Parliament.

In the absence of formal processes for co-ordinating its work programme with Parliament, difficulties in incorporating investigations requested by parliamentary committees have been experienced. However, the LOLF (Art. 58) obliges the Court of Accounts to respond to requests for assistance coming from parliamentary Finance Committees.

The Court of Accounts is not independent of the executive for personnel appointments and promotions as the president and the chairs of the seven chambers of the Court are appointed for life by decree of the Council of Ministers. Parliament does not participate in such decisions. This is in sharp contrast to all other European Courts of Accounts. In addition to this, the Law does not contain any provisions for the removal of presidents or chairs of the Court of Accounts (e.g. for gross negligence). Second, the legal frame foresees strict limitations on the ability of the president of the Court to recruit and promote staff. In particular, there are rigid quotas that require that most staff be recruited from the National School of Public Administration (ENA). Promotions must be based largely on seniority and age. With these restrictions, it is difficult to recruit, for example, auditors with private sector audit experience for mid-career positions. But such new entrants have been needed and recruited for implementing the new certification requirements contained in the LOLF.

The Law does not explicitly assure financial independence of the Court. The annual budget of the Court of Accounts has never been a separate budgetary title. Traditionally, it has been obscured within the annual budget of the Ministry of Finance. The Court's negotiations with the Ministry of Finance on the "appropriate" level of financing for its own annual budget are not made public. A logical consequence of the LOLF is the separation of the mission and programmes of the Court of Accounts from those of the Ministry of Finance. However, in implementing the LOLF, the Court was placed under the mission "Management and Control of Public Finances". The programme manager of "Financial Jurisdictions" became the president of the Court of Accounts, who is now the only one who is determining the overall mission of managing and controlling public finances.

The Court of Accounts has very broad audit responsibilities, covering not just the State but also the entire public sector. Audit coverage is obligatory for the State budget, national public establishments, public enterprises (since 1976) and social security organisations (since 1950). In addition, the Court may audit some entities established under private law, notably those that receive financial assistance from the State or from the European Union. The Court of Accounts only has jurisdiction over Public Accountants. Ever since the 1807 Law was adopted, the Court does not have jurisdiction over government Ministers as Authorising Officers (*ordonnateurs principaux*) who escape control of any court (they are exempt from the jurisdiction of the Court of Budgetary and Financial Discipline). In contrast, activities of senior civil servants that lead to gross mismanagement or acts of financial malfeasance come under the jurisdiction of the latter Court in cases not protected by an order from a Minister.

The Law emphasises traditional financial compliance audits. As a judicial body, the Court of Accounts judges the accounts of Public Accountants (*Comptables publics*). The Court is obliged to verify, on the basis of documents and field visits, the regularity of accounts of revenues and expenditures and the good use of public funds. Since each principal public accountant's accounts must be aggregated, the Court also audits the general accounts of the State and issues a "declaration of conformity". This declaration signifies that the financial accounts are internally consistent.

### IV.4. Key issues, lessons learnt, trends

Positive changes have been introduced by the LOLF:

- Before the LOLF, only 6% of the expenses were discussed by the Parliament and 94% of the expenses were only a reconduction of expenses from the previous year.
- Now, 100% of the expenses are discussed in detail and voted by the Parliament.
- The budget is now result-oriented with dedicated objectives, means and indicators.
- This has changed the responsibilities of the senior civil servants who are not directly responsible of the implementation of the programmes they manage.
- This has introduced a performance remuneration system based on merit.

However, some points could be improved:

- There is a lack of responsible persons for inter-ministerial missions.
- It is difficult to analyse inter-ministerial policies consisting in horizontal policy documents.
- There is still a temptation to create ad hoc programmes.
- There is a poor capacity to redeploy staff costs to increase operating expenses;
- It is difficult to reduce the effective number of civil servants and to promote staff mobility in a career civil service governed by a status.
- The needs to further reduce the number of indicators used.

Finally, the expected effects of the LOLF were limited by:

- The increasing budget constraints, limiting the flexibility of managers.
- The rigidity induced by the compartmentalisation of credits at the decentralised level.

## V- Evaluation by the participants of the study tour in France:

### V.1. Overall evaluation

The Ecole Nationale d'Administration (ENA) organised a study tour for 10 Turkish civil servants coming from the Ministry of Development, the Ministry of Finance, the Ministry of Interior and the Court of Accounts.

The Study tour took place between July 8th and July 12th. Its objective was to introduce the French vision in the field of strategic management and planning to the Turkish civil servants.

Meetings and lectures were organised in institutions belonging to the Prime Minister's Office (ENA, General Commissariat for Strategy and Prospective, General Secretariat of the Government) and also at the French Court of Accounts, the General Directorate for Administration and Civil Service and at the Ministry of Finance.

At the end of the visit, each participant received a personalised certificate signed by the Director of ENA. Participants fulfilled questionnaires in order to evaluate the five-day programme.

#### Overall organisation of the study tour:

The majority of participants (80%) have declared themselves very satisfied with the overall organisation of the study visit. They expressed a very positive opinion (90%) concerning the communication with ENA's representative during their stay in Paris and the duration of the tour was judged as appropriate by 90% of the participants.

#### Content and structure of the study tour:

The wide majority of participants (80%) estimates that the content of the study visit met their expectations. Participants had the opportunity to have rich and constructive talks with the speakers during the presentations. In general, participants perceived the content of the study tour as relevant and applicable as regards their professional duties.

#### Participants especially appreciated the following presentations:

"Improving the performance of public policies: the Organic Law on Finance Laws (LOLF)", by Frank Mordacq

"Budgetary strategic planning" by Benoît Laroche de Roussane and Guillaume Rauffet

"Control and evaluation of public policies by the French Court of Accounts" by Henri Paul

"Monitoring and evaluating French public finances and evaluating public policies" by Hélène Gadriot-Renard

#### Major personal lessons learned during the study tour are the following:

- French Court of Accounts' role in performance based budgeting and evaluation of public policies.
- The Organic Law on Finance Laws (LOLF).
- The fact that the French and Turkish public administration systems are very similar.
- The French budgetary and audit process.

#### Recommendations of the participants for the next study visits:

- A general presentation on the French public administration and public management system.
- The preparation of budgetary programmes and objectives.
- Court of Auditors' methods for evaluating public policies.
- Sectoral implementation of budget performance programme.

## V.2. Key issues, and lessons learnt by participants

### **What are the main general ideas (conceptual or practical) you have learnt about the French experience on central coordination and guidance for strategic management (planning, performance management and budgeting) that might be relevant for Turkish Administrations?**

- Central guidance and coordination in terms of strategic management are managed from one single centralised structure in France.
- The current law in France, which is called LOLF, is similar to the Law no. 5018 which became effective in Turkey. Therefore, the experience that France has when implementing this law, the challenges they faced and success they achieved can all set an example for Turkey. The biggest novelty that LOLF has introduced is the change in the planning and budgeting understanding. The fact that in France they are able to create a three-year budget estimate and budget of each public organisation can be linked with performance objectives thus organisational performance can be discussed thoroughly in budget negotiations is a significant success when compared to Turkey. It is also noteworthy that almost all of the budget items of public organisations can be linked with performance objectives in France.
- Although the system that is used in France is similar to the one in Turkey, one major difference stems from the fact that strategic goals (which they define as ‘mission’ in France) are defined at the central level and included in the budget. This difference may be one of the reasons behind the well-functioning system in France because there are 32 missions and 125 programmes in France and all of the activities of public organisations can be linked to these missions and programmes. When it is needed to carry out performance assessment, it becomes easier to track down the performance. Furthermore, the matrix used in France to follow up the programmes and set the budget is very simple and easy to use. This matrix makes it possible to link many budget items such as salaries of the personnel or general management costs as we say in Turkey with objectives and programmes. At this point, the obstacle facing France is the fact personnel costs are fixed, in other words when they are in the process of approving the programme budget they also approve personnel costs. The structure of public employment and guarantees provided to those employed by the public sector in France are seen as the main reason for this obstacle.
- Another reason explaining the well-functioning system in France is that Court of Accounts is part of the system and it performs its duties in a way to contribute to the system itself as it has a strong organisational structure. In Turkey, the Court of Accounts is not a part of system yet and it should be reminded that as long as the Court of Accounts will not become part of the cycle in the system, the system will not be complete. It is also noteworthy that French Court of Accounts assesses how the public policies are implemented with a result-oriented perspective. If such assessments were also done in Turkey, it would contribute to public management in Turkey.
- Another point is the position of Ministry of Finance in the system. One of the important guarantees provided by the system to Ministry of Finance is the authority granted to this Ministry regarding identification of resources needed for programmes and assessing if the allocated financial resources are used in a way fit for the purpose or not. In Turkey, negotiations held with experts coming from the Ministry of Finance to discuss performance programmes are similar to this situation in France. Despite this, it is evident that the role played by French Ministry of Finance is much more active when compared to its Turkish counterpart.
- Programme approach composed of missions and programmes and annual performance programmes, which are in practice in France, can be also applied in Turkey.
- Programme budget system: It is clear that budget in France is structured based on missions and programmes designed to achieve those missions. These programmes are very advantageous in terms of defining performance indicators, performance assessment, result monitoring and evaluation. In the past, Turkey tried to use programme based budgeting; however it was not successfully implemented. Recently, Turkey has been trying to design programmes and to introduce programme budgeting system. The biggest challenge in Turkey is to design programmes for horizontal issues, which means that one programme needs to be associated with more than one public organisation. In France, missions can cover more than one public organisation whereas programmes cover only one public

- organisation. This may facilitate practice. However, in Turkey, it may be difficult to have a similar practice due to the organisational structure of public sector. Nevertheless, it is worth further studying French system. Another disadvantage is the fact that the number of programmes is high.
- Court of Accounts: Although Turkey followed France's example when it was establishing its Court of Accounts in the past, it is clear that Court of Accounts in France is much more effective in public management and financial management processes when compared to its counterpart in Turkey. It would be really of great help to examine reasons behind this fact. This situation can be interpreted as an example showing that social and political context can have various impacts on the way the public organisations function in practice.
  - In France, if we take performance management as an example, political responsibility belongs to Ministers whereas responsibility for practices belongs to top management of the relevant public organisation. In Turkey, although the same structure is in place in theory, it is vitally needed for public organisations to internalise and embrace these responsibilities to achieve the goal depicted in theory.
  - Draft laws are evaluated and examined by Council of State before they are sent to the legislative body. Such practice would be beneficial to avoid time lost facing Turkey due to annulment of such laws and trials to annul laws and regulations.
  - Turkey should also implement the requirement to develop an efficient impact analysis for legislation and a standardised impact analysis report.
  - Public administration structure in Turkey and France is similar to one another. In the last decade, France has adopted a Law known as LOLF, which is very similar to the Law no. 5018 adopted by Turkey. There is a systematic approach in Turkey in terms of strategic planning starting from development plans and covering organisational strategic plans. However, there are problems when passing from performance programme to budget. In France, budget document includes performance indicators and programmes as in Turkey. However, France does not have a long-term comprehensive document similar to development plans in Turkey.
  - Training of mid and high level managers: Although Turkey has TODAIE (Public Administration Institute For Turkey And the Middle East), it is clear that ENA provides more efficient trainings in France. The reason behind this is as follows: ENA has a credibility, which derives from its past, the objectivity of the election process and training programmes are more practice based. TODAIE is becoming more and more like an academic institute in Turkey whereas ENA has put special emphasis on differentiating itself from academic institutes.

**What functions and characteristics (organisational, roles played, capacity and resources, relations with other institutions, etc....) of the Strategic management institutions visited and or analysed in presentations might be worthwhile to consider as references for Turkey's counterparts to improve their participation in the Turkish Strategic Management capacity reform?**

- It is evident that the role played by Ministry of Finance is quite significant. The roles distributed between the Ministry of Finance and the Ministry of Development in Turkey totally belong to Ministry of Finance in France. This situation can be interpreted as follows: In Turkey, coordination and cooperation between the Ministry of Finance and the Ministry of Development need to be strengthened.
- In addition, the role played by the Court of Accounts is also very significant as far as external audits are concerned. The Court of Accounts in France does not only audits public organisation but it also evaluates policies and programmes. This situation can be interpreted as follows: the Court of Accounts in Turkey needs to carry out more effective audits. Since the Court of Accounts in France is an independent external audit body, it is similar to Court of Accounts in Turkey. In France, the Court of Accounts does not only carry out budget audit, but also carries out special audits on macro economic issues either upon receiving an instruction to do so or by their own will. A similar practice is existent in Turkey. A more effective implementation would bring positive contribution to performance audits. The assessment carried out by the French Court of Accounts in the scope of which it assesses public policies can only be applied in a limited manner in Turkey. One of the methods used by French Court of Accounts when the Court carries out this assessment is the impact



analysis, in other words, assessment based on a result-oriented approach. This method can be used in Turkey when the Turkish Court of Accounts carries out an assessment of strategic plans, performance programmes and activity reports. This assessment should focus on if public organisations meet the goals and objectives and outcomes that they get when they meet the goals and objectives. However, Turkey first needs to make progress on some other issues before it reaches that level. Result-oriented assessment can be implemented only after all public organisations are able to prepare the above-mentioned documents in full compliance with regulations and guidelines. The Court of Accounts starts to perform its monitoring/evaluation duties to the full extent and system starts to function efficiently. When Turkey will reach that level of progress, the above-mentioned practice of the French Court of Accounts could be taken as a reference for Turkey.

- The programme approach and the performance programmes of the French Ministry of Finance can be considered as relevant to the approach of Turkey's MoF and mission and programme approach in France is similar to the approach of MoD in Turkey.
- French MoF is similar to MoF in Turkey as it carries out internal control and internal audit.
- The Commissariat général au Plan is similar to MoD in Turkey since it does policy analysis and evaluation.
- The General Secretariat of the Government under the Prime Minister's Office in France is in charge of the final assessment of draft laws before it is adopted by the legislative power. In this respect, what it does is relevant to the Turkish Prime Minister's Office Directorate General of Laws and Decrees.
- In France, performance of civil servants is reflected to their salaries; the same can be applied in Turkey.

**What strategic management, coordination and control systems, tools and/or approaches used in French Administrations might be interesting to explore as transportable and adaptable to Turkish Administration?**

- France has extensive experience in programme based budgeting process. Turkey needs to learn more about this issue.
- Programme approach implemented in France, which is composed of mission and programmes can also be applied to Turkey. The current budget and performance programme approach in Turkey would become more practicable and accountable if Turkey adopts French approach.
- One of the requirements to achieve efficiency in public financial management is to ensure accountability and transparency. The accountability and transparency in France is achieved through independent audits. The independence of the Court of Accounts in France is very significant. It is of vital importance to make sure that the Court of Accounts in Turkey carries out independent external audit and that internal control mechanisms are efficiently and widely implemented in order to have a fully functioning strategic management system.
- France identified performance indicators for programmes. It is important to learn about the performance indicator identification process and the experience of France in this field. It is important to identify the right number of indicators and those with the right qualifications.
- In France, the strategic goals and objectives (what is called "missions and programmes" in France) are included in the budget, and that could be also applied to Turkey. In Turkey, we can develop programmes, which are considered as State policy and each public organisation could carry out its activities under the scope of the programme that is relevant to them. In France, the total cost of these programmes constitutes the budget of the government.
- In terms of embracing and internalisation, France is different from Turkey in a positive way. Except this, there is no significant systematic difference between both countries.
- In order to make sure that accountability is well established, it would be appropriate to make sure that budget document, annual programme and investment programme in Turkey become more interactive.
- When considering the impact caused by the high number of civil servants in France and the related employment cost, it is necessary to take precautions to avoid experiencing the same problem in Turkey.
- When it comes to personnel performance, Turkey can develop practices similar to those observed in France.



**What characteristic you liked the most of the French reform approach to improving strategic planning and performance management in public sector. Do you think this could be useful for Turkey? Why yes? Why not?**

- Personnel reform and a powerful court of accounts (accountability) could be useful for Turkey. Turkey needs personnel reform.
- Because there are too many civil servants in Turkey and because they are not recruited on a merit basis, it would be beneficial if personnel employed by public organisations is assessed and their skills are considered.
- It would be useful if Turkey develops objective and clear criteria as far as mobility between two different public organisations, promotion or employment under different titles/categories are concerned.
- A strong and powerful Court of Accounts means a strong accountability in place.
- It is needed that the Turkish Court of Accounts reaches a stage where it will be fully able to carry out a performance audit in real terms.
- In France, the roles of each public organisation are very well defined and there is no visible role conflict among public organisations.
- In France, there is one single centralised organisation responsible for managing the reform and they have strong political support.
- In France, there is a strong relation between programme and budget. Performance programmes are designed in a way to facilitate both accountability and monitoring.
- In France, an independent Court of Accounts manages accountability mechanism and audit by the Parliament is also very well established. This approach is theoretically in place in Turkey because legislative acts enacted in the scope of public financial management in France are very similar to those in Turkey. In this framework, the practice in France would be beneficial to increase political and bureaucratic support, make financial implementation tools more efficient and strengthen internal, external audits, as well as parliamentary audits.
- France has a career development system for civil servants. This system tries to ensure mobility and objectivity. It is important to have such systems in place to help employees to internalise strategic management culture. One of the most striking reforms is that France established a Directorate General for Administration and Civil Service in order to improve personnel management and make it more efficient. Since the other reforms are very similar to the reforms in Turkey, the reform handling personnel management was the most interesting one. Although reforms about personnel management are not directly linked to improving strategic planning and performance management, improvements on personnel policies and management would contribute to the system. The practices in France on personnel management would be beneficial for Turkey because French public management system and personnel structure are very similar to those in Turkey. The number of civil servants, their job security, high number of public organisations and their hierarchical structure are very similar to those in Turkey. Such similarities caused France to experience similar problems as Turkey in terms of making public management more efficient. Therefore, novelties that France has introduced in order to strengthen personnel management and enhance performance could set good examples for Turkey and Turkish authorities should further examine these reforms.
- It is evident that France has lagged behind some OECD countries in terms of public management reform and public financial management reform. France has not fully introduced concepts and tools related to new public management approach into its system. France has tried to develop solutions specific to its own system. This is a natural consequence of the difference between Anglo-Saxon system and Continental Europe system. It is difficult for this system in France to be beneficial for Turkey. Whereas Turkey followed French or Continental Europe approach in the past, and now it adopts tools and concepts related to new public management approach. It is observed that Turkey acts in a more speedy and impatient manner when it comes to adopting new concepts and tools.

## VI- Conclusion:

The French trajectory of administrative reforms can be characterised by some specific features:

- First, administrative reform policies were not initially designed with such a radical, political and paradigmatic turn than was observed in some other European countries (specifically UK), apart for the Sarkozy period (2007-12).
- Second, the diffusion of New Public Management ideas did occur but through a more gradual and low-profile way with a real intensification in the 2000s due to two major reasons:
  - The 2001 LOLF introducing performance management on a systematic basis.
  - The deterioration of public finances leading to more structural measures of reorganisation by mergers under the Sarkozy presidency, which should be maintained by the current government.
- Third, the French trajectory of administrative reforms has then to be considered on the long term in order to emphasise its specificities.

Doing so, three major reforms can be emphasised:

- The initial, dominant and resilient trend of administrative reforms has been decentralisation policies, respectively in 1981-1983, 2003-2004, and ongoing reforms, representing a considerable departure from two Napoleonic features: centralisation and uniformity.
- Performance management techniques are now part of the French bureaucracy: they were first introduced gradually by the 1980s but a systematic performance management system was established after the 2001 LOLF putting a greater emphasis on hierarchy and control through managerial tools in the steering of public organisations.
- In the French context, the newly introduced managerial tools have been used to reinforce the centralising mechanisms already at work within the State and have simultaneously complemented the previous “Napoleonic” hierarchical means of steering and control.
- At last, in the political context of the Sarkozy presidency, along with a financial crisis, strong leadership and a new government coalition, French State local units were also drastically reformed through mergers and the reinforcement of Prefects. This reform generated a hybrid model. On the one hand, it gave new inter-ministerial roles to existing institutions like State local units and Prefects. On the other hand, it also rediscovered and reactivated the “Napoleonic” logic of prefects and a political hierarchy.

So, important administrative changes did occur in the French public administration. Although many historical features of the French State have been maintained, they were also sometimes weakened, redirected or challenged by the reforms.

The French example of administrative reform, performance management, strategic planning and budgeting remains an example for countries having the same administrative traditions and facing the same challenges, such as Turkey.

