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Performance-Based Budgeting in France

Session 3: Opportunitites and Challenges in Introducing Performance-Based Budgeting

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MINISTÈRE DE L'ÉCONOMIE
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LOLF
“Loi Organique sur les Lois de Finances”

The 2001 French Constitutional Bylaw on Budget Acts

Outline:

1 - The State of Performance budgeting in France

2 - Opportunities and Challenges

3 - The Future: Reforming the budget in France

1 – The State of Performance budgeting in France

The current state of Performance-Based Budgeting in France

Still early stage of implementation in France

- 2008 is the first year of closing the full budget cycle.

  N-1 budget performance information and evaluation is used for N+1 budget debate.

  First year 2006 performance in scrutiny in spring 2008 in view to helping decision for the 2009 budget (fall 2008).

Goal to shift the general public debate from "MORE" to "BETTER"

- Traditional public and media outlook on budget decision: who are the winners and the losers, in terms of more or less budget resources for line ministries. Nearly no concern for efficiency, effectiveness, quality of service.
- Goal to progressively shift he public debate on performance and purpose.

2 – Opportunities and Challenges

Performance-Based Budgeting in France

Performance information is a tool to support political decision

- No direct connexion between performance results and level of budget allocation. In certain cases, bad results may require more funding to improve.

  Public fund allocation is a political decision in nature. Performance information is tailored to make the best informed political decision on allocation.

  Beside the performance indicators, a more analytical story is require to form a good judgement on the performance. There is a need to provide explanation on the past managerial choices and organisation to clarify responsibility (performance may be affected by various factors).

Challenges of Performance-Based Budgeting

Challenges 1: technical

- Complexities and technicalities of performance information.

  Can be tremendously difficult.
- Risk of pervers effects.

  PI sets new incentives, triggers new games.
- The budget information system (integrated computer application) has proved very challenging in France.

Challenges 2: human

- Training and information of all HR involved in budgeting, including line ministries. Requires much time and ressources.
- Shift of financial culture. Built ownership of performance approach on a large scale. Built trust.

3 - The Future: Reforming the budget in France

Budget Reforms in France: Going Ahead

The recent and current budget reforms in France:

- 1) The 2001-2006 State budget reform: shift to performance-based budget (LOLF).
- 2) Extension of the same principles to Social Security budget (*LOLFSS:Loi Organique sur la Loi de Finances de la Sécurité Sociale*)
- 3) Sharpening of the spending rule on State expenditure (ceiling on expenditure increase: from 'zero rate increase – real value' to 'zero rate increase – nominal value'. Creation of a rule on HR hiring (1/2 replacement of retiring civil servants).
- 4) Creation of an organisation to provide an outlook and a consultation framework on global budgeting: State budget, Social Security, Local Authority budgets.
- 5) General Spending Review (auditing and reengineering of all State expenditures)
- 6) Medium-term budgeting: shift to a 2-3 year budget system.

Budget Reforms in France: Going Ahead

Potential for further reforms (exploratory):

- Performance-based budgeting for Local Authorities.
- Development of ex ante evaluation systems (micro-economic tools for projects evaluation), such as impact assessment. Could build on the existing: Assessments of socio-economic value of new transport infrastructures (road, train, boat, airports).
- Quantitative assessment of administrative burden (the cost to citizen and business of information obligation).