

towards NEW PUBLIC MANAGEMENT



NEWSLETTER ON THE PUBLIC FINANCE REFORM - No. 2 - DECEMBER 2001

Editorial



Didier Migaud,
member of Parliament,
general rapporteur
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General Economy
and Planning
Committee
of the National
Assembly.

Parliament needs to be closely involved in the implementation of the constitutional bylaw on budget acts

On 28 June 2001, when the constitutional bylaw on budget acts that I had tabled on 10 July 2000 was passed, Alain Lambert spoke of "a new chapter in the budgetary history of the 5th Republic". For his part, Michel Sapin, Minister of Civil Service and State Reform, described it as a reform worthy of "all the watersheds of the State reform".

The challenge is now to reflect in practice these two objectives, which are within reach: reinforcement of Par-

liament's budgetary powers, and improved efficiency of public spending.

The new playing rules have been laid down. Laurent Fabius speaks of a 'budgetary constitution', but much still remains to be done since the budget classification needs to be rebuilt entirely according to the new principles determined.

The aim of these principles is to organise the government action in each Ministry around missions consisting of a set of programmes which concur in a predefined public policy. The programmes concentrate appropriations for implementing a consistent set of measures with which specific objectives are associated, defined according to purposes of general interest and expected results subject to review.

The choice to be made for each mission and each programme will not be neutral in terms of the idea of government action.

This highly political responsibility is naturally a matter for the executive, but cannot be conducted without close collaboration with the legislature.

As defined by the legislator, the programmes are designed to involve far more closely still the elected representatives, since their creation, a major innovation, can be decided upon the initiative of a member of Parliament.

The scope of the upheavals generated by the power ►

A necessity and an opportunity

I have devoutly hoped for the new budgetary constitutional bylaw because it is an opportunity for France: an opportunity to reform the State, an opportunity to make the future succeed.

This bylaw restores their proper places to the political bodies and government departments. The political bodies must decide and supervise, that is democracy. Government departments must be freed and made accountable. They deserve this trust as a principle. Their excellence has led the elected representatives to decide upon it. It is a requirement for modernity. It is a token of efficiency.

This opportunity is also a challenge, as the construction needed is immense; for the French Government, for Parliament also. The Government will have to imple-



Alain Lambert,
Senator,
Chairman of the Senate's
Finance Committee

ment new principles of management and accounting. Parliament will have to set up a new budget discussion and modernised auditing, based on transparent and trusting relations with government departments.

I wish to share my certainty that the reform is irreversible. Because France needs it.

A major task for the meeting of the Intermin

Implementation of the the requirements for su



The public finance reform, decided upon by the constitutional bylaw of 1 August 2001 and presented in No 1 of the newsletter, has a two-fold objective:

- to improve the efficiency of the government action for its users and beneficiaries;

- to enlighten the choice of policies and forms of action, and make the strategic discussion on medium-term changes in public finance more understandable.

This objective will be achieved by a dual approach: an approach of freedom of management, an approach of transparency regarding the effective measures implemented, the cost of each of them and the results achieved. This approach will be applied down to local level.

Three groups of projects to be completed... Modernising the internal forms of management of each Ministry

The modernisation of the government departments' forms of management requires a specific investment by each of them. This includes:

- the work relating to the development of management control;
- taking account of quality;
- the development of human resources management;
- the implementation of devolution.

Defining the new contents of Ministries' budgets

- The development of programmes, and likewise the definition of objectives and performance indicators are work specific of each Ministry.

Through the experience obtained on budget aggregates and the findings of a working party convened before the reform was passed, each Ministry will be able to conduct this work on the basis of common methodology. The Budget Directorate will validate the programmes and related information in order to integrate them into the Budget Act.

- Certain government departments having already conducted substantial development work will aim at a pre-figuration of the programmes in the 2003 or 2004 budget. The others will initiate the preparatory work required to pass the first stage.

All will have their systems of performance indicators audited. An interministerial auditing committee, chaired by an Inspector General of



now recognized to members of Parliament to take the initiative of creating a programme or moving for changes in expenditure within the maximum appropriation set for a mission, has probably not yet been fully appreciated.

These two changes are going to renew entirely the parliamentary discussion and restore its full distinction to the budget procedure within Parliament. A Minister will now have really to convince the Parliamentary representatives that the budgetary choices made are justified, or run the risk of having his or her budget challenged by Parliament.

Responsibility for the definition of missions and programmes is above all political. It cannot be contemplated without close and upstream involvement of the parliamentary representatives who need to take part, in compliance with the Constitution, in the implementation of this project that they have contributed to launch.

How can this responsibility be assumed during the 5 years required for full implementation of the legislation ?

This will naturally require reorganisations of the National Assembly and Finance Committee. Without prejudging the outcome of discussions which are only beginning, a few leads may nevertheless be considered.

The Finance Committee could hold regular hearings of Ministers and senior civil servants in charge, in order to be informed of progress in implementation of the reform and in order to make their concerns known.

Special rapporteurs should probably, in their annual budget report, focus on implementation of the constitutional bylaw for the appropriations of concern to them.

In this context, the appointment of a senior civil servant in charge within each Ministry of implementing the constitutional bylaw seems highly desirable, since it would facilitate exchanges between Ministries and members of Parliament, and also secure consistency of the proposals in different Ministries.

The bill for a constitutional bylaw was based on the wager that opinion was ripe for revolution. With its passing, the wager has been taken up. It remains for all of us to win it.

7 working parties have been convened before passing of the reform

Coordinated by the Interministerial Delegation for State Reform (DIRE) and the Budget Directorate, seven working parties have allowed the development of policy guidelines and formulation of the main questions to be answered:

WP 1: Management of positions and staff

WP 2: Definition of programmes, measurement of results and performance-oriented approach

WP 3: Devolution, delegation and management of appropriations

WP 4: Ex ante and ex post auditing

WP 5: Organisation of services and specialities

WP 6: Multi-annual management of budget authorisations

WP 7: Management of change and monitoring of experiments

Ministerial Committee for State Reform (CIRE) held on 15 November 2001

constitutional bylaw on budget acts: success

10 October 2001 : Closing of the first senior civil servants' meeting on the new budgetary constitution by Laurent Fabius.



Finance, will call upon the auditing bodies for this purpose.

Changes in the budgeting of appropriations decided upon by the constitutional bylaw 1 August 2001 will require more time to develop common methods:

- supporting evidence for appropriations from the first euro and abandonment of the breakdown into current services appropriations /new expenditure items;
- budgeting of staff expenditure and those intended for public establishments, scope and terms of commitment authorisations, implementation of new rules relating to specific budgets and special accounts, etc.
- redesign of the budget classification.

Development of new standards and new financial-procedure tools

The constitutional bylaw calls for the development of new standards and new procedural rules which, once finalised, will be deployed in all Ministries:

- design of procedures allowing the operation of genuine local budgets (progress report by 1 June 2002);
- reconfiguration of the chain of internal and external auditing of the

spending process (progress report by 1 June 2002);

- development of new standards and procedures for account keeping (first set of references for accrual-basis accounting at the end of 2002);
- redesign of the financial-information systems to include budgeting, management and accounting; the ACCORD interministerial programme will be adapted to the standards of the constitutional bylaw and applied generally.

...with three kinds of methods

The way in which each project is handled must be grounded in the approach for modernisation specific of each Ministry and take account of an uneven state of progress for new common frameworks to be built.

The work to be conducted in each Ministry

Deployment of the new forms of internal management in the government departments (1st group of projects) is a current process for which general guidelines have been stated (CIRE 2000: management control, quality; CIRE 2001: HRM).

As regards the new contents of Ministries' budgets, part of the new methods is sufficiently well-defined for each Ministry to be able to start now the work required of it: preparation of programmes, formulation of objectives and results.

Development of the new common sets of references

Part of the methods required for drafting of the new Ministries' budgets needs to be developed further: changes in the budgeting of appro-

priations, setting up of a new budget classification. The new financial procedures will require the initiation of design projects: local budgets, expenditure -auditing trail, accrual-basis accounting, financial-information systems.

On these issues, the Ministries will be approached to take part in working parties for the development of the new sets of references and in testing.

Experiments - Pre-figuration

The reform's success will also depend on evolution of the relationship between each Ministry and the Budget Directorate throughout the new budget procedure. The Budget Directorate will draw up specifications describing all the joint work to be performed. The replies provided to the specifications will enable each ministerial department to specify its plan of action and will lead to agreements made between the two parties. Three principles will direct the organisation of this joint work:

- reciprocal efforts: establishment of project teams, organisation of an advisory task, participation in working parties, in tests and in pre-figurations;
- a genuine transition towards the 2006 target. The objective aimed at will be, whenever possible, to pre-figure the new budgetary regime prior to the mandatory deadline of the Budget Act for 2005. These real pre-figurations will concern the procedures for discussion and design of the budget, the contents of documents delivered to Parliament, and the modes of execution within the Ministry;
- well-balanced transition. The progress achieved regarding the fungibility of appropriations and the quality of transparency relating to costs and results must move forward at the same pace. ■

The cornerstone of a vast building



Jean Bassères,
Director General
of Public Accounting

Since its enactment three months ago, on 1 August 2001, the new constitutional bylaw has given rise to common intensive work by the senior civil servants in all the Ministries.

The Interministerial Delegation for State Reform and the Budget Directorate convened, on 10 October 2001 at the Pierre Mendès-France Conference centre in Bercy, 450 senior civil servants from the central

and devolved administrations of all the Ministries, around two themes: the stakes of the new public management and its implementation. Three Ministers attended, Laurent Fabius, Michel Sapin and Florence Parly. Each of them stressed the need, even the obligation, for immense work together to make the reform succeed over the next four years.

This one-day meeting, coordinated by Benoît Chevau-chez, Director of the Institute for Public Management and Economic Development, combined presentations, round tables and Q&A sessions.

What stakes for France? by Guy Carcassonne, University professor, consultant, and What answers does the new constitutional bylaw provide? by Sophie Mahieux, Director of the Budget, set out the framework during the morning.

During the first round table, Henri Guillaume, Inspector General of Finance, reported on foreign achievements, François Ville-roy de Galhau, Director General of Taxes, on performance-based steering, Pierre-René Lemas, Director



Jacky Richard,
Interministerial Delegate for Reform of the State

General of Administration at the Ministry of the Interior, on freedom of management, and Bruno Suzzarelli, Director of General Administration at the Ministry of Culture and Communication, on awareness of activities and costs.

The presentations proceeded during the afternoon: Jacky Richard, Interministerial Delegate for State Reform, Sophie Mahieux and Jean Bassères, Director General of Public Accounting, set out the concrete methods selected to modernise the departments' internal management and to implement the reform.

The second round table elaborated on information systems, with Jean Bassères and Claude d'Harcourt, Director of the Programming of Financial and Real-Estate Affairs at the Ministry of the Interior, and local implementation, with Dominique Lacambre, Director of General Administration and Modernisation of Services at the Ministry of Employment and Solidarity,

Bruno Fontenaist, préfet of Seine-Maritime, préfet of the Haute-Normandie region, and Alain Budillon, Regional Director of Equipment for Auvergne, Département Director of Puy-de-Dôme.



Active involvement from the audience, throughout the day, reflected the high level of expectations and questions regarding two themes in particular, the combination of auditing trail and freedom of management, and the adaptation of the reform at the local level.

Sophie Mahieux, Director of the Budget

► La Revue française de finances publiques



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"Towards new public management"

you will find:

- the text of the Constitutional bylaw, the Constitutional Council's decision, reports from Parliament, press reviews, the schedule, updates on implementation; and

- the mailbox, where you can put all your questions to us and obtain the newsletter.

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