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Budgetary Reform and Parliament: The French Experience

by

Frank MORDACQ

Head of the Budget and Accounts Service
Ministry of Budget, Public Accounts and Public Service; Ministry of Finance, France

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Summary

The Constitutional Bylaw on Budget Acts (LOLF) passed in France in 2001 was instigated and steered by Parliament with a political consensus. It's an overhaul of the budgetary and accounting rules giving a new financial constitution for the State based on transparency of financial information and the measurement of the State's performance. The State budget has made the transition from a resources-based approach to a performance-based approach. Allocation by type of expenditure has been replaced by a budget presented in the form of major public policies called missions, which are specialised by programme with performance-based budget authorisation.

The new bylaw places an emphasis on tools to measure the State's financial situation with an accrual accounting system to evaluate the cost of the services, the State's financial situation and the reality of its off-balance sheet commitments. The text increases Parliament's powers. Parliament now has clearer, fuller and more relevant information to give it real strategic steering power. The LOLF has also substantially extended the parliamentarians' right of amendment, as regards a programme's appropriations. The in-year movements of appropriations are subject to new obligations to provide prior information to the National Assembly and Senate finance committees. The text gives a tighter control of execution by Parliament. A more detailed examination of the budget review act is organized by Parliament with hearing of line ministers and program managers. The Constitution was amended on 23 July 2008, firmly establishing Parliament in its role to evaluate public policies. The Court of Accounts, in accordance with the LOLF and the Constitution assists Parliament in the evaluation of public policies. The implementation of budgetary accounting and public management reform takes time with a need of training and the necessity of a cultural change.

Biography

Frank Mordacq received his DEA ("master") in Public Law and was a laureate at the l'Institut d'Études Politiques de Paris. Appointed to the Budget Branch of the Ministry of Finance in 1985, on leaving the École Nationale d'Administration, Frank Mordacq, "administrateur civil", worked initially on the public service remuneration file and subsequently on the ground transportation file. Financial Attaché at France's permanent Mission to the United Nations, (1990-1992) he returned to the Budget Branch.

As from 1992, Frank Mordacq occupied a number of different posts within the Budget Branch, including Deputy Director. He was responsible for the definition of the policy on salaries and employees of the State and the synthesis of the general policy on public finances. In 2003, he was appointed the head the new Budgetary Reform Branch at the Ministry of Finance, which led the implementation of the Constitutional bylaw of August 1st 2001 on budget acts (LOLF).

In 2006, he became Director General of the Modernisation of the State Branch, which is charged with, at the interministerial level, coordinating, assisting and inciting all the levels of the administration to achieve the goal of modernising the operations and management of the State. In 2007, he takes the head of the Budgetary and Accounting Service of the Ministry of Finance, in charge of financial control and payments for the Ministry's expenditures and has responsibility for its accounting.

Budgetary Reform and Parliament

The French Experience

The 1st August 2001 Constitutional Bylaw on Budget Acts (LOLF) passed in France is a product of strong political will. This overhaul of the budgetary and accounting rules accepted by the Government was instigated and steered by Parliament. Adopted at a time of rare political consensus during a coalition government under the Fifth Republic, the text that replaces the bylaw of 2 January 1959 provides the wherewithal to build a new financial constitution for the State based on transparency of financial information and the measurement of the State's performance. The purpose of this Copernican revolution in public finances is to set up a new form of public management and sow the seeds of an extensive State reform. In a democratic process, all the administrations implementing public policies under their minister's authority must report on the results of these policies in full discharge of Article 15 of the 1789 French Declaration of the Rights of Man and the Citizen, which states that, "Society has the right to require of every public official an account of his administration."

I. A New Financial Constitution for France

1/ A Reform Instigated by Parliament

The 1959 Constitutional Bylaw provided for 45 budgets to be passed and executed without any major problems and France was able to accede to Economic and Monetary Union without changing its fiscal procedures. Yet Parliament time and again criticised the text prepared unilaterally by the executive body without Parliament's input. The French Constitution of 2 October 1958 and its fiscal extension in the form of the Constitutional Bylaw of 2 January 1959 in effect reduced Parliament's budget authorisation and debating powers in a system of rationalised parliamentarianism (single vote on the whole of a bill – commitment of responsibility).

The limited budget authorisation (restriction of consent to taxes along with parafiscal levies) and lack of power to amend expenditure (Article 42 of the 1959 Constitutional Bylaw) had a lasting impact on the role and powers of Parliament's finance committees and voting outcomes. The relatively lacklustre budget debate was not helped by dense budget documents written for technical experts with no explanation of public policy aims.

The magnitude of the budget deficits as of the 1980s gave the Government's appropriation execution decisions even greater pre-eminence, minimising the scope of the budget authorisation given by Parliament (frequent regulation practices giving rise to substantial budget cancellations by order; repeated use of supplementary budget appropriations; and extensive use of the supplementary appropriation commitment period).

France's integration into Economic and Monetary Union ultimately pressed for a comprehensive view of public finances concerning all central government, social security, and local and regional authority administrations, which it was impossible for the State budget and parliamentary debate to follow in the 1959 format.

The reform's roots are clearly found in a parliamentary initiative. In 1998, Laurent Fabius, President of the National Assembly, set up a working group at the National Assembly to produce what became known as the Fabius-Migaud report in January 1999, entitled Proper Control for Better Spending and Less Tax. At the Senate, the Chairman of the Finance Committee, Alain Lambert, published a report entitled Give France the New Financial Constitution it needs for State Reform (October 2000).

The decisive trigger came from the political debate that grew in late 1999 on the reality of the tax revenue surpluses, prompted by the Senate calling for more transparent financial information (debate on the “tax kitty”). The political response was Prime Minister Lionel Jospin’s announcement on 16 March 2000 of the reform of the 1959 Constitutional Bylaw.

The new bylaw was debated over a period of eight months in 2001 and passed unanimously by all the political parties.

2/ *The Content of the Bylaw*

The Constitutional Bylaw on Budget Acts (LOLF) establishes two major pillars:

Budget and accounts transparency and clarity to “improve the exercise of Parliament’s fiscal power”;

State performance and accountability: the bylaw fosters improved public management.

Budget and accounts transparency and clarity for Parliament

The State budget has made the transition from a resources-based approach to a performance-based approach. Allocation by type of expenditure has been replaced by a budget presented in the form of major public policies called missions, which are specialised by programme with performance-based budget authorisation. The idea is not to allocate resources on the basis of set goals (budgeting by objectives), but to set targets in view of the resources allocated and to be accountable for performance (performance-based budgeting).

Budget authorisation makes more sense. The budget is voted on by major public policy based on missions that can transcend a given ministry’s bounds. For Parliament, the vote also concerns the sum total of expenditure by policies, replacing the distinction between the current services appropriation and new expenditure items in the 1959 bylaw. Allocation has become more rational with general programmes combining all types of expenditure, forming a framework for the authorisation and management of these public policies.

Parliament has been given a new right of amendment in the redeployment of appropriations between a public policy’s programmes, hence changing the Fifth Republic’s budget debate practice. This right extends and restores the scope of the budget authorisation that Parliament grants the Government in terms of the extent and nature of the authorisations granted by means of greater respect for the comprehensive budget rule and the general budget rule. Lastly, the new bylaw sets down, at institutional level, the principle of budget honesty established by Constitutional Council case law.

The new bylaw has made significant additions to the financial information to be provided by the Government in both the initial budget act documents, with the annual performance plans for each programme, and in the budget review act, with the annual performance reports and the State’s general account.

The new bylaw places an emphasis on tools to measure the State’s financial situation. The State operates a general government accounting system with, in addition to cash-basis accounting, accrual accounting to evaluate the cost of the services, the State’s financial situation (income statement and balance sheet) and the reality of its off-balance sheet commitments. In addition, there is the analysis of the costs of the actions, which is distinct from the State’s cost accounting. The quality of this information in terms of its capacity to ensure that the State’s accounts are lawful, faithful and present a true and fair view has to be guaranteed by the annual certification process conducted by the Court of Accounts.

Parliamentary supervision during the execution phase has been stepped up for movements of appropriations whose limited scope is such that supplementary budget acts are more frequently required in the event of a significant change to the approved budget. Hearing and investigative

powers have been extended and codified, as has the organisation of the Court of Accounts assistance powers.

The new constitutional bylaw fosters strategic public finance choices. The law guarantees debate consistency such that the annual budget act forms part of a strategic approach. At the same time as the debate is held on the annual budget act, the Government presents Parliament with the multiannual strategy for the entire general government sector, which corresponds to the stability programme submitted to Brussels in connection with Economic and Monetary Union. A general presentation and consolidated report are presented on changes to taxes and social security contributions upstream of the debate on the budget bill and social security budget bill to give Parliament an outline of how the public policies are to be financed. The budget policy debate has been institutionalised, enabling the State to present, by major task, the year-by-year growth in expenditure consistent with this holistic strategy.

Yet Parliament's additional authorisation and supervisory powers are also justified by the management leeway now granted the policymakers and administrators.

State performance and accountability for better public management

In return for giving the spending departments more freedom, Parliament asks for expenditure to be more controlled, i.e. new public management focusing on the effectiveness and efficiency of public services to ensure a better allocation of public monies. The idea is to measure the administration's effectiveness rather than just its activity, to make the transition from a "spend more" approach to a "spend better" approach with the same resources or a "spend less" approach with the same efficiency.

The new bylaw defines new freedoms for the spending departments in return for increased responsibilities.

The freedoms given to the spending departments

The spending departments previously subject to a system of budget authorisation by type of expenditure and detailed audits of the budgetary resources allocated now enjoy much greater leeway in the management of their resources with more general programmes and appropriation fungibility.

The programmes hence form the framework for both budget authorisation and management; the spending departments have a great deal of room for manoeuvre to seek to meet the performance targets set for them with overall control totals for the free apportioning of appropriations within each programme. The presentation by budget classes, which refers to these types of expenditure, is now more of a guideline: it does not put constraints on the spending departments, which can now largely redistribute their newly-fungible resources among operating expenditure, public action and investment, and also within labour expenditure. This "one-way" fungibility means that labour expenditure can be used to complement other programme components, but other expenses cannot be reallocated for use as labour expenditure. Lastly, a ministry is granted a single "full-time equivalent" authorisation for its staffing level with great freedom of management instead of the authorisation being controlled by grade and rank as previously.

New responsibilities

The budget process shift to performance targets hence drives a modernisation of public management structured around the notion of the programme based on commitment without rigidly set goals and accountability.

The commitment is presented in the annual performance plan appended to the submission for budget authorisation for the programmes: this plan has to describe the actions contained in the programmes, estimate their costs and define the objectives and performance targets. The performance targets and indicators have to measure the performance of the public policies in terms of socioeconomic effectiveness (for the citizen), service quality (for the user) and efficiency (for the taxpayer). The important innovation is clearly the coupling of a commitment approach

with an accountability approach. Such is the purpose of the annual performance report attached to the budget review act. This is no longer simply an accounting report on budget execution, but also a report on actual performance compared with performance targets.

The spending departments are also accountable for the use of the appropriations in compliance with the parliamentary authorisation, i.e. in terms of both commitment authorisations and cash-limit appropriations for all expenditure. Moreover, execution is established by expenditure purpose by means of tracking of actions that describe the public policy aims rather than just by type of expenditure as before.

The spirit of the bylaw has prompted the definition of a “programme co-ordinator”, a manager in charge of steering performance, his or her budget and the sound allocation of resources. In addition, the framework allowing for greater management leeway and accountability is structured by overall budgets at both central and devolved level in the form of “programme operating budgets” (BOPs).

II. The Increase in Parliament’s Powers

1/ Better Financial Information for Parliament

The reform of Parliament’s rights is the cornerstone of the bylaw of 1 August 2001. For example, the restructuring of the State budget has prompted a change in the parliamentary debate with a debate on the public policies and a discussion on public action performance. So Parliament now has clearer, fuller and more relevant information to give it real strategic steering power.

A budget debate refocused on public policies

The Constitutional Bylaw on Budget Acts redefines Parliament’s role and the nature of its involvement in the budget debate and public policy choices. Whereas Parliament’s authorisation was broken down into highly detailed items by appropriation and job type in the 1959 bylaw, Parliament now votes on more structuring elements that are more meaningful to steering public policies and measuring their performance.

Parliament discusses and votes on the budget by major public policies on the basis of 34 ministerial and inter-ministerial missions detailed in 132 programmes representing the level of budget authorisation specialisation and performance measurement: the appropriations and performance targets are presented in the annual performance plans appended to the budget act.

So the budget debate in Parliament now focuses on the purpose of the appropriations, i.e. the intended use for the appropriations to implement the public policies. Previously, budget appropriations were presented by chapters identifying the nature of the expenditure and were voted on by budget class: departmental resources, public actions, investment by the State and investment subsidies granted by the State. So the discussion has changed course since it is less important to decide whether to allocate a given sum of appropriations to a certain type of expenditure rather than another than it is to decide whether to allocate resources to a certain programme rather than another. The debate has hence been refocused on public policies and the strategy to be conducted and is therefore accessible to a larger number of parliamentarians who no longer have to be experts on a classification of appropriations that contained nearly 850 chapters.

All the appropriations are put forward for parliamentary debate. Before the new constitutional bylaw, Parliament renewed 94% of the appropriations in a single vote: the current services appropriation. This renewal was not discussed and did not encourage Parliament to look into the advisability of pursuing a given public policy or to seek management efficiency to optimise service delivery. The bulk of the debate concerned new measures presented by budget class and ministry. These new measures represented 6% of the budget and could potentially push up the budgets. However, the expediency, type and sum of the savings made on the public policies were barely discussed. By breaking with the approach of voting on the “current services

appropriation” and “new measures”, the MPs now vote on the appropriations on a “zero-base budgeting” basis with the budget debate refocused on the allocation of resources among public policies as part of a general action strategy.

Parliament votes on caps on staff per ministry. Labour expenditure accounts for 45% of the State budget and is the largest expenditure category, with its own dynamics due to the inescapable nature of this expenditure in the long run. So it was logical for the LOLF to provide for specific measures to control this expenditure category. Parliament has introduced a double cap on job numbers and payroll with a view to improving the definition and management of a general State human resources policy. This means that it can debate the job and labour expenditure growth policy in the light of budget balance considerations and the human resources needed for the public policies.

The french government will present in october to the Parliament a multiyear programming law of public finances including a reduction of the number of civil servants in replacing only one of each two public servants that retire over the next five years.

Enhanced information for Parliament to control expenditure better

The annual performance plan is included with the appendix on the appropriations. The plan identifies each programme’s strategies and targets. Performance indicators measure target achievement. This information is presented to Parliament for the budget debate. Performance has become a concrete and significant piece of information, along with the identification of the activity and the ministries’ output, to build awareness among the general public of the government action being taken. For example, a “good” minister should no longer be judged in the light of the increase in his budget, but on the basis of his commitment to ambitious performance targets and his actual performance using the appropriations allocated to him.

Tax expenditure is also identified per programme alongside the appropriations associated with the public policies. This means that all the expenditure associated with the public policies can be examined as a whole and, if necessary, the breakdown of State action can be reviewed in favour of one or other public action instrument.

Parliament now has more comprehensive information on the expenditure determinants with zero-based budgeting to justify all the appropriations. Detailed, in particular, are the unit costs of service delivery and administrative output, the cost of the major projects, and the programme’s labour expenditure growth components and determinants.

The major operators contributing to the programmes are presented to Parliament along with detailed information on subsidy amounts and job numbers and the operator’s contribution to programme performance.

Lastly, the full cost of the programme actions is presented in the budget documents to give Parliament a clearer picture of the cost of the public policies.

Parliament more involved upstream in steering the budget policy

Parliament is informed and invited to comment on the budget choices upstream of the presentation of the budget bill so that it can make its position known during the year.

The Government exercises transparency **during the budget procedure**. The budget guideline letters and mission control total letters sent by the Prime Minister to the ministers to mark the choices internal to the government procedure are now sent to the assemblies’ finance committees.

The budget policy debate (DOB) held mid-year (end of June) gives the Government the opportunity to address changes in the national economy and present its public finance guidelines. The budget policy debate report submitted to Parliament sums up France’s European commitments and presents the mid-term evaluation of the State’s resources and expenditure. A debate can therefore be held with Parliament with a view to examining and voting on the budget bill for the following year.

In addition, the classification by missions and programmes and the list of performance targets and indicators that will structure the coming budget are presented so that Parliament can convey its observations prior to the budget debate in the autumn. This debate is therefore a structuring moment in the definition of public policy choices.

The budget bill is accompanied by **an economic, social and financial report**, which presents the revenue, expenditure and balance growth forecasts for the entire general government sector, in view of France's European commitments (State, social security bodies, and local and regional authorities). It also includes a report on growth in taxes and social security contributions and a three-year evaluation of the planned legislative and regulatory provisions.

In October 2008, a three-year public finance policy act is due to lay down more formal guidelines.

The budget review act helps prepare for the following year's budget debate. To be able to systematically tie in the budget estimate with the execution analysis, the LOLF stipulates that the budget review act for year Y-1 is to be presented to Parliament and put to the vote at the first reading, before the budget bill for year Y+1. In this way, Parliament asks for a report on the past accounting year before making any decisions about the future. The State's accounts are examined along with the public policy performances. In asking the administration to account for its actions, Parliament now assesses the expediency of public action and can supervise action effectiveness more closely. So, better informed, it can alter certain choices for the coming years.

2/ A Greater Role for Parliament in the Budget Debate

The Government has to submit the budget bill with its appendices by the first Tuesday in October. Parliament (the National Assembly and the Senate) then has 70 days to examine it.

The finance committee draws on data collected by ongoing audits and information sent by the administrations in response to questionnaires. The LOLF provides for Parliament to send its questionnaires to the Government by 10 July of every year and for the Government to answer them by 10 October.

The LOLF also provides for the general appendices, collectively known as the 'jaunes budgétaires' (explanatory budget documents with a yellow cover), to which are added the documents on the cross-cutting policies for Parliament's information and examination, to be submitted to the bureau of the assemblies at least five days before the National Assembly's examination at the first reading of the revenues and appropriations to which they refer.

Article 47 of the LOLF **has substantially extended the parliamentarians' right of amendment**. It is one of the most innovative provisions of this bylaw, representative of the increase in Parliament's rights in budget matters.

Article 40 of the French Constitution stipulates that, "Bills and amendments introduced by Members of Parliament shall not be admissible where their adoption would have as a consequence either a diminution of public resources or the creation or increase of an item of public expenditure." The expression "item of public expenditure" prohibited amendments to increase expenditure offset by a decrease in another outlay or an increase in revenues.

Article 47 of the LOLF greatly broadens the power of amendment in budget matters. It opens up the possibility of parliamentary amendments to expenditure based on the interpretation of the Constitution: "As defined by articles 34 and 40 of the Constitution, the item of public expenditure concerned by amendments applying to appropriations is taken to mean the mission." Consequently, **amendments proposing an increase in a programme's appropriations offset by a correlative decrease in appropriations for another programme in the same mission are now admissible**. Yet any increase in appropriations secured by an increase in revenues or, alternatively, any decrease in revenues secured by a decrease in appropriations remains prohibited. Also prohibited are any changes to the distribution of appropriations among missions (general budget, specific budgets and special accounts).

Given that the creation of a mission is a government prerogative, parliamentarians may not create a new mission. However, they may create or withdraw a programme within a mission.

The rules on the admissibility of amendments are extremely strict. The LOLF renders inadmissible any amendments that are not in compliance with the bylaw, which means that the authorities in charge of admissibility in Parliament (finance committees) have to broaden their examination. In addition to the classic admissibility associated with compliance with Article 40 and the prohibition of provisions that have nothing to do with the State's resources and expenditure, all the other rules in the 2001 bylaw have to be checked (budget act remit, government monopoly on the creation of a mission, programme definition, rules on the specific budgets, special fund accounts, etc.)

This extension enshrines the virtually constitutional nature of the bylaw on budget acts and hence binds Parliament to comply with all its provisions.

This, along with the extended right of amendment, constitutes a real revolution in Parliament's examination of the budget act, offsetting the much more general nature of the budget authorisation that the legislature grants the executive body.

III. The Supervision by Parliament of In-year Movements of Appropriations

Movements of appropriations during an accounting year are more tightly controlled by the LOLF than under the 1959 bylaw. The lawmaker considered that these movements should only change the appropriations provided to the ministers "in exceptional circumstances" since they constitute departures from the single purpose expenditure rule and undermine the scope of the budget authorisation. This change is due to the system of overall control totals for each programme to reduce the total number of appropriations, but also to Parliament's aspiration to identify a single manager for budgeting and the management of appropriations and to limit deviations between the budget approved and the budget executed to enable an effective control of execution.

These movements of appropriations are subject to new obligations to provide prior information to the National Assembly and Senate finance committees on decrees providing for reallocations between programmes (maximum 2%) and cancellation decrees (maximum cancellation of 1.5% of appropriations). A one-week suspensive opinion from the finance committees is provided for in the case of supplemental appropriation decrees, which enable the Government to open new appropriations capped at 1%.

IV. Tighter Control of Execution by Parliament

Parliament's control powers

Having placed greater trust in principle in the administration's spending departments, it is logical that the LOLF should increase Parliament's ex-post control powers. This control takes the form of an annual examination of the budget review act, an exercise that takes on new importance, and greater hearing and supervisory powers for the finance committees.

Article 57 of the LOLF defines Parliament's role in the examination and control of execution. "The National Assembly and Senate finance committees monitor the execution of budget acts and evaluate any public finance issue. The task is assigned to their respective chairmen, general rapporteurs and special rapporteurs in their assigned fields." The committees' remit is extended to all public finances, which goes far beyond the simple examination of the budget acts.

To properly conduct this task, the finance committee chairmen, general rapporteurs and special rapporteurs have extended powers:

They can conduct "all documentary and on-the-spot investigations". The LOLF also stipulates that, "All the financial and administrative information and documents they request [...], save

subjects of a secret nature concerning national defence and the State's internal and external security and observance of investigative and medical secrecy, must be provided to them.”

The finance committee chairman or general rapporteur may hear any person they deem useful to hear. These persons are bound to comply. They are, in this event, released from the obligation of professional secrecy save for subjects of a secret nature, such as administrative documents. Previously, hearings could only be imposed by a committee of inquiry.

There is also the possibility of asking the Court of Accounts to conduct investigations.

In the event of a hindrance, unjustified delay or non-communication of elements requested by Parliament, Article 59 of the LOLF stipulates that the chairmen of the finance committees may refer the matter to the administrative judge for a ruling by injunction and may require, subject to a fine, the communication of the elements.

The new importance of the budget review act

Under the 1959 bylaw, the debate and vote on the budget review act had become a formality without any real importance. They generally took place at the beginning of the year and concerned the accounting year two years previously. The main concern was to draw up the accounts for the year ended and thereby identify deviations between the estimated and actual figures, especially the precise sum of the budget overdraft. However, the information gleaned from the analysis of the accounts had no effect on budgetary decisions. The analysis focused mainly on monitoring conformity.

The LOLF attaches new importance to this examination of execution. In fact, the budget review act has become a key moment in the examination of the report on the administrations' management. The LOLF provides for the act to be examined and put to the vote at the first reading before the examination of the Y+1 budget bill. The act's content has also been enriched with the inclusion of annual performance reports, which present appropriation and job management and performance levels in the same format and layout as the annual performance plans.

The examination of these documents on the past accounting year clearly identifies the room for improvement and provides pertinent information for the budget programming for the coming year. It firmly establishes Parliament's new role in public policy evaluation and, in so doing, allows for the necessary communication and exchange with the Government to steer and adjust public action.

A more detailed examination of the budget review act is now in operation in Parliament. The finance committees hear the ministers for a week in their examination of performance. However, there is as yet no debate in public sitting of any substantial length of time.

Parliament's evaluation

Prior to the implementation of the LOLF and in anticipation of the strengthening of Parliament's role, the National Assembly's finance committee set up a Monitoring and Evaluation Task Force (Mission d'évaluation et de contrôle, MEC). This task force, created in 1999, held in-depth think tanks on the principles of management for a certain number of public policies such as the motorways policy, management of the national police force's resources and staffing levels, the government employment schemes, management of the universities, tax collection, management of social housing, administration of the justice system, etc. Note that this body was also tasked with preparing the reform of the text of the Constitutional Bylaw on Budget Acts.

This task force is innovative in that it seeks to analyse and make proposals to improve the management of a public policy or service in a totally impartial manner. With the assistance of the Court of Accounts, it has developed an objective approach to the subjects submitted for its evaluation even as it analyses the different reasons underlying the administration's choices. This

means that it can make highly operational consensus recommendations to improve the administration's management.

A new milestone was reached when the Constitution was amended on 23 July 2008, firmly establishing Parliament in its role to evaluate public policies.

This constitutional reform lays down four new articles on evaluation. "Parliament evaluates the public policies" (Art. 24), is assisted by the Court of Accounts "in the evaluation of the public policies" (Art. 47-2), "one week of sittings in every four is reserved as a matter of priority and in the order set by each assembly for the supervision of the Government's action and the evaluation of public policies (Art. 48), and "committees of inquiry can be set up" to conduct evaluation tasks (Art. 51-2).

The assistance of the Court of Accounts

The French Court of Accounts has three missions:

- a jurisdictional mission in judging the accounts of accountants ;
- the certification of accounts starting 2006 with the Lolf ; the central government accounts are certified with 12 qualifications (among them: the limits of the existing IT system and the inadequacies of internal control). The certification of accounts is presented to the Parliament before the discussion and the vote of the budget review act.
- the evaluation of public policies. As regards evaluation, the Lolf asks the Court of Accounts to assist the Parliament in its own role of evaluating public policies.

The Court of Accounts publishes two important public reports devoted to Parliament every year.

- the annual report on public finances situation before the spring debate on fiscal policy in Parliament
- the annual report on performance along with the corresponding budget review.

Throughout the year, the Court of Accounts assists the financial committee of the two Assemblies, they can ask for assistance for "control and evaluations missions" and for all inquiries on public services or agencies.

V. The Implementation of the Reform: Success and Problems

1/ The Implementation

The reform takes time for ownership; it is a long term process. The Lolf was voted by Parliament in 2001. The full implementation took four years until 2006. We are waiting for the new IT system (ERP) in 2011.

The four years of preparation were devoted to the building of budgetary and accounting foundations: (budgetary architecture, accounting rules, performance objectives and indicators, rules of accountability) and to some pre-figurations (globalisation of appropriations, performance).

A specific team " the directorate of budgetary reform" consisting of 50 people, under the minister of budget, was in charge of defining new rules, setting pre-figurations, coordinating the line ministries and training civil servants with a lot of publications, tools and web site.

This team had discussions with the financial committee of the Assemblies (presenting a draft budget) and giving an annual report to Parliament. This team also participated in providing training on new concepts to members of Parliament and officials.

Two members of Parliament, who were at the origin of the reform, were twice appointed to report on Lolf implementation.

2/ *Successes and Challenges*

The implementation of the reform meets three main challenges

- A political challenge: the performance of public policies in the political debate and the role of Parliament
- A governance and administrative challenge
 - Training of public managers; building the capacity of managers, both in central administration and on the ground to operate under the new budgeting framework; the promotion of a culture of accountability;
 - High-level support and widespread participation of teams, personnel and their representatives;
 - Integration of program managers in the project management system; Increasing the awareness of the reforms among key managers and financial officers;
 - Coherence between the perimeters of programs (132) and the competences of central administrations (~200 directorates)
 - Objectives and indicators broken down at operational level, to develop a new public management based on accountability; relations between central administrations and regional services of the State.
 - Relations between actors (Ministry of Finance / line ministries: program managers / operational divisions (financial & HR coordinators); budget managers / financial controllers; budget managers / public accountants).
 - Incentives to achieve the results and manage programs' HR dimension (career, wages, bonuses, etc.).
- A **technical challenge**: Establishing comprehensive financial information management systems to support the planning and reporting systems.

Initial results from the new public management system are encouraging:

- The new management system has given meaning back to public service, encouraging departments to redefine their objectives.
- By delegating responsibility for managing the departments to managers and by focusing on performance, it encourages them to improve the quality of public service and make better use of public resources.
- It has enriched management and social dialogue by encouraging discussion of objectives, the allocation of resources and the possible reuse of resources made available.

Inherent risks associated with a major change in the public management system have been identified at the beginning:

- A learning phase: the management framework has been significantly modified with a much tighter schedule with new standards, new tools, new timetable.
- Some disappointment from managers concerning the reality of the new room to maneuver provided (budgetary constraints, earmarking of appropriations by central administrations etc.).
- A more complex and bigger workload on start-up (requirement to provide more information, expenditure commitment procedures etc.).

- Concerns about the availability and accuracy of certain tools, notably management information systems.

The areas for further progress and current challenges are the following:

- Promoting the adoption of a managerial culture via the new drivers of the process (program and POB managers); professionalize management and shift management decisions further to the field.
- Developing human resource management: increased flexibility, increased mobility, statutory status of employees
- Improving control systems: less a priori controls; enhanced internal controls, and development of management control; increased internal audit
- Leading the reengineering of budgeting and accounting processes and the deployment of a new financial information system (ERP) for central & regional State services (~30.000 users).

The involvement of Parliament:

- Members of financial committee are more involved than those of other commissions; they hold hearings for ministers and high civil servants. But few are really interested in accounting.
- The final committee hasn't yet obtained a public debate of performance report in plenary.
- The main question is the will and the means of Parliament to be fully involved in the implementation of the reform.