

The French Experience in Performance Management : from the principles to the application of the 2001 “Organic Law on Law of Finance”

Summary

In the worldwide scope of experiences of performance management in public administrations, the French one stands apart, being conceived, conducted, and applied as a global system, planned to come into effect on the same day (January 1st 2006) within the entire scope of the State activity. The initiative and main design of the reform came from Parliament, in order to bring satisfactory answers to its main concerns: to know what the goals and purposes of the expenditures proposed by Government are; to have a clear view of the results achieved; and to improve its own role in the process. By August 1st 2001, a new “Organic Law on Law of Finance”(known as “LOLF”) was adopted by both Chambers of Parliament, in a never-before-seen unanimous vote. The changes involved were impressive and the Ministries had barely four years to adapt to the new law.

Up until 2001, the managers’ main concern was the regularity of their expenditures. Of course, with or without the LOLF, it remains necessary to respect regularity. But a regular expenditure gives no guarantee of being a wise one, or of being useful for the policy pursued. With the LOLF, the couple *liberty-responsibility on results* is ranked first.

The LOLF introduces four revolutions. The first one deals with the Budget. The nomenclature is no longer a matter of *nature* of the expenditure, but becomes its *destination*, as set up widely in “*Missions*”, and more precisely in “*Programs*”. The entire State Budget has been divided into 34 different Missions, which altogether represent 132 Programs. A main concept is that *each euro within the French Budget belongs to a given Program*. As such, each public euro is involved in the whole process of performance management. Programs in their turn are divided into “*Actions*” (around 600 in the Budget), an Action representing a part of a Program of significance, either because of its specificity (such as being oriented towards a given public) or because it sounds reasonable to isolate such a centre of costs. The nature of expenditure remains as an indicative factor of the budgetary needs by Action.

The second revolution is a managerial one. For each Program, the Minister appoints a Program Manager (“PM”), one of the top civil servants of its Ministry. The PM benefits from a high degree of freedom and, in counterpart, commits himself to reach given results related to its Program’s objectives. That is the central pillar of the reform: a Program is characterized by a budget allowed to a PM, but also by a *strategy* expressed, some fundamental *objectives* set out, some *indicators* as tools for measuring the accomplishment of the objectives, and an annual *target* to be reached for each Indicator.

The third revolution is in accounting. In the 1959 system, accounting was limited to a cash basis. With the LOLF, the cash accounting is adapted to the new nomenclature by Mission, Program, and Action. But two others dimensions are added. The first one is “*general accounting on an accrual basis*”, such as any company practices. The second new system introduced is “*analytical cost accounting*” at the level of the Actions. The fourth revolution is in information technology. Most of the information systems in all Ministries had to be renewed to produce the new budget, the new three dimensions accounting, and all the performance indicators.

A Program is included within a single Ministry perimeter. In practice, Ministries’ budgets are made up from three to twelve Programs, a common figure being around five. The Ministries and Programs matrix simply reflects the Government arbitrations on the respective powers of each Ministry within the field of each public policy. Thus, in some cases, the Mission and the Ministry perimeters are alike (Justice, Culture, Defence, etc.). Any Ministry budget is made up of two types of Programs : some “*Policy Programs*”, oriented towards the citizens’ needs, (they are the very reason why the Ministry itself exists), and one “*Support*” Program, at the *Policy Programs* service (mainly for information systems, finances, human resources, building and other common logistics needs).

A main principle of the LOLF is that all State budgetary means (credits, personnel) dedicated to any given public policy identified as such by a *Policy Program* must be included in the budget perimeter of *this* Program. This point is of major importance, *as one cannot be asked for performance if he does not have the ability to decide or be closely associated with the decisions on the use of the budgetary means dedicated to the policy he is responsible for*. Needs for credits (and explanations for expenditures) are specified through the “*Justification from the first euro*”, which responds to three main purposes : to give Parliament sufficient data to get convinced that such amount is needed to carry out the Program (otherwise it will diminish the budget proposed); to give the PM an acute knowledge of his leverages for action; to provide a comparison basis between what was forecast (in Budget) and what has been done (in execution).

In the LOLF philosophy, “performance” has three dimensions. The first one is the “*economic or social impact*” (or the effectiveness of the policy), the second is the “*quality of service*” (delivered by the administration services), and the third one is the “*efficiency*” (the productivity gains). The choice of the objectives must reflect these dimensions. On the other hand, there is no place in the “performance” concept for any “*activity objectives*”: to develop a Service activity may be wished for and reached, but this tells us nothing about what *results* from the activity, where performance stands.

An “objective”, in the LOLF scheme, is expressed by a literary sentence, introduced by a verb (i.e. “to improve”, “to reduce”, “to accelerate”, etc.) describing as precisely as possible a priority concern in the scope of the public policy carried out through the program. The objectives must be appropriate to the leverages that a Program Manager can stimulate. Furthermore, an objective must be clearly expressed in order to be easily understood. It also has to be realistic even if ambitious, and meaningful in the medium term (performance being a renewable effort towards somehow permanent goals). Another requirement is to rely on the major issues put forward by the ministerial strategy for the policy concerned: the objectives must be of strategic character, orienting the management towards priorities (and not towards what is easy to be achieved, but of minor importance). So, the number of objectives per Program must be limited (four to five is a good number, eight being a maximum).

The last major test that an objective must meet is its ability to be declined at the different levels of the services involved in operating the public policy. Otherwise, it will remain an abstract “wish at the top”.

As for the Indicators, hardly any of them will be perfect. If by nature an indicator simplifies, if not caricatures, the complexity of political, social, and economic life, it must have certain qualities to be selected. First, it must hide no bias (for example improving in value while the actual performance is going backwards). It must also meet as closely as possible the requirements of the objective. For instance, indicators computed as an average are rarely relevant, if not completed by dispersion ones.

Next, an indicator must be available within a period of time short enough to be meaningful in a yearly process. It must obviously be computable. But there is a balance to be maintained between the interest that a given indicator presents and the difficulties and the cost that would be involved in its production. Last, an indicator must be robust, must result from reliable information systems, or from commonly accepted methodologies (i.e. for opinion polls).

Altogether, the 132 Programs that compose the French General Budget result now in about 650 objectives, illustrated by around 1300 indicators, starting in 2006 with a significantly greater number of indicators. It seems to be a current fact that States going into management performance start with too many indicators.

The LOLF specifies that Parliament should receive the same type of information for each of the 132 Programs, provided by the Program Managers, under the supervision of the Budget Department who runs the application producing the documents and looks at their quality.

Parliament is given two detailed reports for each Program: one is the “*Annual Performance Project*” (“PAP” in French), submitted in October N-1 for the Budget of the year N; the second one is the

“*Annual Performance Report*” (“RAP” in French), presenting the results (for the same budget year N), on the 1st of June N+1.

Both documents contain all necessary information relating to a program, mainly: a strategic presentation, emphasis being put on final goals and priority of the public policy described; a presentation of the context of the Program (actors, environment, operating process involved, etc.); the explanation of what each Action of the Program consists of, with the needs for credits attached (in “commitments authorisations” and “credits for payment”), as well as the “tax-expenditures”; for each Action and Title (both in commitments and payments), the amount of credits opened for the current year, and the consumption of credit of the preceding year; a detailed presentation of each objective of the program, as well as the indicators related to this objective; for each indicator, a table with the figures of the last-known realizations, the forecast for the current year (N-1), the target for the budget of year N, the target at a medium term (N+3), and some methodology details on its computation and interpretation limits, including the source of data to be used; the “*justification from the first euro*” of the need for credits; the summary of credits dedicated to each public body involved in the achievement of the public policy concerned, and its global budget if it receives non-budgetary (i.e. commercial) resources as well; and finally, the analysis of the complete costs of the Actions.

To conceive and then to apply a Program brings many people within a Ministry to work together. The PM must organize a “*responsibility chain*” for the needs of his program, which includes his direct collaborators in the central administration, as well as the heads of regional and local services of its Ministry, and the managers of the public bodies receiving subsidies from its budget. Moreover, performance management cannot be reduced to a top management problem. It concerns everyone working for the needs of a public policy. Programs are organized and broken down to make it possible.

For each program, the PM appoints, from among the *responsibility chain*, those who will be his “*Program Operational Budget Managers*” (“RBOPs” in French). With them, he builds the program project. He also collects the *Prefect’s advices*, since Prefects are the Government representatives in each Region in charge of insuring the coherence of the public policies on their territory. Once the Program has been adopted by Parliament, the PM continues his “management dialogue” with his different RBOPs, and contracts with each of them on their part to the Program, each signing a document called “*Program Operational Budget*”, which describes which part of the program’s budgetary means will be delegated to the RBOP, and what their own objectives, indicators, and targets will be. In the same way, the RBOP enters into a management dialogue with the head of the lower administrative level, called “*Operational Units*” (“UO” in French), to agree on their credit part of the Budget and their participation in the performance scheme of the program.. The couple *liberty-responsibility* then applies, so that those managers of second and third rank (the PM being the first one) have a sufficient margin in their own decisions. Of course there is detailed reporting of their results to the PM.

When a policy which is by nature of “inter-ministerial” dimension, the power for coordination is attributed by the Government to the program manager who is most involved in the given policy. His task is to insure that the strategies, the objectives, and the indicators of all programs (of any Ministry), as far as this policy is concerned, are coherently built. The result appears in a specific document called “*Transverse Policy Document*”, including all parts of all programs participating in each policy concerned, expressing the common strategy, and recalling by program the objectives and indicators to show their coherence. The document also sums up the global credits devoted to such policy in the Budget.

Within a Ministry, there is also a need for coordination to provide the best relationships between the *policy programs* and the *support program*. Obviously, the LOLF aims to give pre-eminence in their field of responsibility to the *Policy Program Managers*, the *Support Program Manager* having to enter in a “supplier-client” type relationship with them. Every Ministry has been required to establish a “*Ministerial Management Charter*” to specify how the different parts of the Ministry will work together in the LOLF system. In the same way, all PMs have been asked to establish a “*Program Management Charter*” describing how their program works operationally, including clarifications on the PM and RBOPs respective powers, relationships with the UO Managers and the organization (timing and content) of the

“management dialogue” along the “responsibility chain”, as well as the relationship of the program with the outside.

A temporary Department called “*Budgetary Reform Department*” (“DRB” in French) was created from 2001 to 2006, to bear the responsibility of all the detailed conception of the application of the LOLF, and be, at the inter-ministerial level, the unique correspondent of all Ministries in this respect. After the first year under the LOLF system, in 2006, the responsibility for the operational and theoretical aspects of the new system was transferred to the Budget Department which reformed at the same time its own organization to switch from a “Spending Ministries” oriented structure to a “Mission” oriented one. During the same period, 2002-2006, at the political level, the Ministry of Budget and Budgetary Reform chaired a Steering Committee of Ministers. At a technical level, the DRB Director chaired himself a Steering Committee grouping all Ministries’ Finance directors, as each of them was the DRB’s natural relay in his Ministry. Through these committees, Ministries’ agreement was required on the principles and operating choices both at political and technical levels. Parliament was closely associated with these choices, mainly through missions conducted by the “two fathers” of the LOLF, the socialist Didier MIGAUD (for the National Assembly) and the liberal Alain LAMBERT (for the Senate)

Of course, regional and local services of the different ministries were strongly involved in the process of conceiving and implementing the operational components of the LOLF system. A huge number of “*working groups*”, or “*Regional committees*”, both within each Ministry and at an inter-ministerial level (then chaired by the Prefects) raised all practical matters to be clarified and proposed their views or solutions. In fact, it is impossible to state whether such method was mostly “*top-down*” or “*bottom-up*” oriented, as both ways were mixed at the same time. The main orientations were launched by the “top”, as an application of the LOLF principles, but the operating choices were the result of exchanges going both ways between the national and the regional level.

As soon as the LOLF was adopted, Government decided to establish a “*Programs Auditing Inter-ministerial Committee*”, (“CIAP” in French) chaired by an Inspector General of Finances, with one member for each Ministry (in the Budgetary concept), coming from its Audit Service. This Committee received the mission to conceive, organize, and run, in a complete autonomy, audits of the Programs proposed by all Ministries. At a first stage, those audits were to help Ministries to construct relevant programs. This stage is still continuing after five years of audit, and more than one hundred programs have been audited. As Programs are still subject to evolutions, it will be rather a permanent stage. From 2007, a second stage was added: auditing the results of performance (the results of the indicators) as published by the Ministries in their RAPs, and the quality of the comments given by the PMs.

We will simply conclude by giving the general view that these audits allow us to present at the point where we are presently in France with the implementation of such a major change.

First, the reform really works. Any way backwards is now not only impossible, but also unthinkable. Tools have changed and most of them are now relevant to the LOLF principles. But the spirit in which the services act has changed as well. “Performance management” is now a major motivation of all Ministries. Nevertheless, we still are far from perfect. Some programs perimeters need to be modified to fit better with the public policies they are supposed to carry out. While good progress has been achieved in the expression of performance (by selection of more relevant objectives and indicators), some indicators could still be improved (where their concept, or their robustness, or the delay in which results are produced is concerned). Internal control on data and processes has still to be developed, as well as management control to make it possible to anticipate the results and to enable the managers to set up quickly any needed corrective measure, and to interpret wisely the gaps, if any, between the forecasts or targets and the results really achieved. But I really think we are on the right path.

*Pierre LUBEK, Inspector general of Finances (hon.)
Former Chairman of the CIAP*