

The French budget preparation process

Direction du Budget
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- A quick description of the budget procedure
- How the budget is presented
- The impact of pluriannuality

Budget preparation process overview

- Administrative procedure (march to september)
 - Preparation of a budget scheme inside the ministry for finances (march)
 - Negotiation between ministries and budget arbitration (april to june)
 - Distribution of attributed budgets (july and august)
 - Preparation of the budget law and its appendixes

- Parliamentary procedure
 - Presentation of the budget law (1st Tuesday in October)
 - Debate in the National Assembly (october to november)
 - Debate in the Senate (novembre to december)
 - Second debate in each house (a few days in december)
 - Scrutiny by the « Conseil constitutionnel » (Supreme Court)

Administrative procedure : preparation inside the ministry for finance

- Yearly procedure starts with the preparation of a budget scheme by the budget directorate inside the ministry for finance
- The budget directorate is organised in a matricial way :
 - Sectorial units take care of particular department budgets (education, police, defence, etc.)
 - « Synthesis » units carries consolidation and are responsible for general strategy
- The exercise is designed to produce a realistic forecast for several years
- In order to balance the budget, « reforms » intended to save money are proposed in the scheme
- The scheme is presented to the minister, his advisors and the Prime minister's advisors
- On its base, a « spending evolution rule » is defined. It is intended to put a framework for the coming budget negotiation

Administrative procedure : budget negotiation

- Budget is negotiated between the ministry for finances and the others ministries. It is decided, in the end, by the Prime minister
- Th process is organised in two phases : a « bottom-up » one and a « top down » one
- First phase : negotiation between ministries and budget arbitration (april to june)
 - Negotiation meetings are organised first in the services then between the Ministers, and at last before the Prime minister
 - The sum of the budgets allocated to each department has to meet the « spending evolution rule »
 - At the end of the process the Prime minister sends all ministers an « expenditure ceiling letter » defining a cap of means allocated to each of them (spending and recruitment authorisation)
- Second phase : distribution of attributed budgets (july and august)
 - Once the « expenditure ceiling » is decided, it has to be allocated to every specific appropriation
 - During this phase, the budget directorate is trying to avoid any sort of under-budgeting

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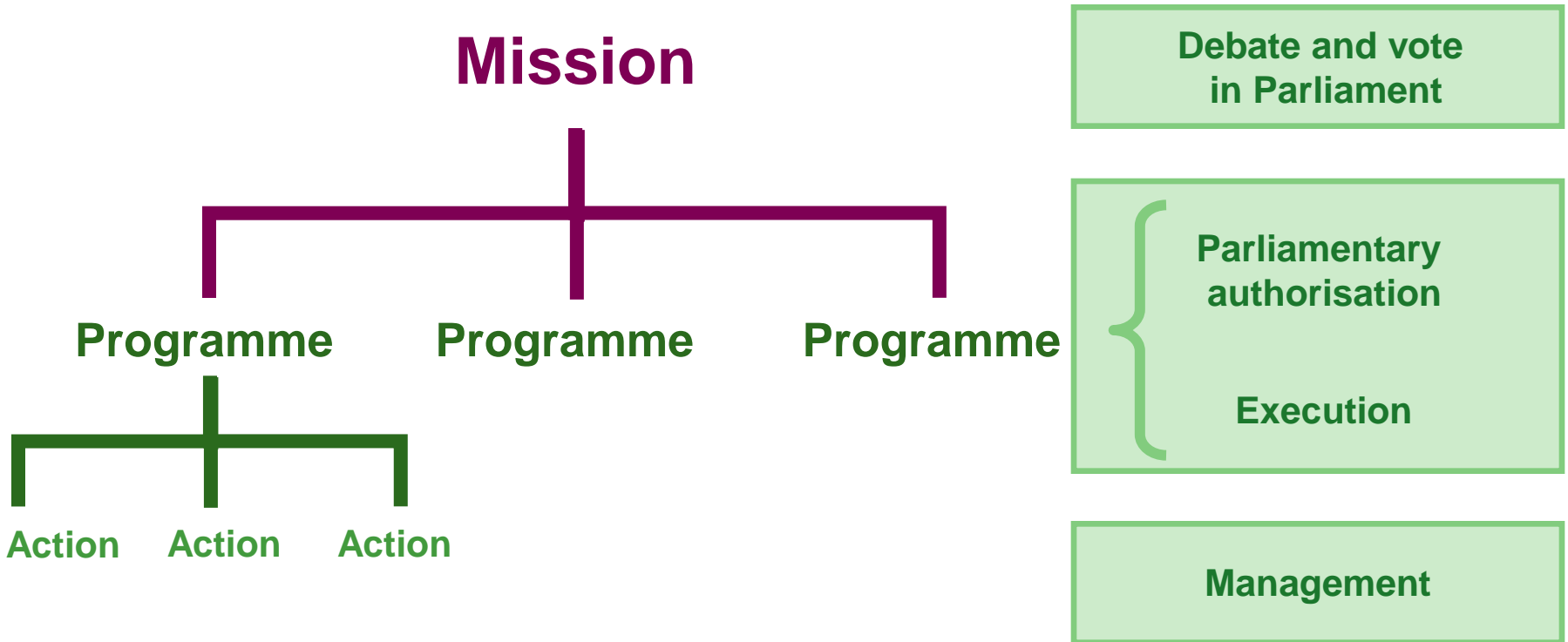
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Structure of a budget law

- A budget law is organised in two distinct parts
- First part : income
 - Every measure dealing with current year income is presented in the first part
 - Derogation to the universality principle is also presented in this first part (specific income can be allocate to specific spending on certain conditions)
 - Parliament is then presented with a balance of income and spending for the current year
- Second part : spending
 - In the second part, Parliament is presented with the spending authorisation to be voted
 - Every measure that has an impact on the current year spending is presented in the second part
 - Parliament initiative regarding spending is restrained by the Constitution : members of Parliament cannot increase a specific spending
- Budget law is strictly competent on specific measures that have indirect impact on public finances like financial guarantees

Structure of the budget (1/3)

The new budget structure : a presentation by purpose around three levels



Structure of the budget (2/3)

- **MISSION = a major public policy**
 - a mission is created at the Government's initiative
 - it may be under the responsibility of one or several ministers
 - Parliament cannot increase the level of appropriations of a particular mission (it can only reallocate funds within a mission)
 - in 2012, the general budget is divided into 32 missions

- **PROGRAMME = a consistent set of actions**
 - a programme is created in a budget act
 - it must be under the responsibility of one minister only
 - a programme is the unit of parliamentary authorisation = a maximum budget line for its manager
 - the implementation of each programme is assigned to a manager, appointed by the minister in charge
 - in 2012, the general budget is divided into 125 programmes

Structure of the budget (3/3)



- **ACTION** = a part of a programme, targeting a particular audience or issue
 - actions define the purpose of budget appropriations but they are not binding for programme managers (they only provide greater detail for a better information of the Parliament)
 - in 2012, the general budget is divided into about 600 actions

Impact of the budget reform in France : the « LOLF »

Before 2006, the French budget was allocated according to the type of spending (personnel, investment, etc.)

Example : mission Justice

Before: 30 chapters

- Staff expenditure
- Pensions and allowances
- Social contributions
- Operating subsidies
- Social programmes
- Administrative facilities
- Investments
- ...

After: 5 programmes

Judicial system

Prisons

Legal protection for under 18s

Access to justice and legal aid

Support for judicial policy and related organisations

Impact of the budget reform in France : the « LOLF »

- Zero-base budgeting (“first-Euro justification of appropriations”)
- Performance targets and indicators
- Cost analysis of actions
- More autonomy given to managers
⇒ “asymmetric fungibility”
- Presentation of achievements

Set up in the
annual budget
(PAP)

Execution -
Management

Reporting
(RAP)

Impact of the budget reform in France : the « LOLF »

- Each programme is detailed in an “annual performance plan” (PAP)
 - strategic presentation of the programme goals
 - presentation of appropriations
 - planned actions
 - performance targets and indicators
 - first-Euro justification of appropriations
 - cost analysis of actions

INDICATEUR 1.1 : Délai moyen de traitement des procédures, par type de juridiction

(du point de vue de l'utilisateur)

	Unité	2005 Réalisation	2006 Réalisation	2007 Prévision PAP 2007	2007 Prévision actualisée	2008 Prévision	2008 Cible
Cour de Cassation	Mois	20,48	18,71	17	17	17	17
Cours d'appel	Mois	14,2	13,28	12	12	12	12
Tribunaux de grande instance	Mois	6,7	6,58	6	6	6	6
Tribunaux d'instance (dont justice de proximité)	Mois	4,7	4,76	3	3	3	3
Conseils de prud'hommes	Mois	12,1	12,37	9,5	11	10	10
Tribunaux de commerce	Mois	5	ND	5	5	5	5

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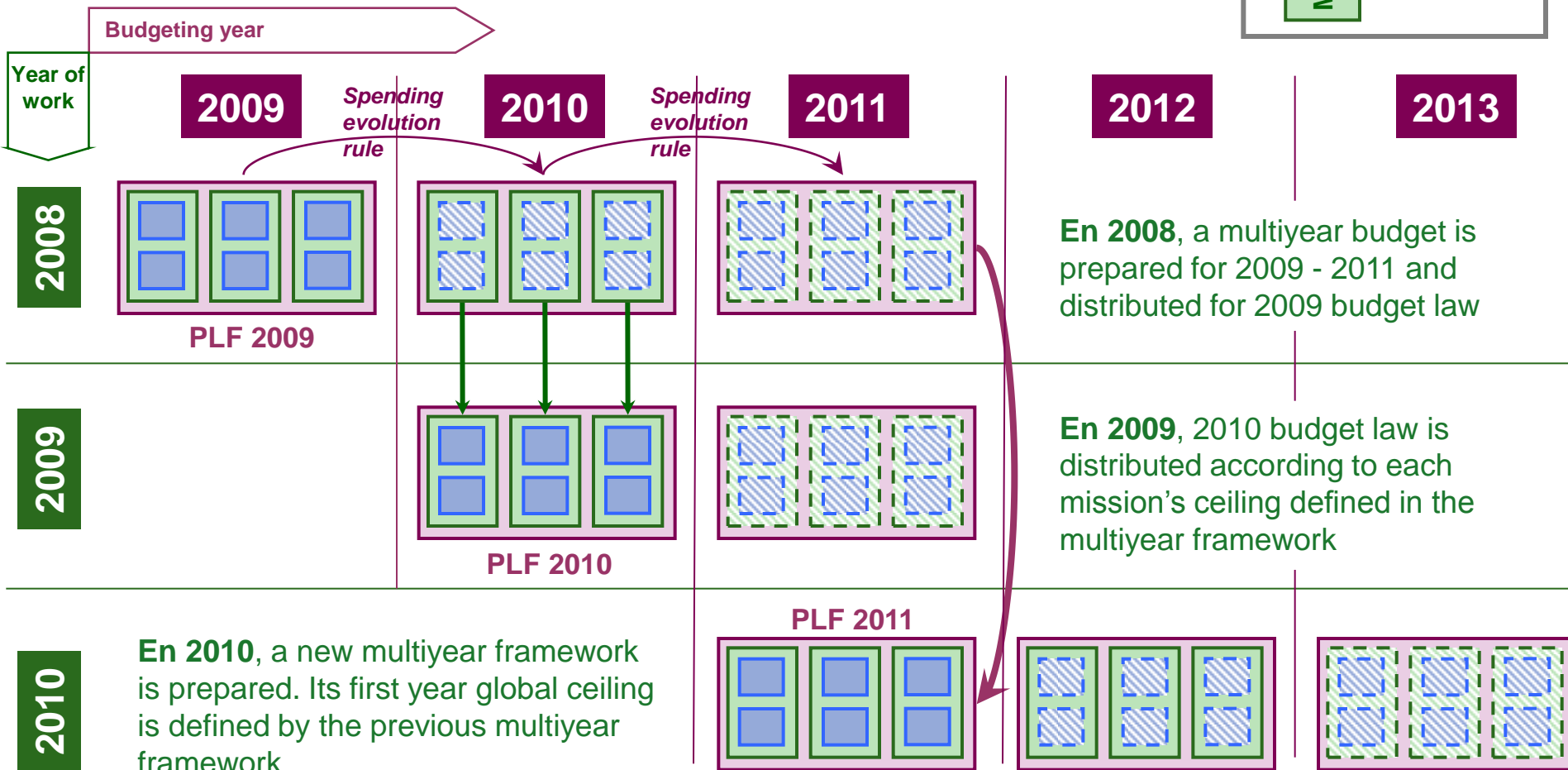
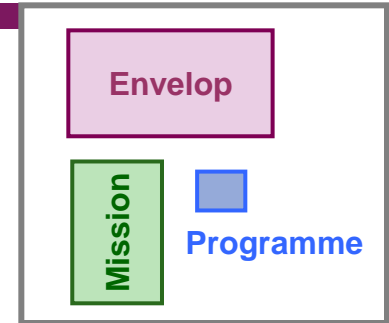
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Introduction of programming laws in 2008

- **Revision of the Constitution in July 2008** : introduction of a new type of laws :
 - define « *multi year orientations of public finances* »
 - « *contribute to the objective of equilibrium of the public accounts* »
- **A first programming law (LPFP) for years 2009 to 2012 was voted on the 9th février 2009**
- **A second law for years 2011 to 2014 was voted in december 2010.** It gathers :
 - Public accounts trajectory (deficit and debt)
 - Ceilings by missions for the government budget
 - A national health care expenditure target
 - An expenditure rule («**zero % in real terms** » for the State)
 - Other Public finances rules (for tax)
- **An annexed report which was voted**, with macroeconomic forecasts, public finances paths and explanations about the multi year budget

How does the Multi year budget work for the central government?

- Every other year, budget is directly distributed according to the multi-year framework
- The third year stands only as a guideline for next programming (2011 - 2013)



Impact on the procedure

■ On the work in the directorate has evolved :

- When a multiyear framework is prepared, attention is focussed on programming and designing reforms
- The other year, attention is focused on implementing reform and analyzing execution of the multiyear framework

■ On the decision making process :

- multiyear budgeting assures a more sincere planification by designing documented medium term spending objectives
- A focus on structural reforms that procure effects on a on medium term
- sectorial programmation laws are now elaborated according to the budget multiyear framework