

## **The French Public Financial Management : Lessons to be learned**

In France, the implementation of the New Public Financial Management defined by the Constitutional Bylaws of 2001 is not completely a successful story.

### **I – Lessons to be learned :**

#### **A. Management by performance : a long way to go**

##### **The spread of a culture based on results : not enough**

The acceptance of the use of indicators is weak : 78% of staff interviewed by the Cour des Comptes say that their actions are monitored using indicators, but only 41% believe that the performance of public civil-servants should be measured using indicators.

##### **An overambitious system of indicators: too much**

The targets and indicators are not enough linked with political priorities.

Within government administration, where these targets and indicators are not linked to management or productivity concerns, the services find it difficult to understand what the performance measurement instruments are actually for.

Simplification of the performance monitoring system could therefore be considered, as is the case in some countries.

Question : until what point is it possible to simplify without betraying Reality ?

##### **Ressources and Results : two separate worlds**

During the planning of the budget, the Budget Directorate keeps the discussion of resources with the programme managers separate from the discussion of performance.

62% of the operational programme budget managers who responded to the Cour des Comptes said that the main obstacle to the effective implementation of their mission was a lack of budgetary space for manoeuvre.

The negotiations for resources that take place between each manager and the Budget Directorate are characterised by “mutual mistrust” and the persistence of a line-by-line examination of each item of spending.

Question : is it possible to link Budget and Results based on performance, with a public debt of 90 % of GDP ?

### **The quality of service issue : a forgiven world**

Only 51% of staff believe that sufficient account is taken from the public's point of view when setting the targets for the administration they belong to. The feeling of the staff seems to be borne out by the fact that the proportion of quality of service indicators out of all of central government performance indicators is relatively small.

The initiative, in 2011, by the Council for Modernising Public Policy to create a barometer for measuring the quality of public services every six months is good, but it seems separate from the annual performance plans and reports.

## **B. Which right Organisation?**

### **The central government : mission perimeters and ministerial Portfolio**

The persistent mismatch between governmental organisation, which experienced numerous fluctuations between 2006 and 2010, and the method of presenting central government's missions and objectives ensuing from the Constitutional Bylaw has reduced the effect that the Bylaw could have had on the redefinition and conduct of public policies.

There is a constant risk that mission perimeters will have to adapt to changing ministerial portfolios.

### **The territorial Administration : compartmentalised and inappropriate**

The implementation of the Constitutional Bylaw in decentralised services has led to the fragmentation of their management structures. In 2008, the Cour des Comptes believed that "the number of managers was multiplied, but their responsibilities were being diluted ; territorialisation was growing, but by the juxtaposition of links in vertical chains".

Question : is it possible to prioritise an interministerial approach, which, at a regional level, would give the control of public policy appropriations to territorial state representatives (Prefects) over local managers ?

### **The agencies : failure to restore the balance between central government and its implementing operators**

The implementation of the Constitutional Bylaw, which originally did not concern implementing agencies (operators), was meant to clarify the division of roles between policy-making and policy implementation.

In practice, it was unable to restore the balance in the relationship between central government and its 594 implementing agencies (operators). In fact, their role has expanded very often.

Question : how is it possible to take control of the agencies without a real capacity of expertise in the ministries?

### **Local and Regional Authorities : partial accommodation of shared public policies**

For local and regional authorities, the use of experiments involving volunteer councils was preferred to the development of a “local Constitutional Bylaw”, because the organisational structure and size of these authorities was so diverse.

To enable an overall assessment to be made of the results of public policies, as required, it now seems that these policies will have to be managed over a larger perimeter, taking into account local and regional authorities.

Question : what will Chapter III of decentralisation of the new Majority be ?

### **C. Responsibility ? Almost a coarse term**

#### **Missions without administrative managers**

Although missions now reflect the public policy framework defined by ministers, no administrative manager now has overall responsibility for these missions. So there are currently no formal links between the political vision of ministers and the strategies presented in the programmes their managers are to execute.

Question : if the new ministerial manager (the General Secretary or Permanent Secretary) is responsible, is it possible to imagine a real assessment of his action in case of bad performances?

#### **Freedom but without space for manoeuvre**

The lack of room for manoeuvre is not only a budgetary problem : as far as human resources is concerned, the HR Direction in the ministries wants to be responsible over the managers because of the Trade Unions.

Above all, the General Secretary is very often the second Head of the ministry, without mentioning the weight of the staff working for the minister.

#### **Freedom but without real accrual accounting**

In operational terms, the use of accounting data by managers is limited.

The majority of ministries uses, partially or wholly, data reports from the accrual accounting system (inventory of accrued expenses payable, provisions and fixed assets in particular), but they use them annually to prepare their accounts. Cases where these data are used operationally to meet day-to-day management requirements are much rarer.

Question : is accrual accounting the condition of the right Decisions ? Is accounting knowledge enough to guarantee the right Decisions.

## **II – What is the the future ?**

### **A – PFM is too far from the reality:**

#### **An economic failure**

It is difficult to explain why and how the new public financial Management did nothing to bring an end to the chronic inability of everyone involved in the public finances to keep to their public spending commitments, and seems inadequate for dealing with the multiannual challenges of restoring the public finances.

#### **A political failure**

Parliament and central government are very often polarised by sterile political struggles. Therefore, without a strong political will, how is it possible to implement a technocratic Reform ?

Question : how to share with the Citizens ? The mistake of extreme financial capitalism has been demonstrated in 2008. We know right now, that Greed is not a model, and there is no preestablished way of salvation even in the private sector. Profits and Ethics are contradictory and need an impartial Mediator.

But Experts are more and more difficult to understand as Populism requires the simplest solutions to organise Society. The Court of Accounts is respected, but not completely followed.

#### **An ideological weakness**

The PFM needs to find allies : who can support PFM ?

Nobody maybe: it is a liberal Reform, based on the individual freedom. Therefore, the Left preoccupied by the sense of equality is not really interested, but neither is the Right, obsessed by order and authority.

### **B – A lot to do, not to despair the technical staff (and the international organisations...)**

For example:

- to define strategic objectives and management objectives;
- to clarify the different calendars of the objectives : annual and pluriannual calendars, in the long term;
- to find another engine to restore public finances rather than just cutting public spendings...

### **C - What else ?**

What do we need ? In fact, neither dashboards, nor complex organisation, but political leaders able to explain that :

- the world is changing...
- we spend too much for what we produce.

And Indignation is not enough, neither PFM which seems to be naïve to change something in depth : indeed, PMF is just Micro Management. Time is now for Macro Management.