

THE PERFORMANCE-BASED APPROACH: STRATEGY, OBJECTIVES, INDICATORS

A methodological guide for applying the Constitutional bylaw of August 1st, 2001 on budget acts

PREFACE

The Constitutional bylaw of August 1st, 2001 on budget acts (*Loi organique relative aux lois de finances*, LOLF) introduced new rules for preparing and implementing the State budget. In the business of State, the aim of the new rules is to move from a resource-based to a results-based approach. Hitherto, the preparation and examination of the budget bill focused primarily on quantitative variations in appropriation amounts, without systematically linking the said variations to expected results and actual outturn. Henceforth, debate will concentrate on the objectives and the cost-effectiveness of public policies.

The shift of focus to performance presupposes that performance can be measured objectively. That is what Article 51 of the LOLF assumes when it states that State actions are presented having regard to "related costs, objectives pursued, actual results and results expected in the years to come, measured using precise indicators whose choice is substantiated".

The performance-based approach initiated by the budgetary reform poses a number of major questions.

What information must be provided to Parliament? How are the strategy, objectives and indicators for each programme to be defined?

Using the new way of presenting the budget as a starting point, how can public service management by objective be made widely applicable?

What controls will there be on this information?

Parliament, the Government, and audit/control bodies felt it would be helpful to jointly address these questions in order to provide common answers to them.

Parliament votes the budget in the light of the objectives proposed by the Government and the results for which the Government is accountable to Parliament. It also examines how budget acts are implemented and managerial performance measured. Therefore, both Parliament and the Finance and Budget Ministers, who are responsible for preparing budgets and implementing budget reforms under the aegis of the Prime Minister, must clearly define the nature and content of the expected information.

The Interdepartmental Programme Audit Committee must ensure that the definitions effectively enable it to audit programmes. The State Audit Office will take this guide into consideration when, on Parliament's behalf, it examines how the budget has been implemented by mission and by programme.

The result of this work-this guide to the performance-based approach-will, we trust, prove helpful in facilitating communication between all parties involved in the budget process and in avoiding misunderstandings. It is for the use of all those who produce, use and verify information about State performance. The guide is a first step towards developing a common method, and should be enhanced by feedback from the first few years of the law's implementation. Initially, this document will serve as a tool for preparing future stages of implementing the performance-related aspects of the Constitutional bylaw on budget acts as well as possible, especially

in prefiguring objectives and indicators for the 2005 budget act and the first annual performance plans appended to the 2006 budget bill.

Our aim is an ambitious one: ensure that taxpayers' money is used properly.

Astre objectif est ambitique: n'amurer de la banne utilisation de l'argent des contribuables.

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SUMMARY

This guide has been prepared by the Directorate for Budgetary Reform of the Ministry of the Economy, Finance and Industry with the National Assembly and Senate Finance Committees, the State Audit Office and the Interdepartmental Programme Audit Committee.

Its purpose is to provide a common frame of reference to members of Parliament, government agencies, members of the State Audit Office and of the Interdepartmental Programme Audit Committee and all public servants. This will help explain the principles underlying the development and implementation of the strategies, objectives, indicators and targets. That will be published in the annual performance plans appended to budget bills under the terms of the Constitutional bylaw of August 1st, 2001 on budget acts (*Loi organique relative aux lois de finances*, LOLF).

The general introduction to the guide describes the new notions.

Budget appropriations are now approved by end-purpose and not only by category of expenditure. Consequently, the fact of defining expected results measured by indicators means that public management can be moved from a resource-based to a results-based approach.

As of the 2006 budget act, Parliament will debate and vote the budget in the light of the strategic objectives set out by Government and the results for which the Government is accountable to Parliament.

However, the information in itself does not enable automatic conclusions to be drawn from the results obtained. For that to be the case, one must ensure that the objectives are relevant and the measurements reliable, following which the results should be closely analysed. That is the purpose of the performance controls carried out by Parliament, the State Audit Office and the Interdepartmental Programme Audit Committee.

Strategic objectives, defined when the budget is voted, must be circulated to all departments *via* the public management steering mechanism set up by programme managers.

▶ The first part of the guide describes how the Government and Parliament define strategies, objectives and indicators.

The choice of objectives must be based on an in-depth consideration of strategic options over a time-frame of several years. It must take into account the strategy of other programmes that form part of the same mission or the same crosswise policy.

Strategic objectives must combine:

- common features (they must be few in number, represent essential aspects of the programme and address the expectations of citizens, users and taxpayers in a balanced way);
- specific features (they must be clear, linked to programme activities and measurable by indicators).

Indicators must be:

- relevant, meaning that they must be capable of measuring the results actually obtained (they must be consistent with the objective, relate to a material aspect of the expected result, provide the basis for a judgement and avoid effects contrary to those sought);
- useful (they must be provided at regular intervals, lend themselves to comparison, be exploitable by government agencies and be comprehensible);
- solid (they must be durable and absolutely reliable while being generated at a reasonable cost);
- verifiable and auditable.

Strategies, objectives and indicators are contained in annual performance plans and reports. These documents also include information about the programme's main activities (description of the programme and its constituent actions) and justify the amounts allocated (zero-budgeting) when the objectives do not describe these aspects.

▶ The second part describes the main departmental steering methods enabling the strategic objectives to be achieved.

The budget consists of overall budgets – programmes – which are entrusted to an identified coordinator for the implementation of a public policy. To enable each Government department to shift from a resource-based to a result-based approach, the programme coordinator delegates management of the programme, by way of programme operating budgets,

and defines the operational objectives linked to the programme's strategic objectives that are assigned to agencies.

Department executives take an active part in the managerial dialogue, led by the programme coordinator, and implement best management practices chosen after their results have been compared with those of similar entities.

The fact of determining and diffusing objectives and indicators enables public servants to carry out their daily missions in a way that helps to achieve programme objectives.

CONTENTS

PREFACE PAGES 2/3 SUMMARY PAGES 4/5

General Introduction

- 1. The shift from a resource-based to a result-based approach (page 10)
- 2. Parliament votes the budget according to precise objectives to which the Government is committed (page 13)
- 3. Agencies are steered according to expected programme results (page 13)
- 4. The relevance and quality of performancerelated information is controlled (page 14)

1

The Government and Parliament: the strategy – objectives – indicators approach

A. How to define and present the strategy associated with a programme?

- Presenting the strategy is essential to understanding the choice of objectives (page 18)
- 2. A strategy framed after in-depth reflection (page 19)
- 3. A strategy with a long-term time-frame (page 19)

B. How to define strategic objectives?

- 1. What are the overall characteristics of the chosen objectives? (page 19)
- 2. What intrinsic characteristics should each objective have? (page 23)

Disclaimer

This guide is illustrated with examples that do not commit the agencies they concern. Work on preparing programme strategies, objectives and indicators was in progress when the guide was written.

C. What indicators for strategic objectives?

- 1. How to define indicators to assess the results obtained? (page 24)
- 2. How to guarantee the usefulness of indicators? (page 28)
- 3. How to construct reliable indicators? (page 29)
- 4. How to ensure that indicators can be verified and audited? (page 30)

D. The annual performance plans and reports transmitted to Parliament

- 1. Description of the programme and actions (page 30)
- Presentation of strategy, objectives and indicators (page 31)
- 3. Zero-base budgeting (page 31)

Public services: objective-based steering and management

A. What is the role of the programme coordinator?

- 1. Delegating programme management (page 34)
- 2. Linking strategic and operational objectives (page 34)

B. What is the role of the department head?

- 1. The need to develop a managerial dialogue (page 39)
- 2. The conditions for success (page 40)

C. What is the role of staff?

- 1. Objectives give meaning to staff's day-to-day work (page 41)
- 2. Personal objectives and assessment of the contribution to results (page 41)

CONCLUSION PAGE 42

APPENDIX:

the example of tax actions PAGES 43/45

GLOSSARY PAGES 46/51

ONLINE DOCUMENTATION PAGE 52

General Introduction

The Constitutional bylaw of August 1st, 2001 on budget acts (*Loi organique relative aux lois de finances*, LOLF) started life as a bill; it therefore originated from Parliament. It sets the rules that will apply to the State budget as of 2006. Under the new rules, Parliament provides Ministers with overall budgets, in return for which they set objectives and define indicators for measuring results.

The purpose of setting objectives and measuring results is to make public spending more efficient at two levels:

- in the budget decision-making process, at Government and Parliament level;
- in the internal management of agencies themselves.

1. The shift from a resource-based to a result-based approach.

The aim of budget reform is to move public management from a resource-based to a results-based approach.

At present, State budget appropriations to ministers are divided into some 850 chapters classified by category of expenditure.

As of 2006, the budget will be restructured on the basis of a results-based approach. It will be voted by end-purpose in the form of overall budgets, the amount of which will generally be larger than that of current budget chapters. The information joined to the budget act will give an account of the results expected and obtained.

▶ A budget organised around the purpose of expenditure

The budget has three levels:

 Forty or so missions describing the main areas of State policy.

Parliament approves the budget at mission level, which means that the emphasis can be placed on the purpose of public policies. Missions are the level at which appropriations are approved and they cover a set of programmes, which may come under different ministries. They may be created only on the Government's initiative. Parliament may change the allocation of expenditure between programmes within a mission proposed by the Government.

 Some 150 programmes defining responsibility for policy implementation.

Each programme comprises a coherent set of actions and is entrusted to a programme coordinator appointed by the Minister concerned.

Programme coordinators receive a fungible overall budget enabling them to choose the resources best suited in achieving these objectives. A programme is a single-purpose appropriation unit with capped appropriations and a sub-limit for expenditure on personnel.

- Some 500 actions define programme purposes in greater detail.

Actions provide the information about the use to which budget resources are put. At action level, expenditure is planned and monitored as it is incurred, solely for guidance purposes. The programme coordinator steers a set of actions without being restricted by capped appropriations.

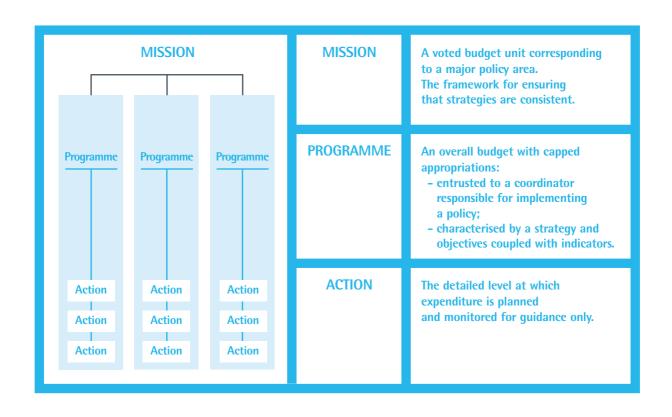
A results-oriented budget

A strategy, objectives, indicators, and targets are defined for each programme. The programme coordinator uses the managerial flexibility bestowed by an overall budget to steer public management in accordance with the predefined objectives.

Information about performance goes beyond a mere description of the consumption of resources or the volume of activity; it shows how, within the framework of the allocated resources, the effectiveness of policies or the quality of public services can be increased at the best cost. The aim is to focus the minds of decision-makers, managers and public servants on how state-funded policies are actually framed and on how to improve the choice of levers, rather than on solutions primarily consisting of increasing resources.

Result-based management should not therefore be confused with objective-based budgeting, which would involve first setting the desired objectives and targets, then determining the budget appropriations needed to achieve them, which is impossible for two reasons:

- firstly, there is a control total on the State budget.
 Appropriations are made between programmes within an overall amount determined beforehand according to the current state of public finances and macroeconomic considerations;
- secondly, there is no material link between budget appropriations and performance objectives. By way of example, better socioeconomic conditions or quality of service may be achieved with the same amount of resources by improving the way resources are used or allocating them better.



Performance accountability originates in the Declaration of the Rights of Man and the Citizen of August 26th, 1789.

Article 14

All citizens shall have the right to ascertain, by themselves or through their representatives, the need for public contribution, to consent freely, to watch over its use, and to determine its rate, assessment base, collection and duration.

Article 15

Society has the right to ask public officials to account for their administration.

These principles directly inspire the stipulations of the Constitutional bylaw of August 1st, 2001 on budget acts relating to the measurement of performance.

Article 1

In accordance with the conditions and within the limits set by this constitutional bylaw, the budgets acts [...] take into account a clearly-defined level of economic balance as well as the objectives and results of the programmes that they determine.

Article 7 (1 - para. 6)

A programme covers appropriations earmarked for the implementation of an action or a consistent set of actions coming under a given ministry and involving specific objectives defined both on the basis of public interest purposes and on the expected results that are subjected to assessment.

Article 51

The following shall be enclosed with the year's budget bill: [...].

5. Explanatory appendices [...] accompanied by the annual performance plan for each programme giving: a) a description of actions, associated costs, objectives pursued, actual results and results expected in the years to come, measured using precise indicators whose choice is substantiated [...].

Article 54

The following shall be enclosed with the budget review bill: [...].

- 4. The annual performance reports that for each programme highlight discrepancies both in the budget forecasts for the year under consideration and in the actual sums reported in the latest budget review act. The reports indicate:
- a) the objectives, expected and actual results, indicators and associated costs [...].

2. Parliament votes the budget according to precise objectives to which the Government is committed.

As of the 2006 budget bill, Parliament will have a more accurate, systematic and organised view of the strategic objectives and results of State policies, presented in the annual performance plans appended to budget bills.

Parliament will thus be able to assess the coherence between the budgetary options put to it and the priority objectives attached to them. Defining priorities is a first step towards improving the effectiveness of public spending; without priorities, government action lacks focus, coherence and clarity, which in turn undermines the effectiveness of the resources allocated to it.

Each programme's strategy and the objectives derived from it are defined on the initiative of the relevant Minister with the help of the programme coordinator. They are approved during the budget preparation procedure. The procedure is coordinated in each ministry by the director of financial affairs and led at Government level by the Finance Minister under the aegis of the Prime Minister. Strategy and objectives are then debated by Parliament as part of the budget approval procedure.

In this way, the Government and Parliament choose strategic objectives and the related target results. In order to do so realistically, they need input from government departments, which can thereby help to inform their choices by providing feedback from players on the ground.

The choice of objectives and targets must also take account of previous results. These must be commented and analysed in detail on the basis of the annual performance reports appended to the budget review bills.

There are no foregone financial conclusions to be drawn from results: if results are poor, should resources be cut or increased? For the same level of resources, can the outcome be improved by reviewing how policies are framed or implemented? Precise explanations of results are essential in order to guide such decisions.

3. Agencies are steered according to expected programme results.

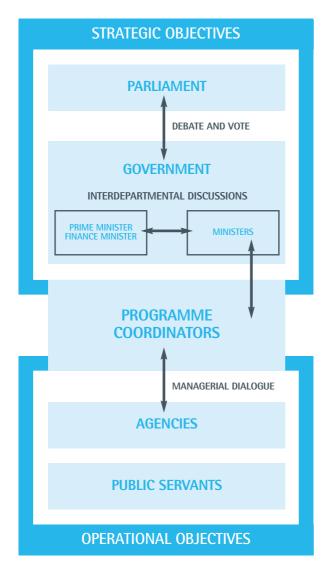
The objectives associated with the budget are strategic objectives. Limited in number, they state the expected effects of government policies, the required quality of public services and how the resources used by agencies can be optimised.

These objectives leave agencies with considerable latitude as to how to achieve them, since they do not define in detail what action is to be taken or the amount of resources to be used. It is up to the agencies themselves to use the room for manoeuvre afforded by the budget reforms (*via* the overall budgets mechanism) to decide the best ways of achieving the strategic objectives.

To that end, they must institute a performance-based steering mechanism that can be used to guide their overall action towards achieving strategic objectives.

Given the long chains of command in State, the point where political responsibility gives way to managerial responsibility is crucial. Programme coordinators are the link between these two levels of responsibility. They help define strategic options under the authority of the relevant Minister and are responsible for implementing them operationally. The budgetary reform calls for a change in the organisation of agencies around this central link in the chain.

The strategic objectives set by the political authorities are relayed to the entire administrative apparatus by means of the performance-based steering mechanism. Consequently, public servants are in a position to direct their activities in a way that helps to achieve the strategic objectives defined at the political level.



4. The relevance and quality of performance-related information is controlled.

Parliament

Within each Assembly, numerous members of Parliament sitting on a wide range of committees will comment on and analyse the information set out in annual performance plans and annual progress reports. Such performance-related information is a key factor in helping them assess the quality of programme management and the relevance of the underlying objectives. On that basis, members of parliament may in some cases propose amendments designed to redeploy appropriations between programmes in the same mission.

Special rapporteurs sitting on finance committees will continue to monitor the budgetary execution of appropriations in their province. They will also enjoy extensive powers of documentary and on-site control. When the budget bill is debated, advisory rapporteurs from other committees can pass critical judgement on the objectives and performance indicators presented to Parliament.

In their work of evaluation and control, finance committees can verify how information about performance is gathered and presented, with the help of specialist input if necessary. The committees' work will also help determine the reliability, quality, and durability of the field, and the usage of the performance indicators associated with each programme.

Programme coordinators may also be called to hearings to account for the results achieved with the resources allocated to them.

From the 2005 budget bill, members of Parliament will pay close attention to the relevance of the objectives and indicators put forward by ministries so that any necessary changes can be made when the Constitutional bylaw takes effect on 1 January 2006.

State Audit Office

The State Audit Office controls the proper use of funds managed by public bodies.

The Constitutional bylaw on budget acts of August 1st, 2001 states that the Office must draw up an annual report on the results of budget implementation in the previous year and the related accounts which, inter alia, should analyse the use of resources by task and by programme.

In the future, the State Audit Office will therefore examine programmes and performance. As the principles of performance-based management spread through the government apparatus, it will have fuller and more detailed information than is presently the case to prepare and conduct its investigations, thereby playing an active part in modernising government.

In its annual work on budget implementation, the State Audit Office will examine the coherence and reliability of the information contained in budget documents and look at obvious discrepancies between objectives and results. More detailed audits, which may be initiated at Parliament's request, will enable the Office to ensure the propriety and due performance of State actions set out in budget acts.

▶ Interdepartmental programme audit committee

The Government is responsible for the coherence and quality of budget bills with regard to the criteria laid down in the Constitutional bylaw on budget acts.

As such, the Government concluded that the programmes and related information needed to be approved as part of the administrative preparation of the State budget before it is put to the vote of Parliament.

It therefore created an interdepartmental programme audit committee (*Comité interministériel d'audit des programmes*, CIAP) to audit the quality of the information and analysis contained in the annual performance plans and annual progress reports associated with ministerial programmes and the management methods used to translate programmes into actions within agencies.

The members of the committee, chaired by an inspector general of finance, are drawn from the inspection and audit services of the various ministries.

The committee is responsible for carrying out two types of audits:

- initial audits, before programmes are set up and on each major revision;
- post-implementation audits, on the basis of programme implementation data.

At the initial audit stage, the quality criteria relates to the coherence of a programme's scope, the objectives assigned to it, the associated indicators, the information systems producing the indicators, the action plans chosen to meet the objectives, the network steering system and the management control system for controlling resources and costs.

At the post-implementation audit stage, the quality criteria will focus on the reliability of numerical results and the guarantee that observations on discrepancies between goals and results are objective and exhaustive.

Audits take place between the audit team and the ministry concerned, based on a published methodological guide. To conclude the procedure, the committee issues an opinion based on the audit report and the response to the report from the ministry concerned.

The Government and Parliament: the strategy - objectives - indicators approach

/A/

How to define and present the strategy associated with a programme?

1. Presenting the strategy is essential to understanding the choice of objectives.

Defining a strategy comes before defining objectives and indicators. If no consideration has been given to the strategy, it is difficult to set priorities and hence to propose a limited number of relevant objectives.

Presenting the strategy provides an opportunity for explaining the overall coherence of the objectives chosen and justifying their choice.

Strategic reflection takes account of the programme's context and, first and foremost, of the programmes that are part of the same mission (the mission being the level at which appropriations are approved).

Certain programmes fall within so-called across-theboard policies: although pertaining to several ministers, they share the same purposes. Across-the-board policies are coordinated by a lead minister, appointed by the Prime Minister, who is responsible for producing an across-the-board policy document appended to the budget bill in addition to annual performance plans. This document brings together the strategic objectives contained in the various programmes concerned.

The overall coherence of programme strategies and their compatibility with the budget framework are ensured in the first instance when the budget bill is being prepared, and subsequently when Parliament debates the budget.

The chosen strategy must be presented as an outline, structuring the objectives it materialises around a few key guidelines, and should be worded clearly and concisely.

The tax actions of the State and local public sector tax and financial management programme.

A tax management strategy could be organised around a core priority consisting in encouraging taxpayers to comply voluntarily with their tax obligations ("promoting taxpayer compliance"). It could be further developed in two complementary directions, the first being to adapt the tax administration to users' needs so as to forestall errors and encourage the acceptance of taxation, the second being to ensure equal treatment for all citizens in tax matters. A third direction relating to productivity gains should also be included.

Strategy	Strategic objectives
Promote taxpayer compliance.	Encourage taxpayers to comply voluntarily with their tax obligations.
Better meet user expectations by making the tax administration a service administration.	Use new technologies to make it easier to file tax returns and pay taxes. Provide users with a reactive service. Offer SMEs a one-stop contact in the tax administration.
Ensure equal treatment for all citizens in tax matters.	React rapidly to any failure to file tax returns or pay tax. Tighten up enforcement measures for the most serious frauds.
Increase productivity gains.	Cut the cost of tax management.

Programmes for schools.

An education strategy could include objectives in three areas: the socioeconomic effectiveness of the education system (the knowledge and skills acquired by pupils, their future professional integration and the reduction of social inequalities arising from their parents' backgrounds); the quality of day-to-day management (providing supply teachers, for example); and optimising the system's resources (reducing differences in the number of pupils per class in identical contexts, for example).

2. A strategy framed after in-depth reflection.

Framing a strategy involves a considerable amount of work which cannot be repeated every year, including an in-depth evaluation of the policy implemented, international comparisons, thorough consultations with operational staff on their alternative ideas for methods of action and organisation, etc.

Framing programme strategies for 2006, and the trial run that will be attached to the 2005 budget, will require a high degree of ministry mobilisation.

3. A strategy with a long-term time frame.

Choosing a strategy is a decisive factor in structuring the policies pursued and the agencies concerned. It is therefore important that it should be relatively stable over time - barring shifts in overall policy - and that strategic considerations should cover a time span of several years, in principle three to five years.

However, the fact of framing a long-term strategy does not call into question the principle of an annual budget.

/B/

How to define strategic objectives?

The choice of strategic objectives must meet certain criteria.

1. What are the overall characteristics of the chosen objectives?

▶ Highly selective objectives

Objectives should crystallise State priorities and should be few in number so as to ensure the overall clarity of the budget and the effectiveness of policy implementation. Ideally, there should be not more than half a dozen objectives per programme.

Therefore strategic objectives do not necessarily cover the entire scope of a programme. Non-strategic activities are monitored operationally by objectives complementing those contained in annual performance plans.

▶ Choosing objectives that represent essential aspects of the programme

The chosen strategic objectives apply to elements that appear essential to the running of the programme. They relate to the most resource-hungry actions or concern the policy issues deemed to be most important.

Certain objectives are attached to the programme as a whole, others to a particular action within the programme. For the employment promotion programme, the following could be defined:

- an objective for the programme: to help beneficiaries choose the arrangements best suited to their situation:
- an objective specific to a particular component, say "reducing the cost of labour", i.e. maintain or increase the proportion of unskilled employees in labour-intensive sectors without creating a lowwage trap.

Consideration also needs to be given to all the levers for action for which the programme is responsible.

For example, the fact that the programme uses operators (legal entities distinct from the State) does not preclude setting strategic objectives that will be exclusively or primarily achieved by them, provided that the operators are in line with the broad thrust of State policy.

Similarly, it may be helpful to choose an objective that concerns an activity partly financed by other players, provided that the State plays a decisive role.

Lastly, leaving aside budget appropriations, objectives may concern tax expenditures when they have a major impact on the programme's purposes.

A balanced choice of objectives that meet the expectations of citizens, users and taxpayers

The choice of objectives must be such as to reflect three aspects of performance in a balanced way.

Objectives for socioeconomic effectiveness meeting citizens' expectations

Such objectives bring about material changes in the economic and social environment and in ecological, health, and cultural areas etc. They indicate not what government does (its outputs) but the impact of what it does (its socioeconomic outcomes).

- Service quality objectives that affect users

Users may be external (the user of a public service) or, in the case of support function programmes (staff and resource management programmes), internal (the agencies supported by the programmes).

- Managerial efficiency objectives affecting taxpayers

The aim of these objectives is to increase public service outputs for the same level of resources or to use fewer resources for the same level of output.

It is preferable not to link socioeconomic outcomes with resources so as to draw a clear distinction between socioeconomic effectiveness objectives and managerial efficiency objectives. The former seek to increase the socioeconomic effectiveness of public services by improving their design and delivery, while the latter seek to provide the services for less cost by say, better gearing resources to needs, or by improving human resource management.

Examples of the three categories of strategic objective:

	Tax actions of the State and local public sector tax and financial management programme	National police and gendarmerie programmes
Socioeconomic effectiveness (citizen's point of view)	Encourage taxpayers to comply voluntarily with their tax obligations. React rapidly to any failure to file tax returns or pay tax. Tighten up enforcement measures for the most serious frauds.	"Increase the crime-solving rate". (Internal Security Act of 29 August 2002).
Service quality (user's point of view)	Use new technologies to make it easier to file tax returns and pay taxes. Provide users with a reactive service. Offer SMEs a one-stop contact in the tax administration.	Improve reception of the public in police and gendarmerie stations.
Managerial efficiency (taxpayer's point of view)	Cut the cost of tax management.	"Gear police and gendarmerie staffing levels to demographic trends and crime patterns". "Stop using police officers and gendarmes for jobs not strictly linked to security". (Internal Security Act of 29 August 2002).

It is essential to strike a balance between the three categories of objective, especially as the expectations of citizens, users and taxpayers do not always spontaneously converge. If the purposes of a given programme concern all three points of view, it is therefore essential for Parliament, as guarantor of the public interest, to ratify the objectives pursued for each one.

Not doing so could produce undesirable results. For example, for a given level of resources, greater socio-economic effectiveness could be achieved to the detriment of service quality.

However, it is natural that a programme should include socioeconomic effectiveness objectives that affect the citizen but not service quality objectives when there are no users as such. Similarly, a support function programme may be given managerial efficiency or service quality objectives but will more rarely be set socioeconomic effectiveness objectives.

A programme combining budget, accounting, logistics, IT, property and human resources management functions could have the following objectives:

- no socioeconomic effectiveness objectives;
- a service quality objective (service provided to internal users): improving the availability of computer applications;
- a service quality objective (service provided to external users): cutting supplier payment times;
- a managerial efficiency objective: cutting the cost of managing personnel files.

▶ A choice of objectives consistent with those of related programmes

Coordinating the objectives of programmes that are part of the same mission or the same across-the-board policy leads to the choice of identical, complementary or common objectives.

The general road "safety policy" concerns several programmes.

- Identical objectives:
 - an objective in the national police programme could concern the effectiveness of breathalyser tests within its jurisdiction/remit;
 - an identical objective could be assigned to the gendarmerie programme for its specific remit.
- Complementary objectives:
 - an objective in the national police programme could concern the effectiveness of controls on speed limits;
 - an objective in the national road network programme could concern a reduction in the number of black spots.
- Common objectives:
 - a reduction in the number of deaths or injuries could be an objective common to all programmes under the general policy, carried by the leading programme.

2. What intrinsic characteristics should each objective have?

Clarity

The objective should be stated in a way that is simple, precise and easy for everyone to understand.

▶ An objective whose achievement depends decisively on programme activities

Achievement of the objective must be attributable, exclusively or primarily, to the activities of the programme to which it is attached. The framing of the objective and the accompanying explanations in the annual performance plan must serve as an opportunity for better explaining the link between agencies' activities and the results expected from them. The key action leverage tools and the results obtained in the past must be explained.

In contrast:

 objectives that can only be achieved through farreaching changes in the socioeconomic environment should be set aside. An objective whose impact is too distant or which is governed by causes other than the programme action should not be chosen;

Urban policy (social and territorial fairness programme)

An objective of reducing unemployment in poor urban areas cannot be assigned to such a programme, since unemployment depends on many other factors. Conversely, the programme could have an objective of reducing differences in unemployment between underprivileged districts and other districts in the same urban area.

- objectives mainly attributable to players not in the programme should also be rejected.

The objective of "reducing smoking-related deaths".

This reflects both the result of preventive actions under the public health and prevention programme and curative treatment provided by the health system. The objective cannot therefore be set for the public health and prevention programme since it does not reflect action by that programme alone. An objective of cutting smoking is better suited to such a programme.

▶ An objective measurable in figures

An objective is an accurate and tangible indicator of the expected results of actions taken to achieve the purposes of the programme. An objective must therefore be measurable and includes one or two indicators based on past and future figures (targets).

Indicators must be quantitative even when they relate to qualitative objectives.

Two indicators may be used to measure the quality of reception in a public service:

- the proportion of users satisfied with the various aspects of the service offered;
- the percentage of phone calls for which a precise answer has been given.

Each objective is associated with one or more indicators.

/C/ What indicators for strategic objectives?

The indicator measures the achievement of the predefined objective as objectively as possible. It is therefore necessary to know previous years' results and to set targets for future years.

The target must be situated in a time horizon of up to 5 years. In that case, forecast results should be stated wherever possible for each year and not merely for the final target year. Such target values are determined with greater clarity by the managerial dialogue between the programme coordinator and the agencies.

A good indicator should be:

- relevant so as to assess the results obtained;
- useful;
- reliable;
- verifiable.

1. How to define indicators to assess the results obtained?

• An indicator must be consistent with the objective. The chosen indicator must have a strong logical link with the given objective. It must be a means of specifically measuring achievement of the objective. The following are some examples of indicators that can be used to measure the achievement of different types of objective.

Objective	Indicators	Examples
Socioeconomic effectiveness.	Statistical data from surveys.	HIGHER EDUCATION AND UNIVERSITY RESEARCH PROGRAMME. Employment rate of recent graduates.
	Statistical data from internal management systems.	TAX ACTIONS OF THE STATE AND LOCAL PUBLIC SECTOR TAX AND FINANCIAL MANAGEMENT PROGRAMME. Proportion of income tax and VAT returns filed on time. Rate of taxpayers' spontaneous payment of tax at the due date. BUSINESS DEVELOPMENT PROGRAMME.
		Success rate of subsidised projects.

Objective	Indicators	Examples
Service quality.	User satisfaction rate measured by survey.	ALL PROGRAMMES. Proportion of users saying they are satisfied with reception conditions.
	Objective quality parameters like deadlines, reactivity, reliability, availability, etc.	ALL PROGRAMMES. Percentage of users receiving an answer to correspondence before a defined alert threshold date. Percentage of phone calls receiving a precise answer.
	Rate of compliance with a quality standard.	ALL PROGRAMMES. Percentage of agencies reaching the target standard.
Managerial efficiency.	Unit cost expressed by the ratio of resources used to activities carried out or services rendered.	TAX ACTIONS OF THE STATE AND LOCAL PUBLIC SECTOR TAX AND FINANCIAL MANAGEMENT PROGRAMME. Average cost of managing a large business tax dossier. Number of tax households liable to income tax per job allocated to the management and collection of the tax.
	Percentage of management costs expressed by the ratio of management costs to resources managed.	VARIOUS PROGRAMMES. Percentage of expenditure on support functions in relation to total programme resources.
	Distribution of resources indicator.	SCHOOLS PROGRAMMES. Percentage of pupils in classes with fewer than 10 pupils and percentage of pupils in classes with over 40 pupils.

Continued on page 26

Objective	Indicators	Examples
Managerial efficiency.	Targeting indicator, expressing the allocation of resources or activities to programme priorities.	TAX ACTIONS OF THE STATE AND LOCAL PUBLIC SECTOR TAX AND FINANCIAL MANAGEMENT PROGRAMME. Proportion of tax audit resulting in substantial tax penalties and/or proposals for prosecution. ACCESS AND RETURN TO EMPLOYMENT PROGRAMME. Proportion of priority groups in an employment policy measure. RESEARCH PROGRAMMES. Proportion of priority disciplines.
	Good use of potential indicator, expressing whether available resources are used in accordance with their purpose.	NATIONAL POLICE PROGRAMME. Proportion of active police officers assigned to active policing duties. SCHOOLS PROGRAMMES. Activity rate of supply teachers.
	Cost overrun indicator in relation to an initial projection.	ALL PROGRAMMES. Percentage of cost overruns on a building project.
	Rate of financing of an activity by the sale of services or other non-State sources.	ALL PROGRAMMES. Cost-sharing contributions as a percentage of revenue in the total financing.

▶ An indicator must relate to a material aspect of the expected result

The indicator or indicators associated with an objective, must relate to a material aspect of the expected result and not to a marginal aspect, which gives a partial account of the result.

▶ An indicator must provide the basis for making a judgement

Leaving aside its logical link with the objective, the indicator must provide a basis for assessing the improvement in the situation to which the objective relates, and for effectively measuring the performance of the issue.

Some advice may be given on this point:

 absolute value indicators should be handled with care because there is a risk that may depend on a context that is uncontrollable;

The number of income tax and VAT returns filed on time is more likely to increase if the total number of returns increases, than the probability that it falls. Thus the figure, in contrast to the rate of timely returns, does not provide a basis for assessing the efficiency gain.

 when an absolute value indicator is chosen, a scale of values must also be given. In practical terms, it is essential to give past values and a target value so as to put the indicator into perspective;

The number of online income tax returns is not informative per se. One cannot say on the basis of the figure alone whether it is too high or not high enough. In contrast, the figure becomes informative when compared with the target value and past results.

The number of additional tax assessments made as a result of controls is not informative in itself. One cannot say on the basis of the figure alone whether it is too high or not high enough. In contrast, the figure becomes informative when compared with the target value and past results.

- the measured data must be rigorously quantified;

A complete cost calculation can be justified when the management of a varied set of resources is involved.

The reduction in a management cost can be tracked by following the ratio of the number of taxpayers liable to income tax to the number of jobs allocated to the management and collection of the tax. But if the productivity gain is also due to computerisation, it is better to use a complete cost that includes IT costs.

 scatter indicators should be used in preference to average value indicators.

To measure the improvement in complying with a time limit, the proportion of cases in which the limit is exceeded by a time deemed particularly abnormal is more representative of the quality of the service provided than the average processing time. For example, the percentage of users receiving a reply to correspondence within one month is more relevant than the average response time.

▶ An indicator must not produce effects contrary to those sought

An indicator should not be such as to induce behaviour, which improves the indicator but deteriorates the desired result. One means of neutralising a possible perverse effect is to couple a second indicator with the first so as to strike an overall balance.

In order to measure the objective of reducing the length of court proceedings, the single indicator of average length of cases completed during the year produces perverse effects. It could mean that old cases were not dealt with rapidly, preference being given to those on top of the pile, since the indicator takes only completed cases into account.

A second indicator should therefore be used in order to counter such perverse effects, namely, the average age of cases pending at 31 December.

2. How to guarantee the usefulness of indicators?

An indicator must be provided at regular intervals An indicator must be provided annually. Under exceptional circumstances, for example because of the high cost of conducting a detailed survey of a population of beneficiaries, the indicator may be produced at less frequent intervals.

An indicator must lend itself to comparisons in time, in space and between players

An indicator must enable comparisons to be made so as to assess the results obtained, either in time (progress made from one year to another) or in space (comparison of one territory and another) or between different players.

Comparisons are a way of benchmarking the results obtained and of identifying best practices and options for improvement. International comparisons are useful, especially in making a prior diagnosis.

The service quality parameters of the action plan "Making taxes easier" (percentage of users receiving an answer to correspondence within one month and to e-mail within 48 hours, percentage of phone calls receiving a precise answer, etc.) are comparable between all departments of the General Tax Directorate and the Public Treasury. Within these two networked administrations, comparisons are made between groups and units with comparable characteristics.

Indicators common to the police and gendarmerie can make it easier to compare results (e.g., crime clear-up rates).

▶ An indicator must be immediately exploited by the agencies concerned

An indicator is useful only if, once produced, it is immediately analysed by the operational managers concerned and used to inform management decisions. Indicators must therefore be used primarily in internal programme management before being used to prepare strategic decisions.

▶ An indicator must be immediately comprehensible or clearly explained

The content of the indicator must be immediately comprehensible or clearly explained even if that means first simplifying the measured data.

In the area of taxation, when an attempt is made to cut response times to correspondence from the public, it is technically possible to measure the percentage of answers sent in less than one month, 2 months, 3 months, 4 months, 5 months and over 6 months. To measure service quality, it is sufficient to select one of these segments - the proportion of users receiving an answer in less than one month - as a service quality indicator.

In a satisfaction survey, the category of answers deemed to be most significant may be chosen as an indicator. For example, when respondents are asked to answer the question "Are you satisfied with the reception" with "Very satisfied", "Rather satisfied", "Not satisfied", "Not at all satisfied", the indicator chosen may be the proportion of users very satisfied or rather satisfied with the reception.

Composite indicators obtained by weighting different variables or based on assumptions and complex models are not easy for non-specialists to understand and should therefore be avoided.

An indicator of social alienation among young people in disadvantaged urban areas that consisted in calculating the weighted average of the crime rate, school drop-out rate and unemployment rate for young people would not be immediately comprehensible because it combines very different concepts.

3. How to construct reliable indicators?

An indicator must be durable and independent of organisational imponderables

The way the information for the indicator is collected must not be affected by organisational changes. The existence of a central structure dedicated to processing information on performance, such as a management control unit, can guarantee durability.

An indicator must be reliable beyond question

An indicator's reliability is an essential selection criterion. Reliability is based on the certainty of the measurement system and the absence of bias or the limited extent of known bias.

- Certainty of the measurement system.

 Unreliable manual counting or manual counting in addition to routine tasks should be avoided. As far as possible, an indicator should be extracted automatically from a management system or derive from surveys conducted by specialist internal or external organisations. In the latter case, the survey methodology must comply with specific rules (nature of questions asked, sample of respondents, etc.).
- Absence of bias or limited extent of known bias.
 As a matter of principle, a good indicator should be free of bias. However, an indicator may be chosen despite its bias, provided that any bias is limited in scope and clearly identified.

Two indicators are used to measure the objective of cutting waiting lists for local authority housing: the average waiting time for housing allocated during the year, and the average age of the backlog of applications pending at 31 December. These figures include applications from households already in local authority housing that wish to move. Following a survey, the proportion of such applications is estimated to be relatively stable. Thus, despite this bias, the indicator can still measure achievement of the objective.

• An indicator must be drawn up at reasonable cost The indicator must be obtained at a cost proportional to the usefulness of the information it provides.

Automatically extracting the data needed to measure indicators from management applications is a good way of cutting the cost while increasing reliability.

4. How to ensure that indicators can be verified and audited?

The indicator must be documented in such a way that inspectors from ministries, the interdepartmental programme audit committee, the State Audit Office and parliamentary rapporteurs can verify the relevance and quality of the information.

Agencies must therefore describe in detail in a fact sheet how the indicator has been prepared and the role of each player in its production.

It is recommended that these fact sheets should be placed online on ministry websites.

/D/

The annual performance plans and reports transmitted to Parliament.

For each programme, ministries must present summary performance documents to Parliament:

- ex ante annual performance plans, on the occasion of the initial budget act;
- ex post annual performance reports, on the occasion of the budget review act.

The plans and reports, as their name suggests, are performance-related documents, setting out strategic objectives together with their indicators. They also contain other helpful information for understanding the main programme activities or justifying how grants are calculated.

Annual performance reports are structured in the same way as annual performance plans so as to show variance between forecasts and results for each item.

1. Description of the programme and actions.

The content of the programme and actions is first described in the annual performance plan. The description includes:

- the public interest purposes pursued, namely the use to which appropriations are put, the sphere of action, and the beneficiaries:
- the way in which the agencies covered by the programme are organised;
- the main means of action, the main activities, the legislative and regulatory framework, and the tax policy linked to the programme.

This concise information about agencies' activities sheds light on the information about programme objectives given in subsequent annual performance plans.

Annual performance plans and reports are distinct from agencies' own annual reports, which provide more detailed information about their activities.

2. Presentation of strategy, objectives and indicators.

Presentation of strategy

The strategy is described in the annual performance plan. Given in summary form, it is structured around a small number of guidelines and announces the chosen objectives.

Presentation of objectives

Each stated objective is followed by a commentary aiming to:

- justify the choice of the indicator(s) associated with it,
- comment on previous results,
- explain the choice of the target,
- mention the main levers of action envisaged for achieving the objective.

▶ Presentation of indicators

Each stated indicator is followed by:

- a table showing previous results and targets for expected results,
- data sources.
- where relevant, methodological information.

Each indicator mentioned in annual performance plans and reports is described in great detail in a fact sheet updated by the programme coordinator and made available to Parliament and audit bodies.

3. Zero-base budgeting.

Information relating to the programme's strategy, objectives and indicators does not explain how the amount of budgetary allocations has been calibrated. This is explained in annual performance plans and reports, in the part devoted to zero-base budgeting, which among other things explains the amount of appropriations with reference to volumes of activity or services rendered and their average unit cost.

Public services: objective-based steering and management

The main prerequisite for achieving the strategic objectives ratified by Parliament is the mobilisation of public services. Strategic objectives have to be translated into operational objectives which are the primary instruments for steering agencies and departments. The process involves the programme coordinator, department heads and staff.

/A/
What is the role of the programme coordinator?

Programme coordinators oversee the implementation of a government policy. They can do so only with the support of managers at all levels.

1. Delegating programme management.

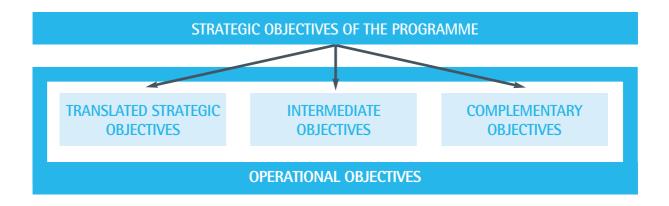
The programme coordinator defines programme operating budgets and assigns their implementation either to central or national agencies or to the managers of decentralised services. This is in return for their commitment to achieve operational objectives that are adapted to their competencies and designed to contribute to the programme's strategic objectives.

These operating budget managers must optimise the use of the resources entrusted to them so as to achieve the results to which they have committed themselves.

2. Linking strategic and operational objectives.

Defining a strategy and objectives for each programme is a way of combining coherence in the aims pursued with freedom in the use of resources.

However, managers can only be given objectives that they can effectively control in their day-to-day activities, which is why strategic objectives are translated into operational objectives, in three ways.



▶ Translation of the strategic objectives of the annual performance plan in a sphere of action or on an department's territory

As a rule the strategic objectives linked to the practical outputs of the activity, such as service quality or managerial efficiency, can be directly translated into objectives that are specific to a given department or activity.

The objective of reducing the length of court proceedings, measured by the average length of cases completed during the year and the average age of cases pending at 31 December, can be assigned as it stands to the courts concerned.

The target, applied to each of these two indicators, will take into consideration past performance, the context, the resources and the action plans implemented in each instance, on completion of an indepth managerial dialogue.

Socioeconomic effectiveness objectives can be more difficult to translate and assign to a given department, since achieving them depends on both the relevance of a policy and the way in which it is implemented. However, the programme coordinator will seek to directly express the socioeconomic outcome associated with the agency's target, so that there is more freedom in attaining them.

For local authority housing, a socioeconomic objective could be to cut waiting times, measured by two indicators: the average waiting time for housing allocated during the year in an area with a tight rental market and the average waiting time for housing allocated during the year in an area with a slack rental market.

This objective could be assigned as it stands to each regional development agency, with targets adapted to their particular context, defined on completion of an in-depth managerial dialogue between the programme coordinator and the operating budget manager.

But the objective could also be quite simply translated into an activity objective: building X housing units in the year.

The first option is preferable since it gives local managers greater latitude and they are best placed to choose the most appropriate methods and inputs for attaining the objective, bearing in mind the overall resources available to them.

Introduction of intermediate objectives (relating to inputs, activities, outputs, etc.) that help to achieve the strategic objectives contained in the annual performance plan

In order to steer a department, it can in some cases be helpful to set interim objectives (relating to inputs, activities, outputs, etc.) representing milestones on the way to achieving the desired results. These interim results, which may have little relevance in terms of policy outcomes at national programme level, may nonetheless be helpful in guiding agencies as they seek to achieve strategic objectives.

The interim results are located upstream in the public service production chain in relation to socioeconomic effectiveness, service quality or managerial efficiency.

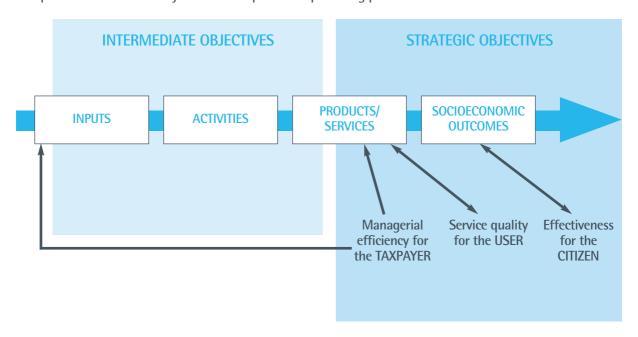
The national roads programme pursues a number of different strategic objectives, such as ensuring that people can travel in safety and comfort, ensuring that roads remain open in winter, keeping the road network in a good state of repair, improving road safety, etc.

In order to achieve them, the agencies concerned build new infrastructure, carry out maintenance work, develop amenities, etc. These are their outputs.

The outputs are the result of different activities, such as projects which agencies carry out entirely themselves, projects for which they act as consultant engineers working with sub-contractors, support services they provide, etc.

These activities require human resources and appropriations for purchasing goods and services.

The place of intermediate objectives in the process of producing public services.



The place of intermediate objectives in the process of producing public services.

Intermediate objectives concern action leverage tools, inputs, activities, outputs (goods or services provided):

- input-related objectives: they may concern a consumption volume or rate or the distribution of certain resources;
- activity-related objectives: they may concern the volume, distribution or implementation of certain actions or processes;
- output-related objectives: they may concern the volume or distribution of certain outputs. Certain strategic objectives may concern outputs, but from a specific standpoint: service quality objectives relate to the quality of outputs, while managerial efficiency objectives relate to the ratio of outputs to inputs.

Example: tax actions of the State and Local Public Sector Tax and Financial Management Programme.

Intermediate objectives contributing to the achievement of strategic objectives				
Strategic objectives	Туре	Intermediate objectives	Type of objective	Indicators
React rapidly to any failure to file tax returns or pay tax.	Socioeconomic effectiveness.	Secure identification of taxpayers.	Activity.	Proportion of individual taxpayers whose personal details have been checked against INSEE data.
Offer SMEs a one- stop contact in the tax administration.	Service quality.	Merging tax assessment and tax collection offices.	Activity.	Proportion of sites benefiting from merger of tax assessment and tax collection offices.
Increase productivity gains.	Efficiency.	Translation into fewer jobs of productivity gains, especially those resulting from deployment of computer applications.	Inputs.	Number of jobs.
		Controlling operating costs with the help of target ratios.	Inputs.	Amount of operating costs.

▶ Introduction of complementary objectives, in addition to translation of the strategic objectives contained in the annual performance plan

The selectivity of strategic objectives is such that not all the aspects of a programme can be covered. Activities not covered must nevertheless be steered in the programme's internal management through complementary objectives. At an operational level, specific objectives can also be pursued in addition to those based on national objectives.

Example: tax actions of the State and Local Public Sector Tax and Financial Management Programme.

Operational objectives complementary to strategic objectives				
Complementary operational objectives	Type of objective	Indicators		
Assigned to local agencies				
Improving the quality of local tax management.	Service quality.	Percentage of errors made in attributing premises to their owners.		
Keeping the property database up to date.	Activity.	Time taken to update the property database managed by mortgage registries.		
Improving the conditions for carrying out property transactions.	Service quality.	Percentage of urgent requests for summary information about properties met within 10 days.		
Giving priority to early proceedings, which are effective and least onerous for the administration and taxpayers.	Efficiency.	Ratio of number of notices served on third-party owners (priority) to seizures.		
Applied to central government support services				
Increasing the support from the centre to the network.	Quality of internal service.	Computer applications downtime rate.		
Improving working conditions. Activity.		Surface area of previously run-down, rehabilitated office space.		
Adapting public servants' skills.	Activity.	Number of days' training dispensed per year per employee in a priority category.		

/B/ What is the role of the department head?

1. The need to develop a managerial dialogue.

Programme coordinators maintain a managerial dialogue with operating budget managers, who in turn do the same with their own units.

- ▶ The organising principles of the managerial dialogue between central government and decentralised agencies in the annual budget cycle:
 - The programme coordinator defines and communicates the overall operational management framework.
 - The programme coordinator, as guarantor of the programme's performance, informs the managers of the operating budgets attached to the programme, within the broad framework of which their action plans will be worked out (objectives and indicators, planned budget).
 - The operating budget manager draws up an operating budget plan.
 - Once the programme coordinator has set the broad framework, operating budget managers draw up the operating budget plan with their staff, proposing a programme of operations or actions associated with objectives, indicators, targets and the corresponding budget forecast.

After consolidating proposals from operating units, the operating budget manager will review the overall plan with all the players concerned, ensuring that the objectives and programme for the operating budget are consistent with the broad framework defined by the programme coordinator.

For missions under the authority of a prefect, the plan is referred to the prefect for review. Amongst other things, the prefect ensures that decentralised services have taken national objectives into account and that the actions of the various agencies are consistent at local level.

- The programme coordinator approves the **operating budget plan**.
- The programme coordinator is responsible for approving the operating budget plan in all its constituent parts after the managerial dialogue has taken place and the prefect has completed his review.
- The operating budget manager prepares the operational management report.
 - Operating budget managers are accountable to the programme coordinator for their management and their contribution to the programme's results, under the aegis of the prefect who ensures that the results have been properly measured. This stage in the managerial dialogue, linked with the preparatory phase for annual performance reports, will also enable operating budget managers to set out their action plans and make the case for their future needs to the programme coordinator.

The managerial dialogue for the annual budget cycle can be enhanced by a dialogue organised over a longer or shorter cycle.

An example of how a dialogue can be organised between a central administration and its decentralised agencies

The General Tax Directorate has laid down a set of key objectives whose content prefigures the expected set of programme objectives.

These national objectives are translated into local objectives in service delivery agreements.

This first tool, homogeneous at national level, is enhanced by a more advanced internal steering resource called a "management review". Taking place more or less annually, this review is designed to track implementation of previous commitments. In preparing it, individual directors have to analyse their performance (tax missions, allocation of resources, cost control), identifying the sources of strengths and weaknesses. On completion, they commit to a limited number of priority action plans. They have synthetic graphics at their disposal, enabling them to situate their performance in relation to the objectives they have been set, both as trends over time and in comparison with similar agencies. The outcome of the exercise is a letter of mission recapitulating the national objectives plus other management objectives, and the validation of action plans.

Agencies use more activity and output indicators in their day-to-day management.

2. The conditions for success.

▶ A tight chain of command

This criterion applies at each level of responsibility. If it is to be effective, a tight chain of command implies a limited number of echelons.

▶ A management control system

Individual operational managers, each at their particular level, use management control techniques to improve the ratio of the resources employed to the activity undertaken or results obtained, within the framework set by the programme strategy.

▶ A performance comparison exercise

Each department uses indicators to benchmark its results in relation to those of other agencies within the programme and outside players. It is a means of identifying best practices, key success factors and areas where improvements can be made.

Targets cannot therefore be imposed centrally from the top. They must result from the commitments given by each department with the aim of increasing their performance levels given the context and allocated resources. That is the best way of gradually ensuring that all agencies converge on the performance levels attained by the most efficient among them.

Involvement of staff

The mobilisation of each department around its commitments implies extensive internal consultation, especially through joint technical committees.

/C/ What is the role of staff?

1. Objectives give meaning to staff's day-to-day work.

In order to encourage the achievement of strategic objectives, it is essential to circulate them to agencies together with the operational objectives into which they are translated. That enables staff to better understand the framework within which they act and how their action contributes to the implementation of national policies. The objectives indicate priorities and guide day-to-day activity. They constitute a common language which favours better understanding between the players involved, from the political authorities to the people responsible for actually implementing the programmes.

If priorities are not clearly defined at political level, staff find themselves facing a multiplicity of missions with a limited set of resources. In some cases they have to set action priorities themselves even though it is not their responsibility. The budgetary reform can help remedy this in two ways:

- the programmes and actions will provide a framework for determining the share of activities or appropriations that agencies should devote to the various purposes (transition from a budget by type to a budget by end-purpose);
- the strategic and operational objectives assigned to the agencies will indicate the direction to be given to activities as a priority.

2. Personal objectives and assessment of the contribution to results.

The results obtained are more a reflection of the effectiveness of policies or of the collective effectiveness of the actions designed to implement them, than of the individual effectiveness of staff. Assessing how each employee contributes to achieving the results therefore requires additional work in setting personal objectives and assessing the quality of work. An assessment of this type cannot be automatically linked to collective objectives. It implies analysis and personal dialogue.

The practical success of the budget reform will depend first and foremost on the motivation and skills of each staff member. The mobilisation of all staff will be crucial in ensuring the optimum organisation of resources and activities within each department and will be the only way of directing the efforts of all towards achieving the strategic objectives ratified by Parliament.

CONCLUSION

This guide sets out the principal methods for drawing up programme strategies and objectives and implementing them in operational terms.*

These methods are to be applied when preparing the 2005 budget which, in a prefiguration exercise will include planned objectives and indicators for each of the future programmes of the general budget. The exercise will enable all the players involved to familiarise themselves with the concepts and their application in practice, and to learn useful lessons for preparing the first annual performance plans, to be appended to the 2006 budget act.

Analysis of the results obtained will subsequently inform the on-going improvement of programme strategies and objectives.

^{*}The examples given as illustrations in this guide do not commit the agencies concerned.

APPENDIX

The example of tax actions in the State and Local Public Sector Tax and Financial Management Program.

	Strategic objectives (Annual performance plan)			
Strategy	Strategic objectives	Type of objectives	Indicators	
taxpayer voluntarily	Encourage taxpayers to comply voluntarily with their tax	Socioeconomic effectiveness.	Proportion of income tax returns filed on time.	
	obligations.	CITCUIVEICSS.	Proportion of professional tax payment on the due date.	
Better meet user expecta-	Use new technologies to make it easier to file tax returns and pay taxes.	Service quality.	Number of online income tax returns.	
tions by			Amount of VAT paid online.	
making the tax administration a service administration.			Percentage of taxpayers paying their tax online.	
auministration.	Provide users with a reactive service.	Service quality.	Percentage of agencies reaching the target service quality standard of the action plan "Making taxes easier" in the two GTD and Public Treasury networks.	
			Percentage of users receiving an answer to correspondence within 1 month and to e-mail within 48 hours.	
			Percentage of phone calls receiving a precise answer.	
	Offer SMEs a one-stop contact in the tax administration.	Service quality.	Proportion of SMEs having a one-stop contact in the tax administration.	
Ensure equal treatment for all citizens in	React rapidly to any failure to file tax returns or pay tax.	Socioeconomic effectiveness.	Rate of recovery of corporate VAT claims resulting from failure to file tax returns or pay tax or following a tax audit.	
tax matters.		Net income tax recovery rate.		
	Tighten up enforcement measures for the most serious frauds.	Socioeconomic effectiveness.	Proportion of audits resulting in substantial tax penalties and/or proposals for prosecution.	
	irauus.		Effective recovery rate of claims resulting from a tax audit.	
Increase productivity	Cut the cost of tax management.	Efficiency.	Average cost of managing a large business tax file.	
gains.			Number of tax households liable to income tax per job allocated to the management and collection of the tax.	

Reminder	Operational objectives assigned to local agencies translating strategic objectives or helping to achieve them			
Strategic objectives	Strategic objectives translated at operational level	Interim objectives helping to achieve strategic objectives	Type of objective	Indicators
Encourage taxpayers to comply voluntarily with their tax obligations.	Х			
Use new technologies to make it easier to file tax returns and pay taxes.	Х			
Provide users with a reactive service.	X			
Offer SMEs a one- stop contact in the tax administration.		Merging of tax assessment and tax collection offices.	Activity.	Proportion of sites benefiting from merger of tax assessment and tax collection offices.
React rapidly to any failure to file tax returns or pay tax.	X	Securing taxpayers' identification.	Activity.	Proportion of individual taxpayers whose personal details have been checked against INSEE data.
Tighten up enforcement measures for the most serious frauds.	Х			
Increase productivity gains.		Translation into fewer jobs of productivity gains, especially those resulting from deployment of computer applications.	Inputs.	Number of jobs.
		Controlling operating costs with the help of target ratios.	Inputs.	Amount of operating costs.

Operational objectives complementary to strategic objectives			
Complementary operational objectives	Type of objective	Indicators	
Assigned to local agencies			
Improving the quality of local tax management.	Service quality.	Percentage of errors made in attributing premises to their owners.	
Keeping the property database up to date.	Activity.	Time taken to update the property database managed by mortgage registries.	
Improving the conditions for carrying out property transactions.	Service quality.	Percentage of urgent requests for summary information about properties met within 10 days.	
Giving priority to early proceedings, which are effective and least onerous for the administration and taxpayers.	Efficiency.	Ratio of number of notices served on third-party owners (priority) to seizures.	
Appli	ed to central government suppor	t services	
Increasing the support from the centre to the network.	Quality of internal service.	Computer applications downtime rate.	
Improving working conditions.	Activity.	Surface area of previously run-down, rehabilitated office space.	
Adapting public servants' skills.	Activity.	Number of days' training dispensed per year per employee in a priority category.	

GLOSSARY

Action

According to LOLF Article 7 (1 – para. 6), a programme covers appropriations intended for the implementation of an action or a consistent set of actions coming under the same ministry and involving both specific objectives defined on the basis of public interest purposes, and expected results subject to evaluation.

An action is a programme component. Budget bills present appropriations grouped by missions, sub-divided into programmes that are themselves sub-divided into actions.

An action may include appropriations targeting a particular body of users or beneficiaries or a particular form of government intervention.

The allotment of appropriations between actions within a programme is for guidance only. It is specified precisely when the budget is implemented.

If an action has an identified purpose, it may be linked to specific targets and indicators from among those associated with the programme.

Activity (see: Objective)

Annual performance plan

The annual performance plan is an explanatory annex to the budget bill, drawn up for each programme. It states amongst other things the performance achieved in previous years and expected in future years as a result of implementing each programme.

In accordance with LOLF Article 51, the annual performance plan contains:

 a description of actions, associated costs, objectives pursued, actual results and results expected in the years to come, measured using precise indicators whose choice is justified;

- an evaluation of tax expenditure;
- justification of changes in appropriations in relation to i) actual expenditure in the previous year, ii) appropriations made under the current budget act, and iii) and these same appropriations increased where necessary by reappropriations from the previous year, indicating their projected subsequent growth;
- the schedule of cash-limit appropriations associated with commitment authorisations:
- the projected distribution of State-paid jobs by category, listed by corps or profession or by type of contract, and justification of variations in relation to the existing situation.

Annual performance report

Annual performance reports, appended to the budget review act and drawn up for each programme, state amongst other things actual performance in relation to the objectives contained in the annual performance plans appended to the budget bill for the same period. For ease of comparison, the structure of annual performance reports is identical to that of annual performance plans.

According to LOLF Article 54, the annual performance report, by highlighting variations in relation to the budget projections for the years under consideration and the actual performance given in the latest budget review act, should indicate:

- objectives, expected and actual results, indicators and associated costs;
- the justification, for each class, of appropriation movements and actual expenditures, stating where relevant the origin of exceptional appropriation overruns attributable to circumstances beyond control;

 how employment authorisations have been managed, stating, firstly, how actual jobs have been distributed according to the terms and conditions set forth at Article 51.5(e) and the corresponding costs and, secondly, the measures justifying any change in the number of jobs presented in the same way and the costs associated with those measures.

Across-the-board policy document

An across-the-board policy document is a document appended to the budget bill. For an interdepartmental policy involving several programmes, it sets out the objectives of the programmes concerned that work towards the purpose of the across-the-board policy.

In road safety, for example:

- the national police could be given an objective relating to the effectiveness of traffic controls in its areas of competence;
- the national gendarmerie could be given an identical objective for its areas of competence;
- an objective could be set in the roads programme relating to a reduction in the number of black spots in the road network.

The lead programme could also include objectives of a more comprehensive nature reflecting the overall effect of the objectives pursued by contributing programmes. In road safety, for example, a reduction in the number of deaths or accidents could be one overall objective.

Indicator

An indicator is a figure or set of figures measuring the achievement of a predefined objective so that performance may be assessed as objectively as possible.

Interim objective (see: Objective)

Management control

Management control is a resource whose function is to inform and objectify the managerial dialogue between the various levels of an administration and to steer it by providing information about costs, activities and results so that the link between resources and the activity or results can be improved.

Managerial dialogue

Managerial dialogue is the process whereby exchanges take place between a given administrative level and its subordinate levels relating to the quantity of resources made available to subordinate entities and the objectives assigned to them.

The dialogue takes place, for example, between programme coordinators and operating budget managers, and between operating budget managers and all the departments for which they are responsible.

Managerial dialogue is informed by inputs from management control.

It should favour the expression of the players closest to the ground and promote the spread of best management practice.

Managerial efficiency (see: Objective)

Mission

Pursuant to LOLF Article 7 (1), the appropriations made by the budget acts to cover each of the State's budget obligations are grouped by missions coming under one or more agencies of one or more ministries.

A mission covers a set of programmes designed to contribute to a defined public policy. A mission can be created only by a government-initiated budget act stipulation.

Budget bills present appropriations grouped by missions, sub-divided into programmes that are themselves sub-divided into actions.

A mission therefore covers a set of programmes designed to contribute to a defined public policy which may be interdepartmental.

A mission is the level at which appropriations are approved. Parliament may change the allocation of resources between the programmes of a mission. However, it may not increase the total amount of appropriations allocated to the mission.

Objective

An objective is the given aim of an action, the expression of the desired outcome.

Objective: intermediate/interim

In the public service production process (see that term), interim objectives are situated upstream from socioeconomic, service quality or efficiency objectives.

Interim objectives concern levers, inputs, activities, outputs:

- input-related objectives: they may concern a consumption volume or rate or the distribution of certain resources;
- activity-related objectives: they may concern the volume, distribution or implementation of certain actions or processes;
- output-related objectives: they may concern the volume or distribution of certain outputs.

Objective: socioeconomic, service quality, efficiency

The strategic objectives decided by the political authorities and contained in annual performance plans concern not what the administration does (i.e., its activity of producing goods and services) but:

- the expected effects of public policies (socioeconomic effectiveness, of interest to the citizen/the community;
- the desired improvement in the quality of public services (service quality, of interest to the user);
- the savings achieved in carrying out administrative activities (managerial efficiency, of interest to the taxpayer).

These three categories of objective may be termed:

- Socioeconomic effectiveness objectives

They describe the expected benefit of State action to citizens (the community) in terms of changing the economic, social, environmental, cultural, health, etc. situation in which they live, principally as a result of such action. For example, a socioeconomic effectiveness objective linked to a public health programme could be to cut smoking.

- Service quality objectives

They seek to improve the quality of the service provided, setting out the expected quality of the service provided to the user, meaning the capacity of the service to satisfy the beneficiary, whether a user out of choice or necessity. For example, a service quality objective linked to a judicial system programme could be to reduce response times in the judicial system.

- Managerial efficiency objectives

They express the expected optimisation of the use of resources by linking outputs (or activity) to inputs. The objective is a way of showing that the public services produced by a given level of inputs can be improved or that the inputs used to produce a given level of public services can be reduced.

Objective: strategic and operational

Objectives are either strategic or operational depending on the position they occupy in the performance-based steering mechanism (see that term). Strategic objectives are situated at the top of a pyramid of operational objectives linked to them.

- Strategic objectives:

Strategic objectives express the strategic priorities of programmes in a practical and measurable way. They are summarised in annual performance plans and are set by the political authorities (Government and Parliament) for each programme. They are more specific than the public interest purposes that characterise the programme and more liable to change over time.

- Operational objectives:

Operational objectives are the translation of the programme's strategic objectives for each department.

Operational objectives may be:

- the territorial or sectoral translation of strategic objectives;
- output, activity or input objectives (intermediate objectives) that contribute to the achievement of strategic objectives;
- local objectives that are consistent and not in contradiction with strategic objectives and take account of the department's specific situation.

Operational objective (see: Objective)

Operator

A State or private (non-governmental) agency given the task of implementing all or a significant portion of a policy translated in budget terms into a programme or action. As such, the operator contributes to achievement of the programme objectives.

State operators are therefore organisations which, whatever their status, meet all of the following three criteria:

- they have legal personality;
- they are directly controlled by the State. This presupposes a link between the State and the organisation that may at times need to be assessed according to several criteria (how management bodies are appointed, rules for approving or rejecting budgets, exercise of control prerogatives, rules for controlling acts of management, origin of resources, rules applying to the goods exploited by the organisation, preponderance of the non-merchant sector in its portfolio of activities, etc.);
- they help to implement a policy defined by the government that is given practical expression in budgets.

An operator may receive subsidies for the provision of public services or transfer appropriations from the programme which it is responsible for redistributing. It may also be financed from tax resources allocated to it.

Performance

Capacity to achieve predetermined objectives expressed in terms of socioeconomic effectiveness, service quality or managerial efficiency.

Performance-based approach, performance-based steering

The performance-based approach or performance-based steering is a public management mechanism designed to making public spending more efficient by directing management towards predefined socioeconomic, service quality or efficiency results (or performances) using predetermined resources.

The strategic objectives to be achieved are translated into operational objectives at each operational level. The objectives leave each level free to choose the resources to achieve them so that it can allocate available resources appropriately and choose the most suitable means of action.

Programme

According to LOLF Article 7 (1 - para. 6), a programme covers appropriations intended for the implementation of an action or a consistent set of actions coming under the same ministry and involving both specific objectives defined on the basis of public interest purposes, and expected results subject to evaluation.

As a single-purpose appropriation unit, the programme sets the operational framework for State policy. The programme coordinator is free to use the appropriations within the control total set by Parliament, provided that he does not exceed the amount earmarked for personnel expenditure and the ministerial ceiling on employment authorisations.

Programme coordinator

Programme coordinators are appointed by the relevant Minister to oversee a programme. They help to draw up the programme's strategic objectives, under the Minister's authority. They are responsible for implementing and achieving the strategic objectives. To that end, they translate them into operational objectives, adapted to the competencies of each department, in the framework of the managerial dialogue with department heads.

Programme operating budget

The programme operating budget covers the portion of programme appropriations made available to an identified manager for a defined set of activities (some of the programme actions, for example) or for a territory (a region, a department, etc.) so as to bring management of appropriations closer to the ground.

The programme operating budget has the same attributes as the programme: it is an overall set of resources associated with objectives measured by indicators of results. The objectives of the programme operating budget are defined as a translation of the programme objectives.

Public interest purposes

The public interest purposes of a programme reflect the benefits that users derive from services, or the social, economic, educational, cultural or other aims of government intervention. This level of description, changing little over time, provides a backdrop on which the broad outlines of public action can be mapped out. The strategic objectives set out in annual performance plans express the priorities most likely to achieve the programme's purposes.

Public service production process

The public service production process is a logical sequence which describes how government transforms resources, through activities, into outputs or goods or services rendered. These outputs induce socioeconomic outcomes, meaning a transformation of the economic and social environment.

Objectives and indicators that measure their achievement may be introduced at all levels of the production process.

Result

The term, when used alone, refers to real ex post results. Results are measured by the level that an indicator has actually reached. When looking forward, the appropriate terms are "expected result" or "target result".

Service quality (see: Objective)

Socioeconomic effectiveness (see: Objective)

Strategic objective (see: Objective)

Strategy

The term strategy embraces the more general considerations that inform the choice of objectives contained in annual performance plans. The strategic time horizon spans several years.

A strategy is the basis for choosing priorities for government action on an overall diagnosis of the situation of a programme, taking into account its public interest purposes, its environment, especially the other programmes in the same mission, expressed expectations and the available resources.

A summary of the programme strategy is given in the annual performance plan, structuring the objectives in which it is given practical expression around a few guidelines.

Support function

A function that is not involved in the operational conduct of actions but is vital to the effectiveness of the whole. Support functions correspond to so-called staff functions (general management, planning, research, certain forms of control) and resource management functions (personnel, budget/finance, communication, across-the-board IT services, etc.).

Support functions that cannot in principle be shared between programmes or operational actions are contained within a support function action or programme.

Support actions are not generally assigned strategic objectives other than efficient management objectives. Internal service quality objectives may be additionally assigned to support function programmes.

Target result

A target result is the value defined ex ante that an indicator should attain within a given time (one to five years), certifying that the predetermined objective has been achieved.

Translation of objectives

The translation of objectives is the process whereby, within a given programme, operational objectives are defined for each subordinate level or for each operator covered by the programme in such a way that, by achieving them, the national strategic objectives assigned to the programme are also achieved, while at the same time all programme activities are kept under control.

The strategic objectives decided by the political authorities are situated at the top of a pyramid of related operational objectives.

Operational objectives may be:

- the territorial or sectoral translation of strategic objectives:
- output, activity or resource objectives (intermediate objectives) that contribute to the achievement of strategic objectives;
- objectives complementary to strategic objectives that are consistent and not in contradiction with them, and that concern activities not covered by the strategic objectives or take account of the department's local situation.

Two principles must be reconciled when strategic objectives are translated into operational objectives:

- operational objectives must be expressed in terms relating to realities that can be controlled by the entities to which they are assigned;
- operational objectives must be expressed in terms that leave as much scope as possible to entities as regards the arrangements and resources implemented, such that agencies can choose the most suitable and most economical methods.

Objectives are translated within the framework of a managerial dialogue organised in such a way as to favour the expression of the players closest to the ground and to promote the spread of best management practice.

Zero-base budgeting

Appropriations put to a vote by Parliament are no longer justified in two compartments, namely the current services appropriations (expenditure renewed to ensure the continuity of public services) and new expenditure items, but from the first euro of expenditure. This approach is distinguished from the differential method for analysing new measures in that it leads to an in-depth analysis of the stock of expenditure.

For example, all the appropriations for an activity can be justified by multiplying the volume of outputs (goods or services rendered) by their average unit cost.

ONLINE DOCUMENTATION

The following websites provide additional information (in French) about the performance-based approach and the implementation of the Constitutional bylaw on budget acts (LOLF).

Website of the Ministry of the Economy, Finance and Industry devoted to the implementation of the LOLF.

http://www.minefi.gouv.fr/lolf

Including:

"Les objectifs et les indicateurs de performance", Directorate for Budgetary Reform, December 2003. http://www.minefi.gouv.fr/lolf/5 1.htm

Guide d'audit initial des programmes, Interdepartmental Programme Audit Committee, December 2003. http://www.minefi.gouv.fr/lolf/downloads/113_guide_audit.pdf

Extr@lolf, an intranet for interdepartmental cooperation accessible to government agencies. See especially FAQ.

https://www.extralolf.minefi.gouv.fr login : rb / password : lolf

Assemblée Nationale website.

http://www.assemblee-nationale.fr

Senate website.

http://www.senat.fr

State Audit Office website.

http://ccomptes.fr

Edition: Ministry of the Economy, Finance and Industry, Direction of the Budgetary Reform, Communication Service

Conception: Publicis Consultants
Printing: Calligraphy Print

http://www.lolf.minefi.gouv.fr









The Interdepartmental Programme Audit Committee