

**France: Report on the Observance of Standards
and Codes—Fiscal Transparency: An Update**

This report updates the developments in fiscal transparency since the September 2000 “Observance of Standards and Codes—France” (available on the IMF website at <http://www.imf.org/external/np/rosco/fra/fiscal.htm/>). It has been prepared by a staff team and does not necessarily reflect the views of the government of France or the Executive Directors of the IMF.

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REPORT ON THE OBSERVANCE OF STANDARDS AND CODES
FRANCE: FISCAL TRANSPARENCY—AN UPDATE
OCTOBER 2001

*This note provides factual information on developments in fiscal transparency since the October 2000 Report on the Observance of Standards and Codes. It should be read in conjunction with the original report.*¹

Budget preparation and review

The 2001 and 2002 State Budget law proposals (*Projet de loi de finance*) had several features improving the transparency of budget presentation and the accountability to Parliament. On the expenditure side, a clear view was provided of the implementation of the objectives of the previous fiscal year for the central government. An annex to the budget showed cost-sharing contributions (*fonds de concours*), which were previously left out, as well as growth rates of spending adjusted for changes in budgetary parameters (a practice that will be mandatory under the recently adopted new law on budgetary procedures). On the revenue side, more information was provided on the methodology and assumptions used to estimate tax revenues and on the amounts of tax revenues earmarked for social security funds and local authorities (which will also be mandatory under the new law on budgetary procedures). The budget proposal was submitted for evaluation to the *Commission Economique de la Nation* (an independent committee of experts and members of Parliament) before it was submitted to Parliament.

A new law on budgetary procedures (*Loi organique relative aux lois de finance*) has been approved by Parliament, to take full effect in 2005. The new law has the objectives of improving the quality of public expenditure by emphasizing results and efficiency and increasing transparency and Parliament's role in fiscal management. Though central government budgets prior to the effectiveness of this law will continue to be prepared under the existing procedures, several requirements of the new law will already be phased in beforehand.

In accordance with the new law on budgetary procedures, the calendar for submission of budget review laws to Parliament has been accelerated. This law, together with the CGAF report (*compte général de l'administration des finances, CGAF*), will be submitted in June of every year. The review laws include a number of features to improve transparency and accountability.² In particular, an appendix (*comptes rendus de gestion budgétaire*) compares spending objectives with outcomes and provides an explanation for deviations.

¹ The original report was issued to the Executive Board as SM/00/238 and is on the IMF website as <http://www.imf.org/external/np/rosc/fra/fiscal.htm/>.

² These laws apply only to the central government and do not cover social security or local authorities.

Reporting and Monitoring

The monthly publication of the Ministry of Finance on budget implementation (*Situation Mensuelle Budgétaire*) now includes a short analysis of the situation of the central government budget.

The government continues to submit to Parliament a background document to the budget law (*Rapport Economique, Social et Financier*), a practice that will become compulsory under the new law on budgetary procedures.

The reform to improve transparency of State accounts, initiated in 1997, continues. Since 1999, the CGAF report has shown contingent liabilities from pension obligations and government guarantees. Since 2000, the report has also shown partly accrual-based central government accounts.