

**France: Report on Observance of Standards and Codes—  
Fiscal Transparency and Data Module Updates**

These updates to the Report on the Observance of Standards and Codes on Fiscal Transparency and Data Module for **France** was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed in **September 2004**. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of **France** or the Executive Board of the IMF.

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## REPORT ON THE OBSERVANCE OF STANDARDS AND CODES

### FRANCE—FISCAL TRANSPARENCY UPDATE

SEPTEMBER 2004

*This note provides factual information on developments in fiscal transparency since the October 2002 update of the October 2000 Report on the Observance of Standards and Codes. It should be read in conjunction with the original report and previous 2001 and 2002 updates.<sup>1</sup>*

The main developments in fiscal transparency reflect the progressive implementation of the new organic law on the budget acts of August 1, 2001 (*Loi organique des lois de finances, LOLF, August 1, 2004*). The law becomes fully effective on January 1, 2006.

#### *Transparency of budget preparation*

1. In addition to the annual appropriations submitted to parliament in October of every year, the government has to commit to a multi-annual framework, details of which are provided in the economic, social, and financial report attached to the Budget Act. The report includes a four-year projection of revenue, expenditure, and balance for the various components of the general government expressed under national accounting conventions (Article 50).
2. The parliamentary budget policy debate introduced in 1996 and taking place in June of every year has been institutionalized (Article 48). Moreover, since June 2004, this report, prepared by the government, has been complemented with an estimate of its major resources and expenditures over the medium term and a presentation of the government's policy with respect to EU commitments. This debate also allows an initial review of the previous year's budget execution, on the basis of the preliminary report of the State Audit Office (Article 58).
3. Parafiscal levies have been terminated as of January 1, 2004. After having been included in the 2003 budget, they were converted one year later into a single tax (Article 63).

#### *Information provided to parliament*

4. As of 2005, Annual Performance Plans (APPs) for each of the 47 missions under which the budget is organized will provide details on the level of appropriation for each mission and the performance indicators by which the expected results of the mission will be

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

assessed ex post, allowing for accountability to parliament (Article 51). An ex-post assessment of APPs will be conducted in the Annual Performance Report appended to the Budget Review Act (*loi de règlement*). This report will use the same template as the initial APP to facilitate comparison.

5. The budget Review Act must also be complemented by an estimate of the government's off-balance-sheet commitments, and the State Audit Office has been given the new assignment of certifying the public accounts.

6. Implementation of accrual-basis accounting is confirmed in the LOLF (Article 30).

*Increased parliamentary powers during the budget debate*

7. While parliament will continue to vote on the overall level of revenue estimates, a vote on appropriation for every mission will be necessary on a zero-budgeting basis. An individual vote will take place concerning the employment authorization limit in each ministry (Article 43).

## REPORT ON THE OBSERVANCE OF STANDARDS AND CODES

### FRANCE—DATA MODULE UPDATE

SEPTEMBER 2004

*This note reports on developments in data collection, compilation, and dissemination in France since the Report on the Observance of Standards and Codes (ROSC) was released in October 2003. For a full description of institutions and practices and Fund staff recommendations, this note should be read in conjunction with the original report.<sup>2</sup>*

**France continues to observe the Special Data Dissemination Standards' (SDDS) specifications for the coverage, periodicity, and timeliness of all data categories, including the detailed template on international reserves and foreign currency liquidity, and for the dissemination of advance release calendars. The metadata and summary methodologies underlying the economic statistics are being regularly updated on the Dissemination Standards Bulletin Board (DSBB).**

France is implementing several of the 2003 ROSC Data Module recommendations.

#### 1. General Recommendations

*Promote a broader understanding of statistical revisions by publishing revision studies to familiarize users with the workings of the statistical process.*

Two studies in the balance of payments have been published so far:

- A note explaining the reasons for the broad revision in reinvested earnings relating to the years 2001 and 2002 ;
- A note on the new methodology used to compile travel data in the balance of payments (the use of surveys) and its consequences for the interpretation of the results.

#### 2. INSEE

*Ensure that the status of statistics (whether preliminary, semi-final, or final) is clearly identified in publications.*

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<sup>2</sup>The original report, entitled "France: Report on the Observance of Standards and Codes—Data Module, Response by the Authorities, and Detailed Assessment Using the Data Quality Assessment Framework," is available on the IMF web site <http://www.imf.org>.

Each of the quarterly accounts publications (preliminary at 42 days, semi-final at 50 days, and final and detailed at 90 days) contains an explanation of the publication policy and the reason for the revisions.

*Post on the Internet more documentation on the methodologies for macroeconomic series.*

The following methodological documents are now available on the Internet:

- The first part of the methodological document on quarterly national accounts.
- Government finance statistics definitions (scope of general government and detailed lists of the various agencies of the central government and social security entities; definition of tax revenue, government deficit, and government debt according to the Maastricht Treaty definition).

### 3. National Accounts

*Priority 1: allocate greater resources for implementing a new computer system for annual accounts.*

A high-level statistician has been assigned for 18 months to design and launch this project starting on April 1, 2004. A junior statistician will join the project team as of September 2004 part-time for two years.

### 4. Producer Price Indices:

*Priority 1: establish a computerized method for evaluating potential measurement errors in the procedures for preparing producer price indices, to be used systematically.*

The new Internet data collection system, made available to enterprises on December 24, 2003, is incorporating, as from the second half of 2004, a module for validating data to be used internally by sectoral teams which will permit automatic monitoring of price changes.

*Priority 2: regard the index as being final three months after the reference date, instead of the current six months, given the negligible differences between the two versions.*

The duration of the provisional nature of the producer price indexes has been shortened from six to three months as of January 2004.

*Other recommendation: explore the possibility of developing a module for detecting anomalous price shifts in the new automatic price collection system.*

The "Collection by Internet" project started up on December 24, 2003, with the opening of the INSEE's first online response website. The first batch delivered helps enterprises transmit to INSEE their responses by a completely secure information retrieval service.

A second batch, which allows responses to be automatically fed into the management application once the data are validated by the survey manager of a data collection station, is being implemented as from the second half of 2004. This batch will make available to sectoral chiefs a module for verifying and controlling information submitted by enterprises. In particular, it contains a system for the automatic control of price changes.

5. Government Finances

*Priority: produce a publication focusing on government finance.*

Until an Internet page is created specifically for government finance statistics, the annual national accounts site has been slightly enhanced: it includes expenditure tables and government revenues by sub-sector (central government, ODAC (miscellaneous central government agencies), local governments, and social security administration).

6. Balance of Payments

*Priority 1: Identify the Banque de France as the producer of balance-of-payments statistics in the statistical tables published by the ministry of finance and industry.*

This recommendation has been implemented.

*Priority 2: pursue the efforts of the joint DBDP<sup>3</sup>-INSEE task force to achieve greater coherence between the balance of payments current account and the rest of the world account in national accounts.*

Work with promising results has been undertaken on the transportation account.

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<sup>3</sup>DBDP: Balance of Payments Directorate of the *Banque de France*.