



**Department-wide Budget
Performance Evaluation:
Status-quo, Issues and Improvement**

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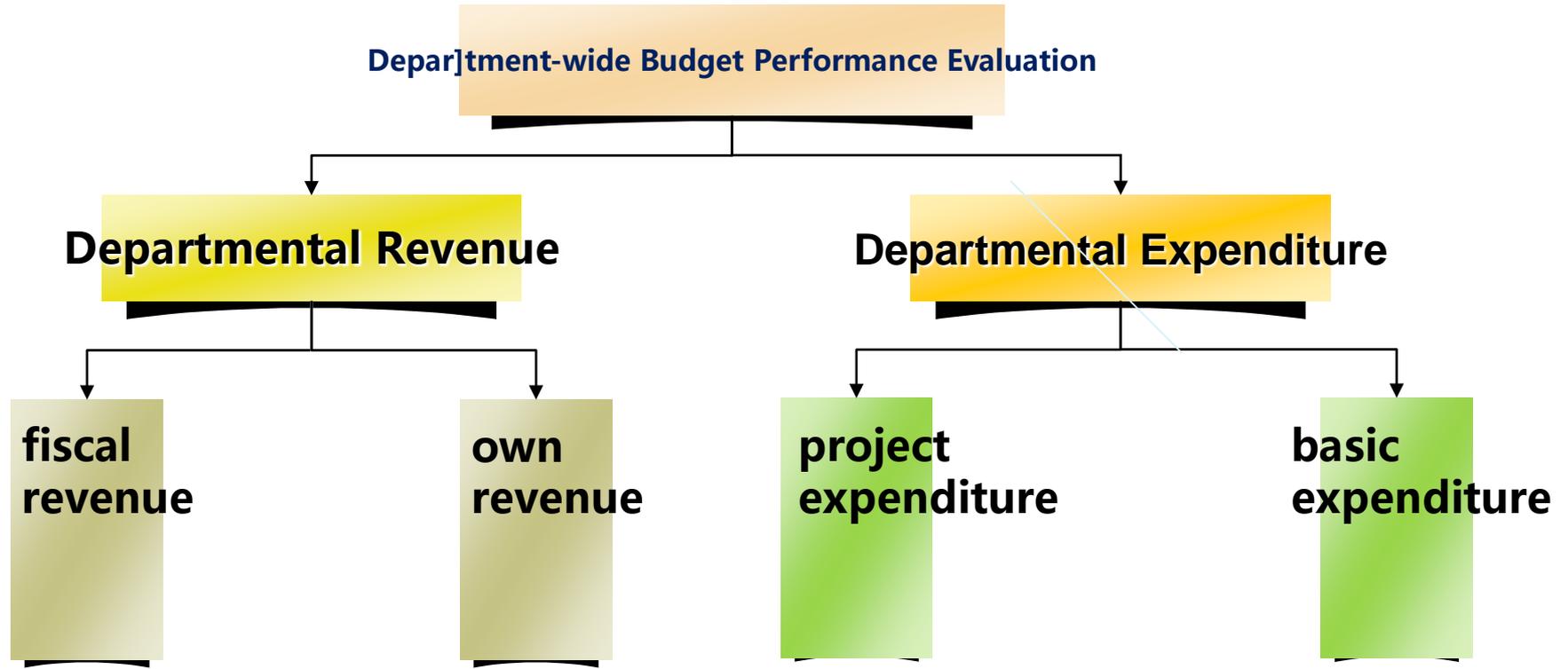
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I. Connotation of Department-wide Budget Performance Evaluation

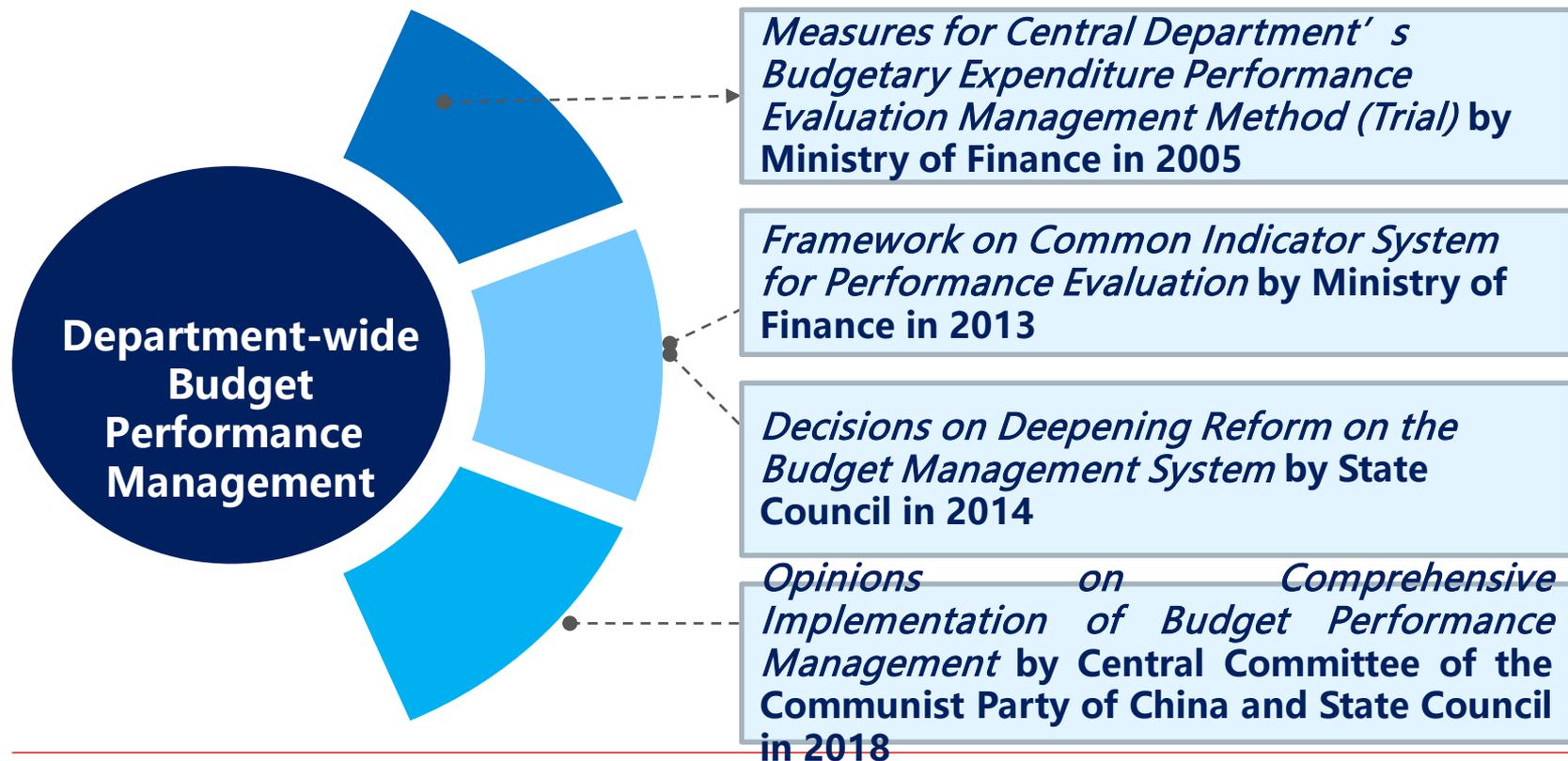
- Supervise the government' s economic accomplishments, government contribution to social development and environmental improvements that are closely related to budgeting, and strengthen department' s sense of responsibility in using budgetary resources.
- Add social satisfaction with public services to the evaluation process, so that government authorities will have to directly engage with the society and public, understand the real feelings and needs of those they serve, change their behavioral patterns and improve public services.
- Enable government authorities to shift from power-led to responsibility-oriented allocation of budgeting resources, and shift the focus from making administrative achievements to providing public services.



Scope of Department-wide Budget Performance Evaluation



II. Development Trajectory of Department-wide Budget Performance Management



Department-wide Budget Performance Evaluation: Practice

In 2014, Ministry of Water Resources selected some departments for overall budget performance evaluation. In 2016, entrusted by the Budgeting Department, Ministry of Finance, Budget Evaluation Center, Ministry of Finance conducted overall performance evaluation on China Meteorological Administration and National Administration of Surveying, Mapping and Geo-information on a pilot basis.

In 2015, Government of Xicheng District, Beijing conducted overall budget performance evaluation for four departments, including the finance bureau and district people' s congress, on a trial basis. In 2016, the evaluation was extended to over 10 blocks in the whole district.

In 2016, Guangdong Provincial People' s Government selected six departments, including department of forestry and Guangdong Provincial Administration for Market Regulation, for overall budget performance evaluation on a pilot basis. In 2017, the pilot programs were implemented in 12 departments.

In 2017, Shanghai Municipal People' s Government conducted overall budget performance evaluation for 19 departments.



III. Issues Existing in Department-wide Budget Performance Management

- 1 Department-wide budget performance management covers a whole range of areas, making it difficult to effectively match performance targets with departmental functions
- 2 There is no clear relations between performance targets and budget expenditure, making it difficult to assess to the budget guarantees fulfilment of targets
- 3 Diverse rationales underlying different performance evaluation indicator systems make it less likely to compare evaluation results
- 4 Externality and public good nature of department-wide budget performance make it difficult to accurately measure expenditure benefits
- 5 Difficulty in demarcating the boundaries of basic expenditure and project expenditure makes it less likely to apply performance evaluation results



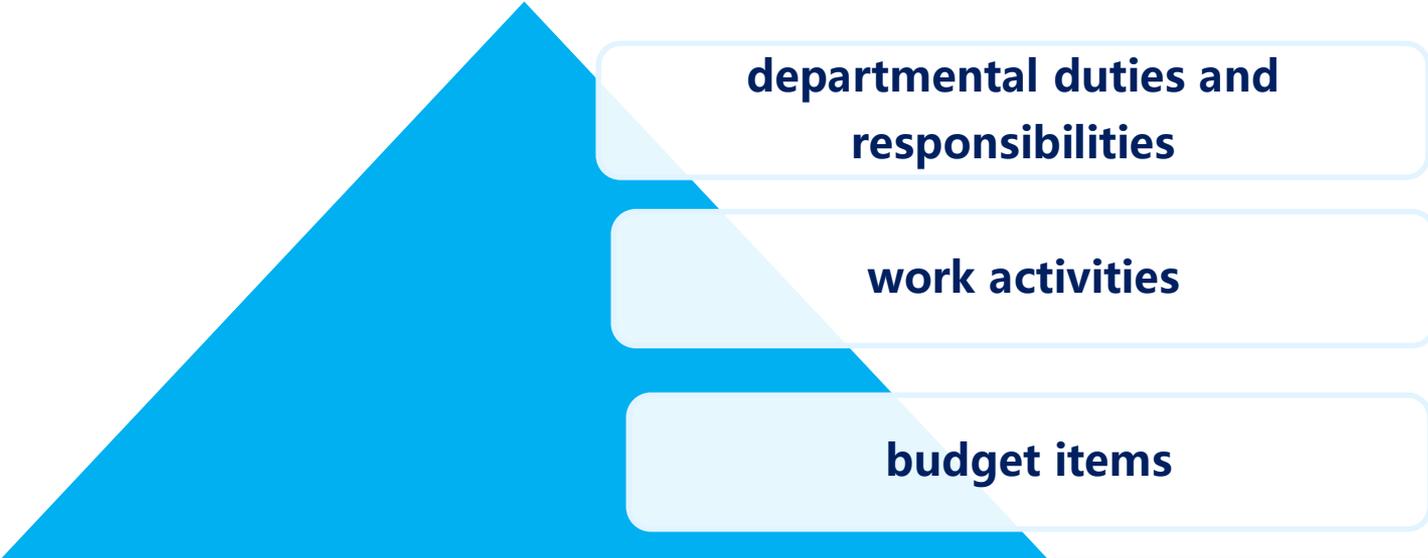
IV. Reflections on Improving Department-wide Budget Performance Management

- **1. Set clear scope and boundaries for department-wide budget performance management**
- **Department-wide budget performance management is the most comprehensive assessment of departmental budget and supervision of budget performance. It evaluates budget income (fiscal allocations and own revenue) and departmental expenditure of all sorts, such as project expenditure, personnel expenditure, public expenditure, etc.**
- **(1) Make clear that department-wide performance is the natural outcome of basic expenditure and project expenditure**
- **(2) Identify key aspects for evaluation in basic expenditure and project expenditure**



2. Establish a Multi-Tiered Performance Target Management System

- Build a multi-tiered management mechanism for evaluating departmental duties and responsibilities, work activities and budget items. Go through departmental duties and responsibilities before budget making, identify core work activities from various duties and responsibilities, and set specific budget items within the framework of core work activities



departmental duties and
responsibilities

work activities

budget items



3. Improve Department-wide Budget Performance Indicator System

- *Interim Measures for Fiscal Expenditure Performance Evaluation Management in 2011* stipulates that performance evaluation includes evaluation of basic expenditure performance, project expenditure performance and overall expenditure performance
- *Framework on Common Indicator System for Budget Performance Evaluation in 2013* offers a common framework for evaluating the performance of project expenditure, fiscal activities and department-wide expenditure. The framework is built based on a **logic model** focused on input-process-output-outcomes.
- In practice, **some deficiencies** are found:
- **The logic model** focuses on evaluation of project expenditure but ignores examination of departmental functions, making the overall performance evaluation a combination of financial check and assessment of performance of key projects, thus being unable to depict a clear picture of the overall performance of departmental functions.
- For departments whose expenditure is primarily basic expenditure, the department-wide expenditure performance evaluation indicator system based on the **logic model** is not applicable.



III. Establish a Common Indicator System for Department-wide Performance Evaluation

- In 2017, Budget Appraisal and Evaluation Center of Ministry of Finance conducted department-wide expenditure performance evaluation for China Meteorological Administration on a pilot basis based on the theory of **Balanced Scorecard**.
- **Core Principles for Evaluation:**
 - (1) start from fulfilment of departmental duties and responsibilities, and place particular emphasis on to the performance of major tasks and core business;
 - (2) take departmental performance targets as the core, and examine the correlation between performance targets and departmental work arrangements and major government strategies and policies;
 - (3) focus on financial and business management, and present a holistic picture of management efficiency of departmental budgeting, revenue & expenditure, assets and business operations, etc.;
 - (4) focus on cost accounting, and examine the correlation between departmental expenditure to fulfil duties and its delivery of public services;
 - (5) reflect the socio-economic benefits of a department by taking into consideration the department' s impact on national economy and people' s level of satisfaction;
 - (6) examine the department' s reform and innovation capacity with the view to achieving department' s sustainability.



Opinions on Comprehensive Implementation of Budget Performance Management

- Focus on departmental responsibilities, carry out budget funding management as the underlying theme, and measure results of department-wide and organization-wide implementation and performance of the core business in such areas as operating cost, management efficiency, performance efficacy, social benefits, sustainability and satisfaction of service users.

primary indicators	secondary indicators
performance efficacy	quality of set targets
	level of fulfilment of targets
management efficiency	core business
	budgeting
	budget implementation
	budget supervision
	revenue management
	asset management
social benefits	business management
	basic management
	political benefits
sustainability	social benefits
	social satisfaction
	institutional reform
	innovation-driven development

Give prominence to core business, examine the relations between core business and investment, and steadily improve departmental capabilities; place emphasis on budget management standards, and lead departments in improving efficiency in using fiscal funds; give priority to reform and development within departments, and guide them in building up strength to provide better services; value tapping of potential for continual development, and facilitate them in carrying out consistent reform and innovation; accord importance to level of satisfaction of service users, and enhance departments' awareness of rendering better social services.



4. Enhance Application of Results of Department-wide Budget Performance Evaluation

- Application of evaluation results is an effective means to facilitate the evaluated departments and organizations in their efforts to optimize budgeting structure and improve public service delivery. It is what performance evaluation is all about. As the application of results of department-wide budget performance is less than ideal and the evaluated lack the initiative to apply the results, it is necessary not only to increase their awareness of performance, but also to establish mechanisms of incentives and disincentives for better application of evaluation results.
- Moreover, as performance evaluation results are currently not of high quality, operability and applicability, it is imperative to enhance the capacity of evaluation service providers so as to improve the operability of performance evaluation results.



Thank you

