Strengthen the concept of budget performance management through institutional development

Guangdong Finance Department · 2019
1. Enhance performance management responsibilities based on performance objectives

- **(1)** Establish institutions to identify responsibilities among major stakeholders
- **(2)** Integration of such objectives into the budget for the fulfillment of responsibilities of major stakeholders
- **(3)** Establishment of an indicator bank and motivate major stakeholders to shoulder responsibilities

2. Enhance application of performance evaluation outcomes

- **(1)** Application of ex ante appraisal--to make budget compilation more scientific
- **(2)** Application of performance objectives--to rectify and evaluate budget implementation
- **(3)** Application of performance evaluation outcomes --to optimize resource allocation and supervision
Enhance performance management responsibilities based on performance objectives
Establish institutions to identify responsibilities among major stakeholders

2011: 《Regulations on the Performance Objective Management of Budgetary Expenditures from the Provincial Departments in Guangdong》

Institutional building has long been valued in Guangdong to instill the sense of responsibilities into all the stakeholders related to performance objective management.

(1) Provincial Finance Department coordinates the organization and implementation of the objective management in regard to provincial budgetary expenditures, including the development of management standards, the guidance and supervision of objective declaration, and the review and finalization of performance objectives.

(2) The relevant department in charge takes responsibilities to manage its own performance and objectives in the department. It is responsible for setting up expenditure performance objectives for projects at its own level; also responsible for the guidance, collection, review and approval of the objectives of its subordinate entities.

(3) The project entity is responsible for its own expenditure performance objective management, including setting up objectives and submitting them to the upper department in charge for approval; and revising and
Enhance performance management responsibilities based on performance objectives
Establish institutions to identify responsibilities among major stakeholders

Combine new requirements with old ones and leverage the responsibilities of departments as an anchor

1. Provincial finance department. Responsible for developing a management system of provincial fiscal performance objectives and for organizing the implementation of the system; the review and approval of provincial performance objectives and the finalization of performance objectives in provincial transfer payments; guidance for provincial business departments, and municipal and county-level finance departments to manage their respective performance objectives.

2. Provincial sector/business departments. Responsible for the declaration and review of the performance objectives of the provincial public finances the department uses itself and manages; the supervision on the objectives implementation of their lower organizations and of municipal and county-level business departments; the establishment of a multi-level indicator system in their sector.

3. Municipal and county-level finance departments. Responsible for managing the performance objectives of the provincial transfer payments within their jurisdictions; the guidance for business departments at their level to manage the performance objectives.

4. Municipal and county-level business departments. Responsible for the objectives declaration of the provincial transfer payments used or managed by themselves; organization of the declaration, review and supervision of the performance objectives of the capital using organizations at their level.

5. Capital using organizations. Responsible for the declaration of performance objectives of fiscal resources from the provincial level, annual performance objective declaration to the business departments within their own sectors; the annual report to business departments on objective fulfillment.

Four innovative points are worthy of mentioning in the division of responsibilities: first, the explicit requirements “four budgets” and “five synchronized steps”; second, more management responsibilities are shifted towards the business departments and fund using organizations; third, the management requirements are differentiated between projects reviewed at the provincial level and the ones reviewed at city-level or county-level;
Responsibilities for indicator bank development, use and maintenance are specified in the document.

The development of the indicator bank demonstrates that all business departments have the discretion of their own business management and they should shoulder responsibilities for their own performance management. They decide on the performance indicators and evaluation standards in the bank based on their sector-specific situations. The Provincial Finance Department will make necessary additions and bear the responsibilities for daily maintenance of the indicator bank.
Enhance performance management responsibilities based on performance objectives
Integration of such objectives into the budget for fulfillment of responsibilities by major stakeholders
The compilation and declaration of performance objectives shall be focused on the missions specified by the central and provincial governments with an aim to achieve public satisfaction. The objectives shall clearly reflect the departments’ functions, priorities and specific tasks, and shall also specify expected outputs and effects, and include detailed quantitative indicators for measuring performance.

The 2020 budget makers shall take a step forward to enhance the quality of objectives and strengthen review of such objectives. The 2020 budget shall strive to include more predicative judgment of expenditures and policies. The performance review of major projects shall be experimented with the focus on cost-benefit analysis and the budget compilation accuracy needs to be enhanced.
Enhance performance management responsibilities based on performance objectives
Integration into the budget to fulfill responsibilities of major stakeholders

02 synchronized declaration: declaring the performance objectives in the budget management system
03 synchronized review

1. Performance objective declaration and review conclusions: the prerequisites for projects to enter the pool; the necessary conditions and references for budget arrangements
2. The approved performance objectives are the basis for budget implementation, performance supervision and budget evaluation
3. The objectives and budget approvals will be both disclosed for public supervision

Enhance performance management responsibilities based on performance objectives
Integration into the budget to fulfill responsibilities of major stakeholders
04 synchronized finalization within the department

Notice on Arranging the Fifth Round of Special Fund for Provincial Healthcare Development in 2018

<table>
<thead>
<tr>
<th>年度总体目标</th>
<th>2018年医疗服务体系建设发展专项预算指标表（加强基层医疗卫生体系建设和全民健康服务体系）</th>
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<tr>
<td>专项指标</td>
<td>医疗卫生机构基础设施建设</td>
</tr>
<tr>
<td>省级财政部门</td>
<td>市级财政</td>
</tr>
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The objective list of 298 tier-I projects in 2019 were submitted to Provincial People’s Congress for review

05 synchronized disclosure
Article 5 Provincial Finance Department shall be responsible for fundamental tasks such as the framework development, system establishment and setting of management rules. Elaborate indicators shall be established and filed based on the real needs of provincial business departments. Finance department may make necessary additions.

Article 10 Business departments and finance departments shall set up and file indicators based on the actual objectives of fiscal resource use to accurately reflect the relationship between "resources" and "responsibilities". At the same time, business departments and finance departments shall stabilize the filed indicators over a period of time. The departments shall adjust or delete the indicators which are no more consistent with the real situations or no longer used.

Article 17 Provincial Finance Department shall maintain the common performance objectives. In principle, provincial business departments shall apply to the Provincial Finance Department for the maintenance of their sector-specific indicators. The departments shall specify the indicators to be added, adjusted and deleted, and shall submit supportive evidence and documents to the Finance Department. The bureau shall update the bank after review and approval.

Article 19 Business departments shall actively support Provincial Finance Department to maintain their sector-specific indicators and optimize the indicator bank.
2. Enhance performance management effect by strengthening the application of performance outcomes

- **(1)** Application of ex ante appraisal to provide more evidence for budget compilation
- **(2)** Application of performance objectives to rectify and evaluate budget implementation
- **(3)** Application of performance evaluation to optimize resource allocation and supervision

Establish an institutional framework to apply the evaluation outcomes
Enhance performance management effect based on outcome application
Application of ex ante appraisal to provide more evidence for budget compilation

In 2019, we published the *Management Methods on the Provincial Public Finance Performance in Guangdong*, and selected 3 newly added resources and 2 department budgets to conduct an ex ante appraisal. The main purpose is about evaluating the necessity of declaration, input economics, appropriateness of objectives, implementation feasibility and funding compliance.

The appraisal helped us to optimize policymaking to clearly reflect the policy orientation, and provided strong support for the budget to be properly compiled.

The results of appraisal are used as the prerequisites for policymaking and budget arrangements.
In the 2019 budget compilation, we reviewed the performance objectives of 238 tier-I projects of special capital, 300 tier-I projects of other development expenditures, 3000 key tier-II projects of department functioning expenditures and 69 department-wide expenditures.

The review outcomes were applied to budget implementation, both the cash operation and objectives completion were monitored, and thus it helped rectify deviations from performance objectives.

After a budget year is closed when the review outcomes were applied, the completion of performance objectives was evaluated to reflect the rationality of the objective setting.
Based on the evaluation of key performance objectives, when we compile the budget for
the next year, we strive to optimize fiscal resource allocation by stopping or adjusting the
financial support for those with poor results, and providing no budget arrangements for those
failing to achieve the performance objectives in the previous year.

At the beginning of 2019, we submitted to the first session of the 13th provincial
people’s congress a publication encompassing the performance objectives of 298 tier-I
budgetary items in 2019 and the performance evaluation reports of 50 key projects in 2018; at
the same time, the publication will be publicized on the website of Provincial Finance
Department for public supervision.
Thank you