



Performance Management in the Korean Public Sector: Self-Assessment of Budgetary Program

No-Wook Park
Korea Institute of Public Finance



Contents

- 📌 Recent Efforts towards Performance Budgeting in Korea
- 📌 Description of Self-Assessment of Budgetary Program (SABP)
- 📌 Results from 2005 SABP
- 📌 Observations and Recommendations



Background of Performance Management in Korean Government

- 📌 Expected budget problems
 - Increasing public debts after 1998's Asian financial crisis
 - Increasing spending on social welfare programs due to aging and polarization problems
- 📌 Need for enhancing efficiency in public spending
- 📌 Started 4 major reform programs in public finance
 - Medium-term expenditure framework: Basis for top down budgeting
 - Top down budgeting: autonomy to line ministries
 - Performance management system: accountability
 - Digital accounting system: program accounting



Recent Reforms in Korean Budget Process 1

- 📌 Medium-term fiscal plan
 - Five-year fiscal plan for 14 sectors
 - Basis for Top-Down Budgeting
- 📌 Top-Down budgeting
 - Fixed amount of envelope for each ministry
 - Line ministries have autonomy in spending



Recent Reforms in Korean Budget Process 2

- 📌 Performance Management
 - Assess performance of spending programs
 - Enhance link between performance and budget
- 📌 Digital Budget and Accounting System
 - Program Budgeting
 - Accrual Accounting
 - Computerization of accounting system



Reform Efforts towards Performance Budgeting

- 📌 Performance Budgeting (2000-2002)
- 📌 Performance Management of Budgetary Program (2003-2005)
- 📌 Self-Assessment of Budgetary Program (2005)
- 📌 Program Evaluation (2006)



Performance Budgeting

- 📌 Pilot project during 2000-2002
- 📌 Designed after GPRA
- 📌 Started with divisions and departments in 16 agencies and expanded to those in 22 agencies
- 📌 Developed annual performance plans and reports



Performance Management of Budgetary Program

- 📌 2003-2005
- 📌 Developed from “Performance Budgeting”
- 📌 Started with 22 agencies and expanded to 26 agencies
- 📌 22 agencies developed 100% performance indicators.
- 📌 In 2005, 26 agencies submit annual performance plans.



Self-Assessment of Budgetary Program

- Started from 2005
- Designed after PART
- Review major budgetary programs in three years
- In 2005, about 550 programs are reviewed
- 15 common questions and additional questions for 7 program types



Budgetary Program Evaluation

- 📌 In 2006, program evaluation will be introduced by MPB
- 📌 About 10 programs will be selected for evaluation



Framework for Performance Management In Korea

- 📌 Performance Monitoring
 - “Performance Management of Budgetary Program”
 - Monitoring based on the performance indicators
- 📌 Program Review
 - “Self-Assessment of Budgetary Program”
 - Review self-assessment of program by line ministries
- 📌 Program Evaluation
 - “Budgetary Program Evaluation”



Description of Self-Assessment of Budgetary Program

- 📌 MPB reviews self-assessment of programs by line ministries/agencies
- 📌 Budgetary authority provides a standardized checklist for reporting self-assessment
- 📌 The checklist contains questions on design, performance management system, implementation, and actual performance
- 📌 Entire program will be reviewed in three years.
 - About 1/3 programs will be reviewed each year



Checklist

Planning

- Program purpose
- Rationale for gov spending
- Duplication with other program
- Efficiency of program design
- Performance goal and indicator
- Performance target



Checklist

- 📌 Management
 - Monitoring efforts
 - Obstacles of program implementation
 - Implementation as planned
 - Efficiency improvement or budget saving
- 📌 Results and accountability
 - Independent program evaluation
 - Results
 - Satisfaction of citizens
 - Utilization of evaluation results

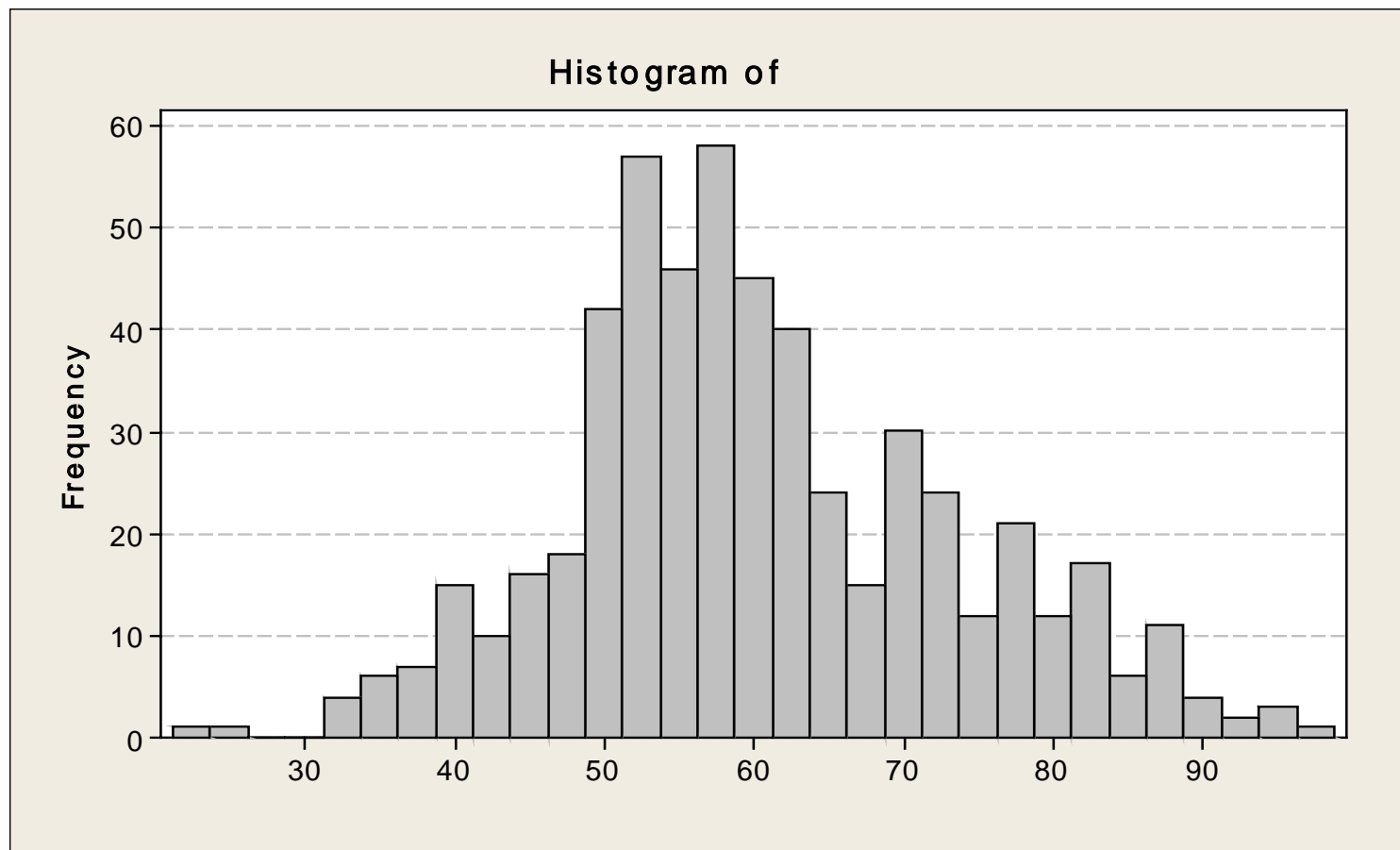


Report on 2005 Self Assessment of Spending Program

- 📌 Evaluation Results by Total Score
- 📌 Evaluation Results by Section
- 📌 Evaluation Results by Program Type
- 📌 Link between Evaluation Results and Budget



Total Score Distribution



#: 548 Mean: 60.460 SD: 12.867

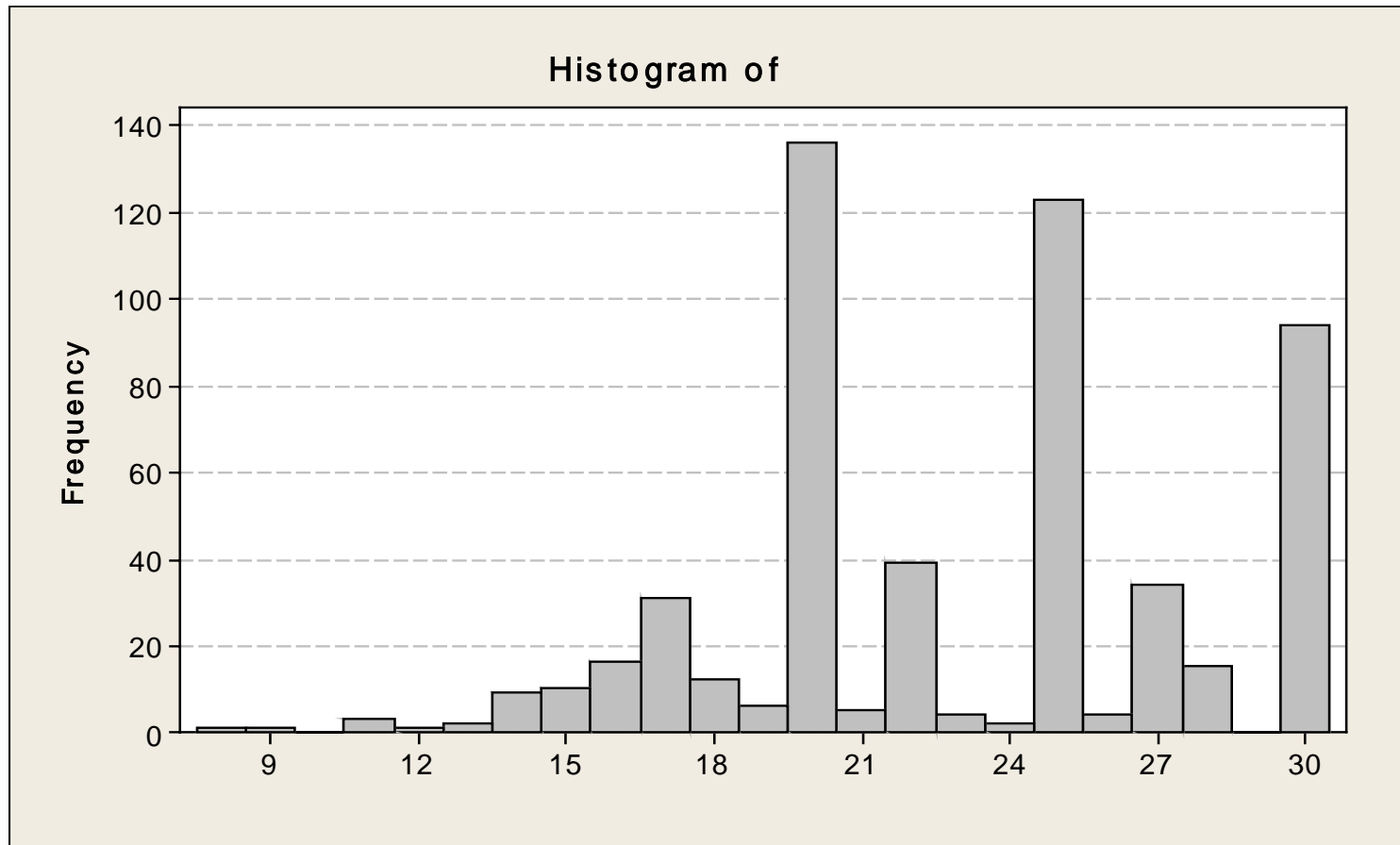


Score by Classification

	Total	Effective (>84)	Mod Eff (84 ~ 70)	Adequate (69 ~ 50)	ineffective (<50)
Number	548	27	99	320	102
(%)	(100.0)	(4.9)	(18.1)	(58.4)	(18.6)



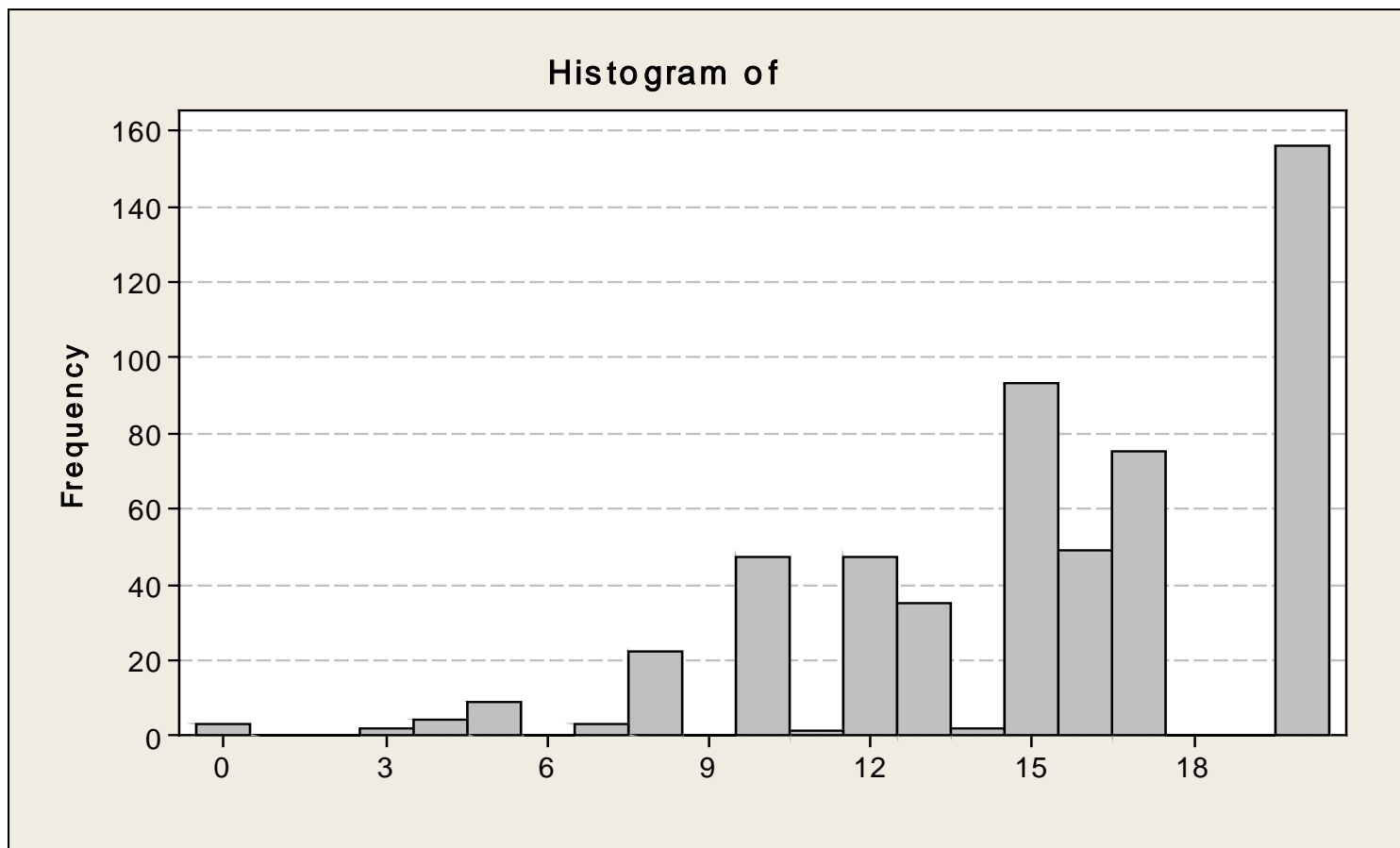
Distribution of Score (Planning)



#: 548 Mean: 23.040 SD: 4.711



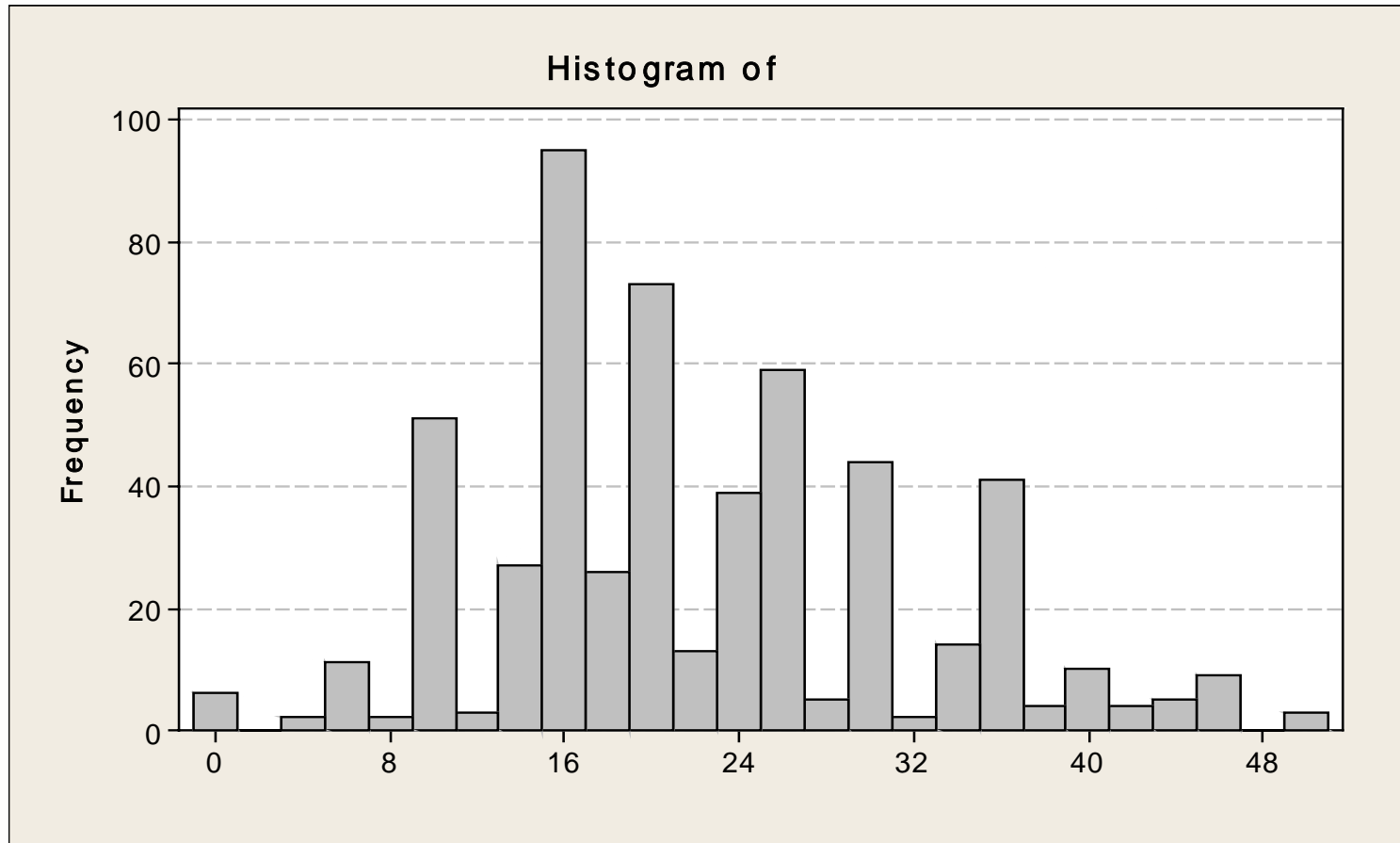
Distribution of Score (Management)



#: 548 Mean: 15.245 SD: 4.160



Distribution of Score (Results)



#: 548 Mean: 22.175 SD: 9.653



Evaluation Results by Section

Stage (Score)	Planning(30)			Management (20)	Results (50)
	Sub total	Design (15)	Strategic Planning (15)		
Evaluation Results	23.04	13.77	9.27	15.25	22.17

Evaluation Results by Program Type

		Total	Planning	Management	Results
Direct Program (160)	Mean	62.37	24.51	15.62	22.24
	SD	12.77	4.03	4.01	10.10
Subsidy to State Gov (117)	Mean	58.83	22.21	15.06	21.57
	SD	11.99	4.33	4.48	8.35
Subsidy to Private (122)	Mean	59.87	22.21	16.15	21.50
	SD	12.57	4.78	3.48	9.76
Loan (68)	Mean	58.82	21.33	15.09	22.40
	SD	15.24	4.74	4.17	11.22
Investment (49)	Mean	60.37	21.73	15.41	23.23
	SD	12.53	5.07	3.93	8.74
Capital Acquisition (8)	Mean	59.92	23.84	13.38	22.71
	SD	15.06	5.98	3.54	7.92
SOC (52)	Mean	63.24	26.30	12.26	24.68
	SD	12.16	4.30	4.44	9.48



Link between Evaluation and Budget

	2005	2006		Difference in amount			Diff in Ratio		
	Budget(A) a)	Agency (B) ^{b)}	MPB (C) ^{c)}	B - A	C - A	C - B	Ratio 1 ^{d)}	Ratio 2 ^{e)}	Ratio 3 ^{f)}
Eff	15,384.80	20,372.00	18,707.00	4,987.20	3,322.20	-1,665.00	0.43	0.39	-0.01
Mod. Eff	78,497.29	88,892.40	92,543.41	10,395.11	14,046.12	3,651.01	0.39	0.41	0.02
Adq	214,628.12	203,904.30	205,650.65	-10,723.82	-8,977.47	1,746.35	0.12	0.09	-0.01
Ineff	46,527.00	30,311.00	33,740.62	-16,216.00	-12,786.38	3,429.62	-0.07	-0.17	-0.08



Observations on 2005 SABP

- 📌 Capacity of MPB
 - Increased workload
 - Unable to produce recommendation on evaluated programs
- 📌 Capacity of line ministries
 - Lack of useful performance information
 - 70% of program fails to provide useful info
 - Lack of relevant performance indicator and target
 - Lack of independent program evaluation



Observations on 2005 SASP

- 📌 Need improvement on the checklist
 - Some questions need clarification
 - Web-based application may be in need
- 📌 Utilization of evaluation results
 - Unconditional direct link between evaluation score and budget is not desirable in the long run.
 - In 2005, programs received ineffective rating suffered 10% budget cut.
 - Produce useful recommendation and develop effective follow-up procedure



Future Directions

- 📌 Develop effective performance information system
- 📌 Introduce program budgeting
- 📌 Develop cost accounting
- 📌 Improve involvement of the legislature
- 📌 Foster proper understanding on performance budgeting and develop capacity of involved parties



Thank you !!