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

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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 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

Histogram of □ □

#: 548  Mean: 60.460  SD: 12.867
## Score by Classification

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Distribution of Score (Planning)

Histogram of Score Distribution

# : 548  Mean: 23.040  SD: 4.711
Distribution of Score (Management)

Histogram of Score Distribution

#: 548  Mean: 15.245  SD: 4.160
Distribution of Score (Results)

Histogram of 

Frequency

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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 !!