Public Budget Reform of China (2007-2010)

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Abstract: The program mainly analyzed the main bottlenecks and challenges faced by the budgeting reform, and conclude the experiences of reform and innovation. It aimed to boost the knowledge and capacity regarding public budgeting on the part of people’s congress deputies and government officials at all levels as well as the general public. It was also designed to explore a public-demand oriented public service provision mechanism in a bid to move forward China’s public budget reform in an all-around manner.

Keyword: Public Budget, Government performance, Participatory Budgeting, public budget and governance website
I the research problem

Public Budget Reform Program II (2008-2009) represents the second phase of the series of Public Budget Reform programs undertaken by CDRF. Since the tax Reform in 1994 and Silent Revolution in Public Budget Reform from 1999, the Public Budget Reform of China has followed two main approaches:

- Led by the Ministry of Finance, an institutional and regulated reform
- Led by multi-actor, an “sun-shine” reform with many participants and various attempts

Though about 10 years reforms, the public budgeting system still faced a lot of challenges:

- Government control large scale public expenditure, which is always beyond the budget
- Large scale of recourse controlled by the central government
- The majority of delegates and officials have received no professional training for knowledge on public budgeting
- Budget is a mysterious thing to lots of people
- Lack of institutional channel for the public engagement into the budgeting cycle.

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II Objectives

The project aimed to promote public budgeting system scientific and democratic and improve budget transparency in China.

- To strengthen the research on public budgeting and financial management system
To improve and deepen the research on participatory budgeting

To strengthen the research on financial accountability, transparency and NPC’s budgetary authority

To improve performance budgeting and performance management reform

III Methodology

- To expand the research on public budgeting in China
  - Opened tender for the research team
  - Funded young scholars
  - Organized Public Budgeting and Government Innovation Seminar and International conference on Public Budgeting
- To enhance the links of the public budgeting research and policy research
  - Contributed in the 12th five-year plan research on public budgeting and finance management
- To promote and cooperate with the test part of the project
  - Complied the handbook of public budgeting
  - Participated in the evaluation research of Participatory Budgeting Experiment
  - Participated in the research of deputies’ training needs about public budgeting
- Qualitative and Quantitative Research, including case study, field work and questionnaire

IV Project Activities

The followings are the project activities during the last three years:
1 Supported 23 research teams with their field surveys, literature review, seminars and other research related works
   - Research on the public budgeting process at the local level and its impact on the implementation of social welfare policies
   - Recent experimentations in local government budgeting: an analysis
   - Evaluation on Participatory Budgeting experiment performance and impact
   - Questionnaire on the training demand of the delegates to the people’s congress
2 Wrote the Handbook on Public Budgeting
3 Organized training workshop to the delegates of people’s congress
4 Participatory budgeting in practice: broadening and deepening the Wuxi and Harbin
experimtations
5 Built and ran the Public Budgeting and Local Governance website

V Project Output

Research:
- 17 important reports have been released in the form of the CDRF Research Review. (The reports could be downloaded from www.cdrf.org.cn)

<table>
<thead>
<tr>
<th>CDRF Review</th>
<th>Title of the reports</th>
<th>Institution of the research team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vol 54</td>
<td>Effectiveness Evaluation of Participatory Budgeting Experiments in Wuxi and Harbin</td>
<td>Horizon Research Consultancy Group</td>
</tr>
<tr>
<td>Vol 65</td>
<td>Empirical Research of Participatory Budgeting Model in Bayan County</td>
<td>Research Group of Hebei University</td>
</tr>
<tr>
<td>Vol 68</td>
<td>From Unemployment to Family Maintenance -Investigation and Analysis on the Transformation Process of Rural Youngsters</td>
<td>Renmin University of China</td>
</tr>
<tr>
<td>Vol 69</td>
<td>Status Quo and Development of the Public Management Innovation of the Local Governments in China Based on the analysis of the innovation awards of the local governments of China</td>
<td>Central Compilation &amp; Translation Bureau</td>
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<tr>
<td>Vol 70</td>
<td>Performance Research of Grassroots Public Security Management System</td>
<td>Research Group of Southwest University of Political Science and Law</td>
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<tr>
<td>Vol 71</td>
<td>Report on Crime Investigation in Rural Areas of Hebei Province</td>
<td>Chinese People's Public Security University</td>
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<tr>
<td>Vol 72</td>
<td>Research on the Influence of Transfer Payment on the Fiscal Expenditure Behaviors at the County Level and the Village Level</td>
<td>Nankai University</td>
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<tr>
<td>Vol 67</td>
<td>Research on the Education and Employment of Youngsters in Rural and Urban Areas</td>
<td>Chinese Academy of Social Sciences</td>
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<tr>
<td>Vol 77</td>
<td>Case Study on Cases of Performance Assessment System and Innovation of Yuhang District Hangzhou City, Zhejiang Province</td>
<td>Publicity Department of the Hangzhou Yuhang District Commission of CPC</td>
</tr>
<tr>
<td>Vol 80</td>
<td>Practice Exploration, Experiences and Lessons of the Local Budget Reform in China</td>
<td>Peking University</td>
</tr>
<tr>
<td>Vol 82</td>
<td>Training of Deputies to Local People’s Congress: Present Status and Challenges</td>
<td>Zhejiang University</td>
</tr>
<tr>
<td>Vol 84</td>
<td>Research on the Transparence in the Budget Process of the Local Governments</td>
<td>Fudan University</td>
</tr>
</tbody>
</table>
Vol 87  | Research on Influences of International Financial Crisis on Employment of Rural Migrant Workers and Countermeasures | The Agriculture Dept. of Development Research Center of the State Council
---|---|---
Vol 89  | Research on the System Innovation of the Community Governance in Urban Areas | Renmin University of China
Vol 90  | Research on Cases of Public Management Innovation and Public Participation of Local Governments -- Yingshang county of Anhui Province advances the Sunny Finance survey | Anhui Academy of Social Sciences
Vol 92  | Empirical Study on the Fiscal Transfer Payment of Hebei Province | Hebei University

- 5 books published
  - Yang Xuedong, Public Management Innovations of Local Governments: Experience and Trend, Jilin Press, 2009
  - Wang Jingyao, "Local Finance and Governance capability”, Commercial Press, 2010
- Evaluation on Participatory Budgeting experiment performance and impact
- Questionnaire on the training demand of the delegates to the people’s congress

**Capacity:**
- National delegates training
  - 2987 national delegates.
- Local delegates training
  - Beijing (360 copies), Chongqing (200 copies), Zhejiang province (720 copies), Yunnan province (460 copies), Hunan province (700 copies), Jiangsu province (500 copies), Guangdong province (100 copies), Henan province (300 copies)
- Journalists training
  - About 500 persons
- The Handbook and CDRF Review were provided freely to 1060 persons including 386 central government officials, 383 local government officials, 140 leaders of state-owned enterprises, 31 media and 120 scholars as decision reference.
- Participatory budgeting training workshops to the local government officials and residents by Wuxi and Harbin governments. The participants increased yearly as the experiments enlarged in the two cities.
- The public budget and governance website has worked as a platform for both scholars and government officials with a yearly 1.91 million clicks. Taking the year of 2010 as the illustration, basic information of homepage visits, page visits and IP visits in 2010 are stated as follows:

Table 1: Page visits in 2010

<table>
<thead>
<tr>
<th>Month</th>
<th>Clicks</th>
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<tr>
<td>1</td>
<td>106506</td>
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<tr>
<td>2</td>
<td>99502</td>
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<tr>
<td>3</td>
<td>141378</td>
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<td>4</td>
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<td>6</td>
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<tr>
<td>11</td>
<td>135582</td>
</tr>
<tr>
<td>12</td>
<td>98883</td>
</tr>
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</table>

Table 2: Homepage visits in 2010
Policy and Practice

- Make the training demand clear for the people’s congress

- The Handbook on Public Budgeting is also an analysis on government budget and policy
  - Analysis of the new public budget spending structure issued by the Ministry of Finance in 2007;
– Analysis of the budget structure and social welfare expenditure based on the budget of FY 2006 and FY 2007, and comparison with other countries;

– Introduction of basic methodologies, indexes and techniques on examining the outcome of the execution of the budget;

– Concluded latest case studies on budgetary reforms implemented by innovative local governments, including 29 cases; and

– Introduction of the concept and implementation means of performance budgeting, and the latest pilots and experimentations in provinces such as Guangdong, Shanghai, Hubei, and Shandong and so on.

**October 13-15 2008**, cooperating with Jiaozuo Municipality Henan Province, CDRF sponsored the “Seminar on Public Budgeting and Government Performance Management”. About 150 participants attended the seminar, including government officials from Shanghai, Harbin, Wuxi, Guangzhou, Qingdao, Foshan, Nanhai and Jiaozuo, the delegates of Jiaozuo Municipal People’s Congress, and researcher from the Financial Science Institutes throughout Henan Province and other academic agencies. 200 copies of Handbook on Public Budgeting were gifted as training material. The outputs of the seminar are as the following:

– Exchanging the innovation trials of People’s Congress in various province and municipality;

– Exchanging the innovation experience in the budgeting process at province and municipality level;

– Presenting the experience of Participatory Budgeting and discussing the feasibility to copy to other cities;

– Presenting the progresses and experience of government performance management in local governments;

– Visiting to the Municipal Service Center, Finance Database and Open Governance System in Jiaozuo;

– Establishing the Network of Local Governments on Public Budgeting and Good Governance.

**More money in local governments are open to the public and used through**
participatory budget cycle.

– In Harbin city

<table>
<thead>
<tr>
<th>Year</th>
<th>Pilot district</th>
<th>Pilot county</th>
<th>Pilot projects</th>
<th>Local government investment (CNY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>1.8million</td>
</tr>
<tr>
<td>2008</td>
<td>4</td>
<td>1</td>
<td>31</td>
<td>51million</td>
</tr>
<tr>
<td>2009</td>
<td>5</td>
<td>2</td>
<td>99</td>
<td>110million</td>
</tr>
</tbody>
</table>

– In Wuxi city

<table>
<thead>
<tr>
<th>Year</th>
<th>Pilot district</th>
<th>Pilot county</th>
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<tbody>
<tr>
<td>2007</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>3million</td>
</tr>
<tr>
<td>2008</td>
<td>5</td>
<td>0</td>
<td>32</td>
<td>25.06million</td>
</tr>
<tr>
<td>2009</td>
<td>5</td>
<td>1</td>
<td>36</td>
<td>30.43million</td>
</tr>
</tbody>
</table>

VI Project Outcomes

- Wrote the first handbook on budgeting for the people’s delegates
  - Easy-read with cartoon illustration
  - Basic budgeting concept and theory, with innovation case study at the local level
  - Praised as the most useful book by the delegates and journalists

- Participatory Budgeting Experiment in the two cities.
  - The workshop among the experimental spots becomes a routinization, and the preliminary performance assessment mechanism has been established.
  - The scope of the participatory budget is enlarged. During the practice in 2006 and 2007; the participatory budget work was launched in the street, village and town levels. Since 2008, the two cities began to search after how to attract the residents to participate in the budget at the city and district levels, and have introduced many participatory modes such as the NPC deputy seminar and the project hearing. In 2009, the two cities try to further adopt the participatory budget method to the construction funds of the public welfare undertakings in rural areas. From the year of 2010,

  - Harbin
– The fund to improve livelihood in the city level;
– The fund to improve livelihood in some districts’ level; and
– The rural development fund

– Wuxi

– All Jiedao in the city;
– Townships in some counties; and
– The routing work in the Bureau of Finance.

– In 2010, participatory budgeting carried out by Wuxi had been expanded to its urban areas, villages and towns, and also incorporated into annual work of the budget office. Harbin attempted to introduce participatory budgeting in the budget process at district level, while requiring that part of special rural funds should be allocated by participatory budgeting.

– The Jiaozuo city and Pudong District, Shanghai city also started PB experiments inspired by the experience of Harbin and Wuxi.

● PB influence

– The participants think highly of the participatory budgeting.

– 85 percent of the interviewees agree that they could express their demand and suggestions to government effectively;
– 74.4 percent of the interviewees believe the process of biding of the public projects emerged from PB is transparent and fairly;
– 62.7 percent of the interviewees think the process of expenditure of the public projects emerged from PB is transparent;
– 67.7 percent of the interviewees believe the projects emerged from PB are most needed projects for the community. And 26.5 percent of other interviewees think they are one of most needed projects.

– The degree of benefit and satisfaction are high.

– 96.9 percent of the interviewees are satisfied with the decision made through PB;
- 80.6 percent of the interviewees could directly benefit from the projects emerged from PB;

- The social impact of PB is positive and encouraging.

- 90.6 percent of the interviewee are satisfied with the work of the government officials involved in PB, while the satisfactory degree to other work conducted by the same officials are only 47.5 percent;

- The residents participating in PB think the local governments are innovative and efficient, and pay more attention to local needs and common life of the public; while the control group tends to think the local governments are conservative, and with low efficiency.

- 86.6 percent of the interviewees recognized the PB modes, 96.4 percent promised to support future PB programs and 83.3 percent would like to be involved in future PB process.

Figure 1 Good information communication
67.7% says yes
Other 26.5% agree that is one of most needed programs

• Is the money allocated to most needed programs?
• How is the government expenditure
• Are the most resident benefit from the programs?

More than 80% residents benefit from the program, covering all groups
More than 80% are satisfied with the programs
74.4%, the bidding process is transparent
62.7%, the expenditure is transparent

Figure 2 enhancing the efficiency of government expenditure

Better performance of the government officials
More attention to venerable group
Better evaluation to the grassroot government
Better understanding to the government

Figure 3 Better Social-relationship
Figure 4 Satisfactory to the government officials improved (4.36 vs. 3.44)

Figure 5 Improvement of the relationship between local governments and residents
Meet the most demand 86.9
Cover the interest of the vulnerable group 41.4
Good quantity of the projects 33.5
Benefit from the projects 35.6
Adoption of my suggestions and comments 9.9
I know the government works hard for the city 35.4

Figure 6 beyond the work of participatory budgeting