

Public Budget Reform of China (2007-2010)

Huang Haili

Final technical report

Feb 24 2011

IDRC Project Number: 104426

IDRC Project Title: Public Budget Reform Program II

Country: China

Full Name of Research Institution: China Development Research Foundation

Add: F4, Donglian Mansion, No8 East Avenue Deshengmen

Xicheng District, Beijing, 100009, China

Name of Researcher: Lu Mai

Tel: +8610-84080188

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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
 - Compiled 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

experimentations

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)

CDRF Review	Title of the reports	Institution of the research team
Vol 54	Effectiveness Evaluation of Participatory Budgeting Experiments in Wuxi and Harbin	Horizon Research Consultancy Group
Vol 65	Empirical Research of Participatory Budgeting Model in Bayan County	Research Group of Hebei University
Vol 66	Theory and Practice of Local Government Performance Management Reform in China	Jia Kang, et al
Vol 68	From Unemployment to Family Maintenance -Investigation and Analysis on the Transformation Process of Rural Youngsters	Renmin University of China
Vol 69	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	Central Compilation & Translation Bureau
Vol 70	Performance Research of Grassroots Public Security Management System	Research Group of Southwest University of Political Science and Law
Vol 71	Report on Crime Investigation in Rural Areas of Hebei Province	Chinese People's Public Security University
Vol 72	Research on the Influence of Transfer Payment on the Fiscal Expenditure Behaviors at the County Level and the Village Level	Nankai University
Vol 67	Research on the Education and Employment of Youngsters in Rural and Urban Areas	Chinese Academy of Social Sciences
Vol 77	Case Study on Cases of Performance Assessment System and Innovation of Yuhang District Hangzhou City, Zhejiang Province	Publicity Department of the Hangzhou Yuhang District Commission of CPC
Vol 80	Practice Exploration, Experiences and Lessons of the Local Budget Reform in China	Peking University
Vol 82	Training of Deputies to Local People's Congress: Present Status and Challenges	Zhejiang University
Vol 84	Research on the Transparency in the Budget Process of the Local Governments	Fudan University

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
 - CDRF, Handbook on Public Budgeting, China Development Press, 2008
 - Liu Jibin, Researches on the Reform of Chinese Financial System, China Democracy & Legal System Press, 2008
 - Yang Xuedong, Public Management Innovations of Local Governments: Experience and Trend, Jilin Press, 2009
 - Wang Dexiang, Empirical Study of the Financial Reform for Province Governing Counties and the Construction of New Rural Areas, Wuhan University Press, 2010
 - 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 person including 386 central government officials, 383 local government officials, 140 leaders of state-owned enterprise,31 media and 120 scholars as decision reference
- Participatory budgeting training workshop 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

Month	Clicks
1	106506
2	99502
3	141378
4	206946
5	192183
6	230509
7	235641
8	160878
9	135280
10	169824
11	135582
12	98883

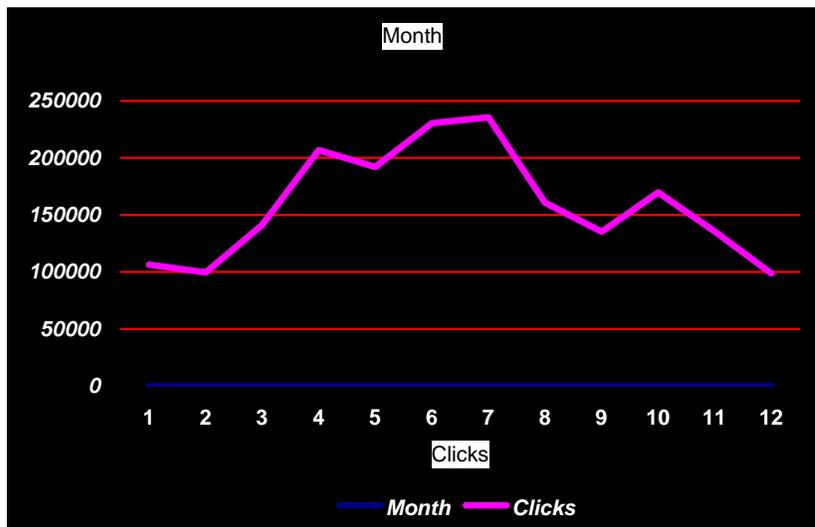


Table 2: Homepage visits in 2010

Month	Clicks
1	3276
2	2973
3	4655
4	4195
5	6795
6	11315
7	10681
8	8258
9	9945
10	10268
11	10657
12	11495

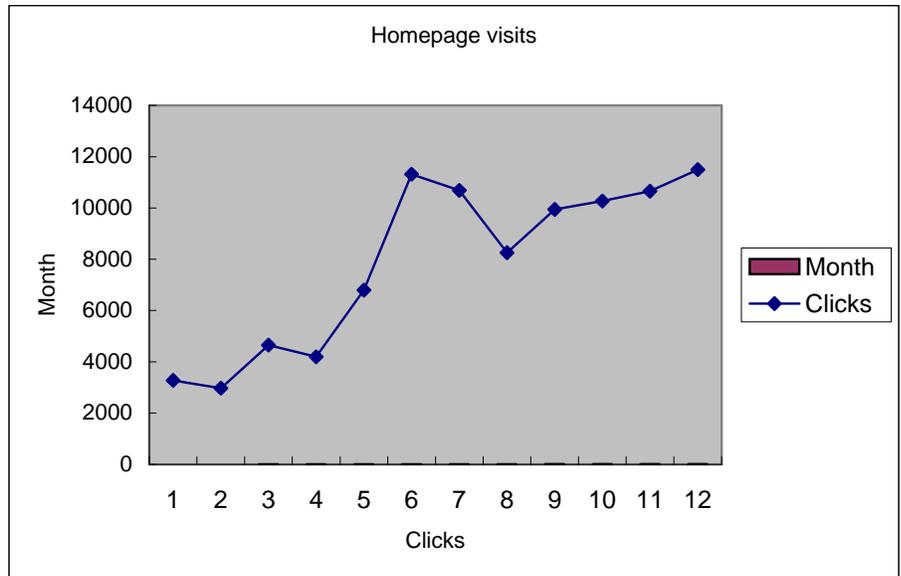
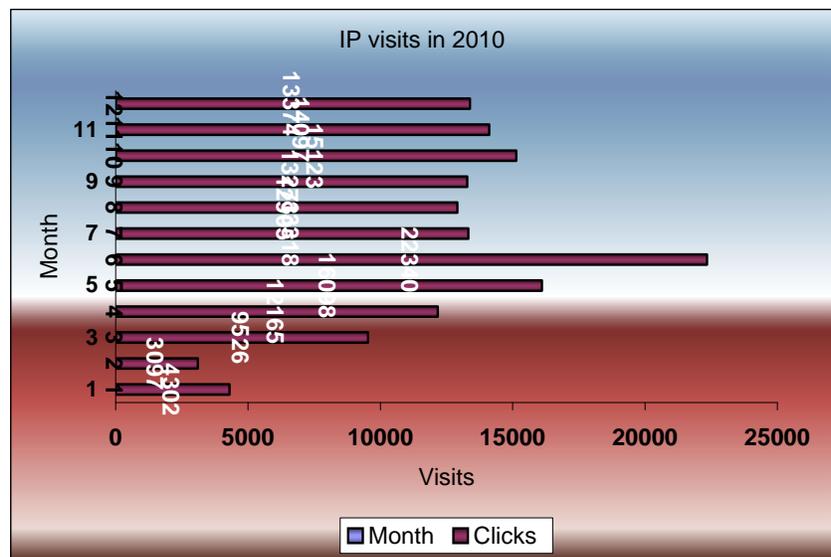


Table 3: IP visits in 2010

Month	Clicks
1	4302
2	3097
3	9526
4	12165
5	16098
6	22340
7	13318
8	12905
9	13273
10	15123
11	14097
12	13374



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

Year	Pilot district	Pilot county	Pilot projects	Local government investment (CNY)
2007	2	0	3	1.8million
2008	4	1	31	51million
2009	5	2	99	110million

– In Wuxi city

Year	Pilot district	Pilot county	Pilot projects	Local government investment (CNY)
2007	2	0	3	3million
2008	5	0	32	25.06million
2009	5	1	36	30.43million

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 bidding 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.

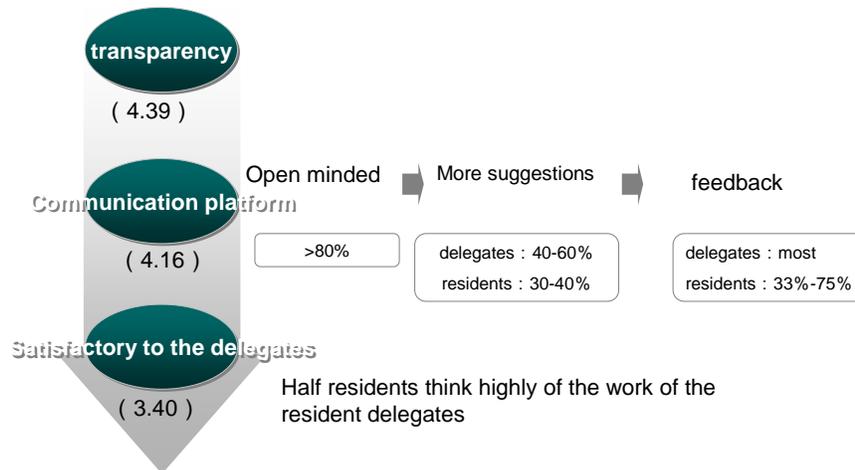
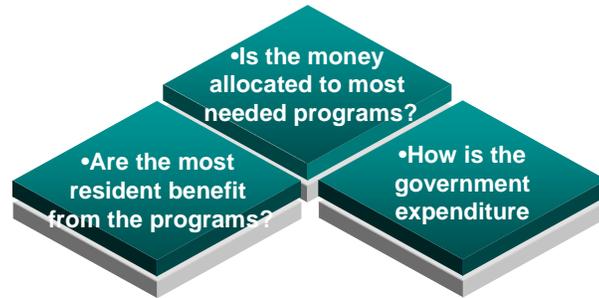


Figure 1 Good information communication

- 67.7% says yes
- Other 26.5% agree that is one of most needed programs



- 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

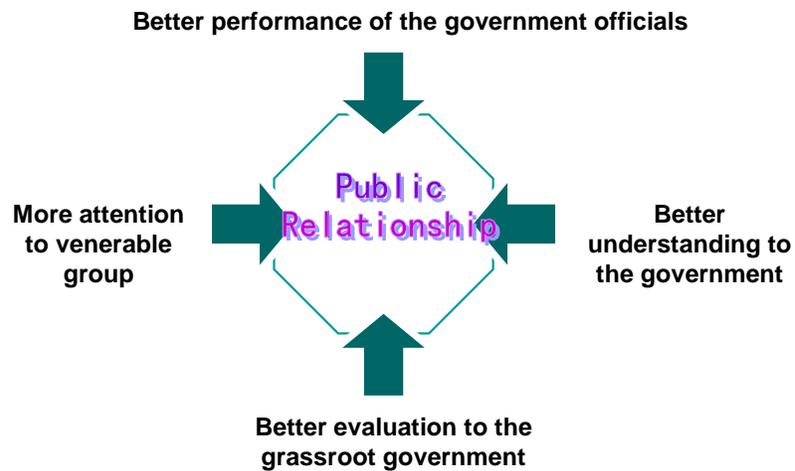


Figure 3 Better Social-relationship

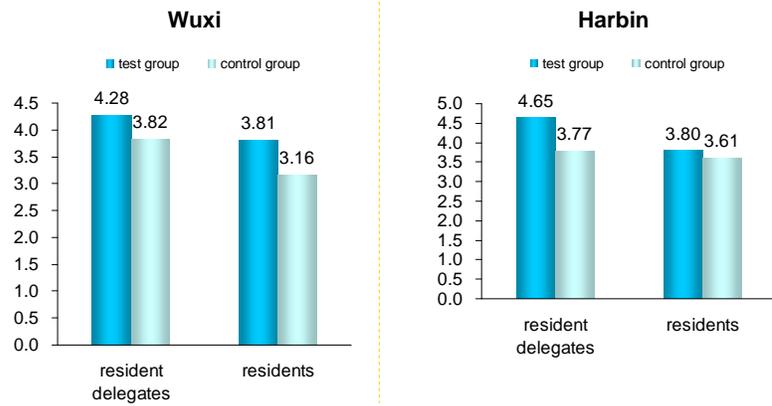


Figure 4 Satisfactory to the government officials improved (4.36 vs. 3.44)

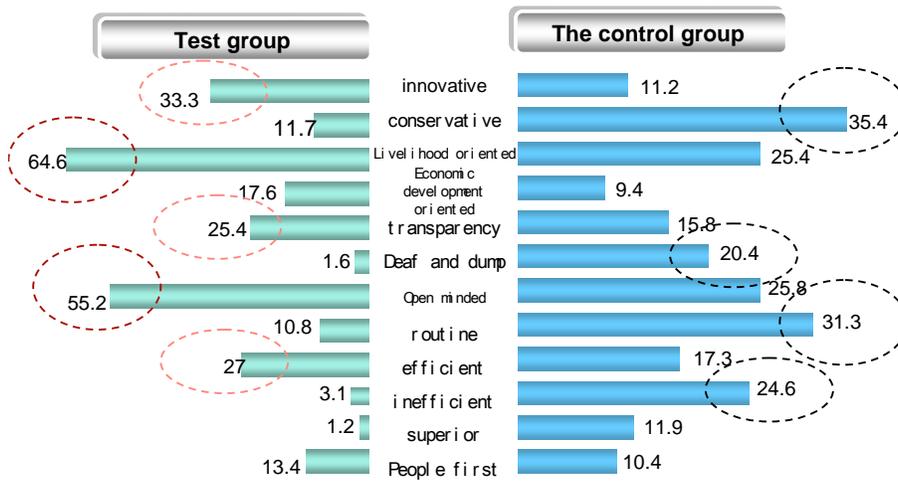


Figure 5 Improvement of the relationship between local governments and residents

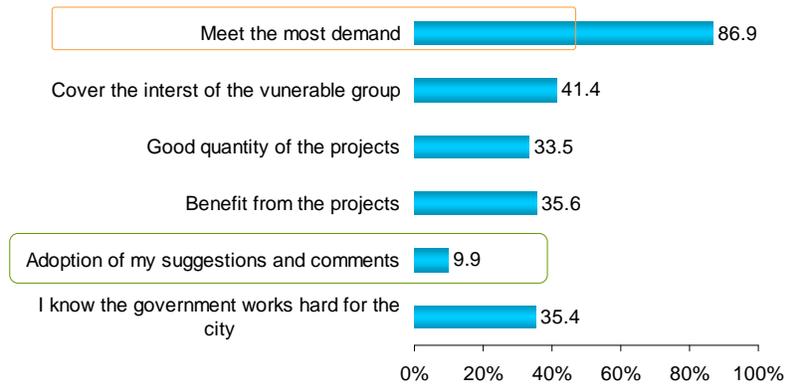


Figure 6 beyond the work of participatory budgeting