



# Developing and Using Evaluation: Role of Spending Ministries and Agencies in Korea

2007 SBO Network on Performance & Results

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# Background of Performance-based Budgeting 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 economic polarization problems

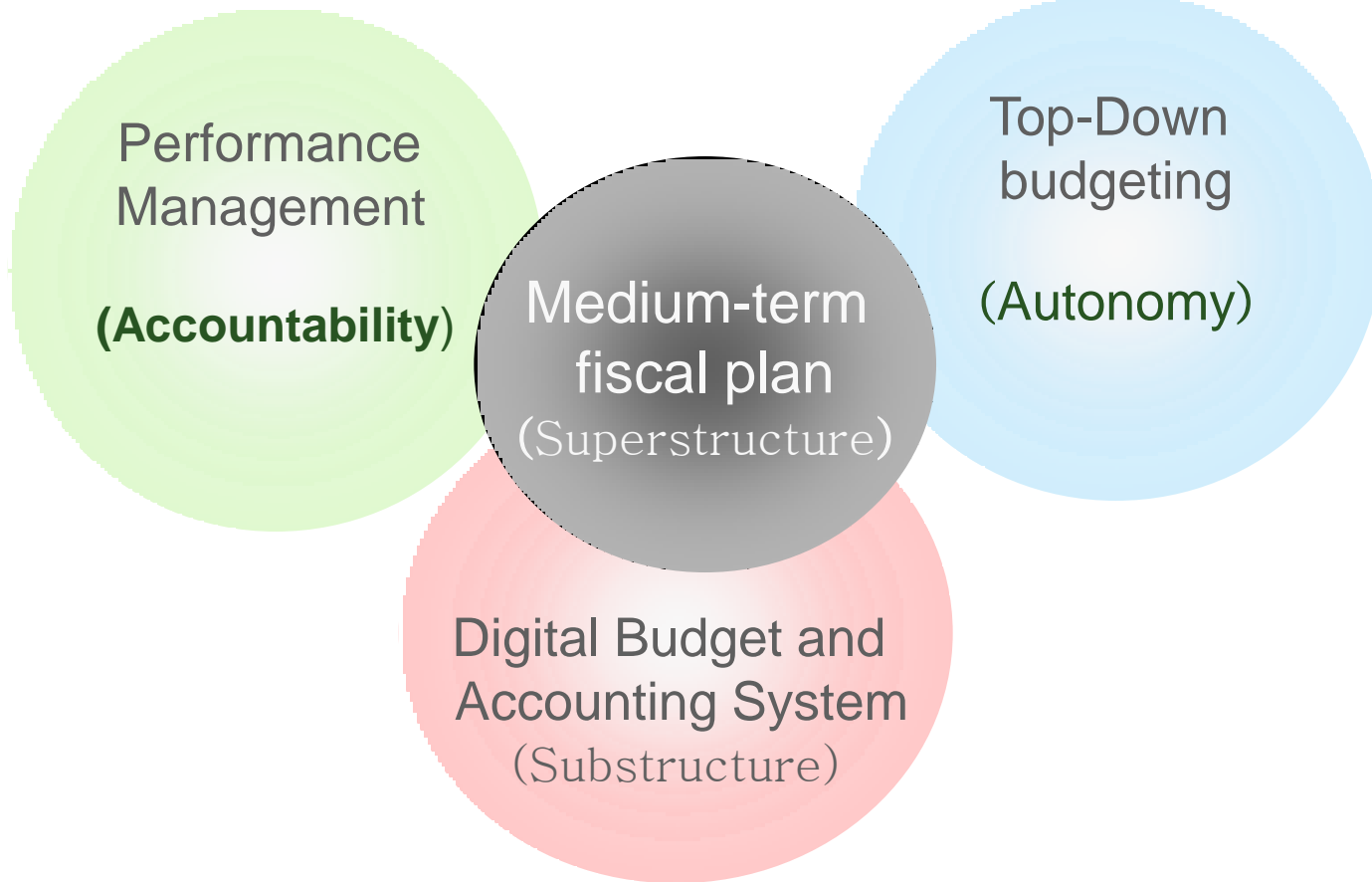
## Need for enhancing efficiency in public spending

## 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

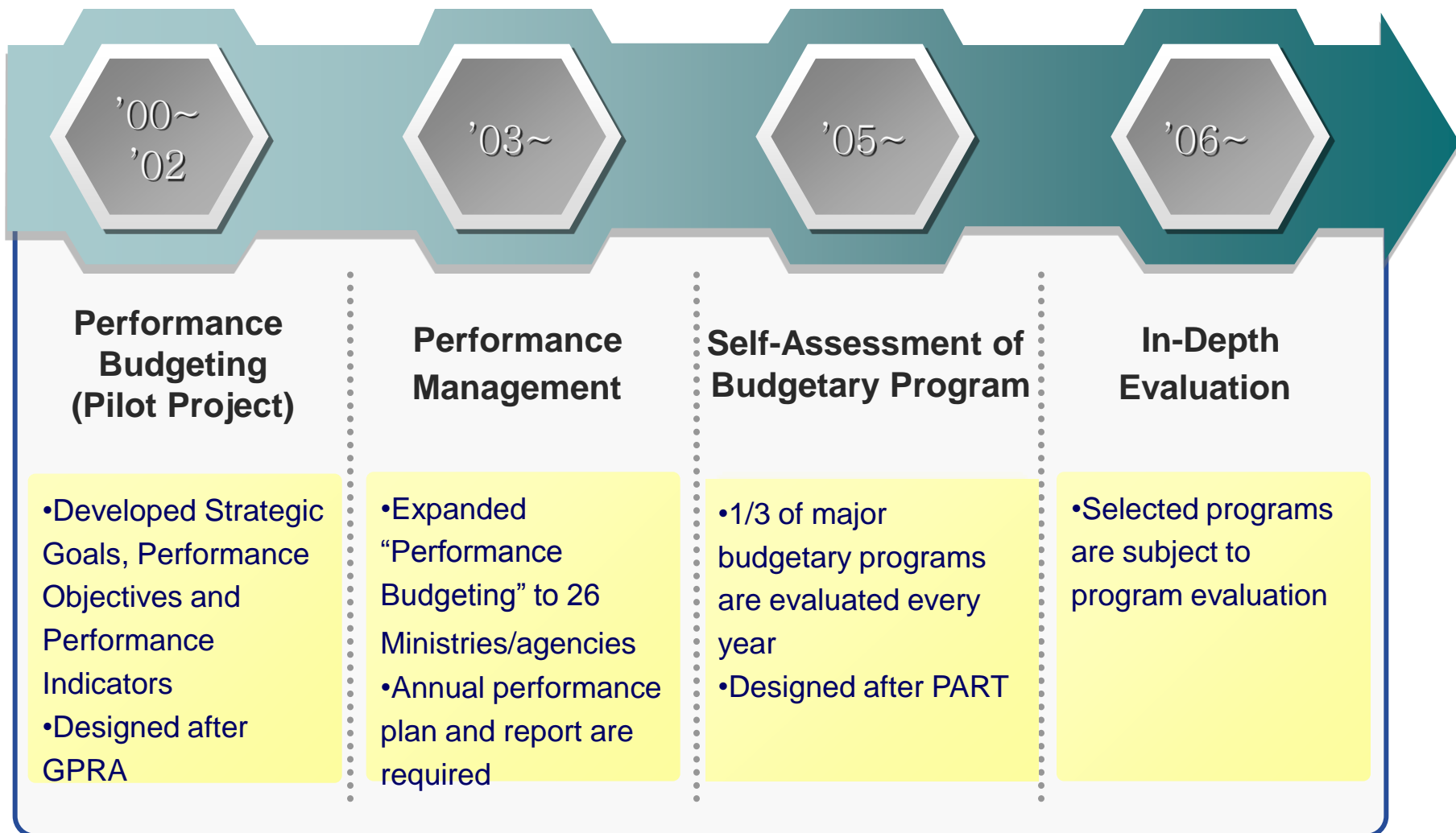


# Structure of Public Finance Reform





# Efforts towards Performance-Based Budgeting





## “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-present
- 📌 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.
- 📌 In 2007, every ministries/agencies are required to submit annual performance plan and report by “National Financial Management Law”



## “Self-Assessment of Budgetary Program (SABP)”

- Started from 2005
- Designed after PART in the USA
- Review major budgetary programs in three years
- In each year, about 500 programs are reviewed
- 15 common questions and additional questions for 7 program types





## “In-Depth Evaluation of Budgetary Program”

- 📌 In 2006, program evaluation are introduced by MPB
- 📌 About 10 programs are supposed to be selected for evaluation
  - 9 programs are evaluated in 2006
- 📌 Focus will be given to crosscutting programs
- 📌 Purpose of evaluation is primarily about funding and reorganization of programs.



## Enactment of “National Financial Management Law”

- ✦ “National Financial Management Law” was enacted in December, 2006
  - To provide a legal basis for 4 major fiscal reform programs
- ✦ Contains articles on performance-based budgeting
  - Annual Performance Plan and Report become legal requirements for line ministries/agencies.
  - SABP and In-depth Evaluation are stipulated.
- ✦ It gives stability and continuity of the system which may be a problem to performance management system.
  - Government has less incentives to maintain and improve performance management system than to introduce it, because efforts to improve the system is less visible to the public.



## Framework for Performance-Based Budgeting In Korea

- 📌 Performance Monitoring
  - “Management of Performance Objectives”
  - Monitoring based on the performance indicators
- 📌 Program Review
  - “Self-Assessment of Budgetary Program”
  - Review based on the checklist
- 📌 Program Evaluation
  - “Budgetary Program Evaluation”
  - In-depth evaluation for selected programs



## Description of "Self-Assessment of Budgetary Program"

- MPB reviews self-assessment of programs done 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



## Contents of Checklist

<p>Design and Planning (15)</p>	<ul style="list-style-type: none"> <li>• Program purpose</li> <li>• Rationale for government spending</li> <li>• Duplication with other programs</li> <li>• Efficiency of program design</li> <li>• Relevance of performance objectives and indicators</li> <li>• Relevance of performance targets</li> </ul>
<p>Management (20)</p>	<ul style="list-style-type: none"> <li>• Monitoring efforts</li> <li>• Obstacles of program implementation</li> <li>• Implementation as planned</li> <li>• Efficiency improvement or budget saving</li> </ul>
<p>Results and accountability (50)</p>	<ul style="list-style-type: none"> <li>• Independent program evaluation</li> <li>• Results</li> <li>• Satisfaction of citizens</li> <li>• Utilization of evaluation results</li> </ul>

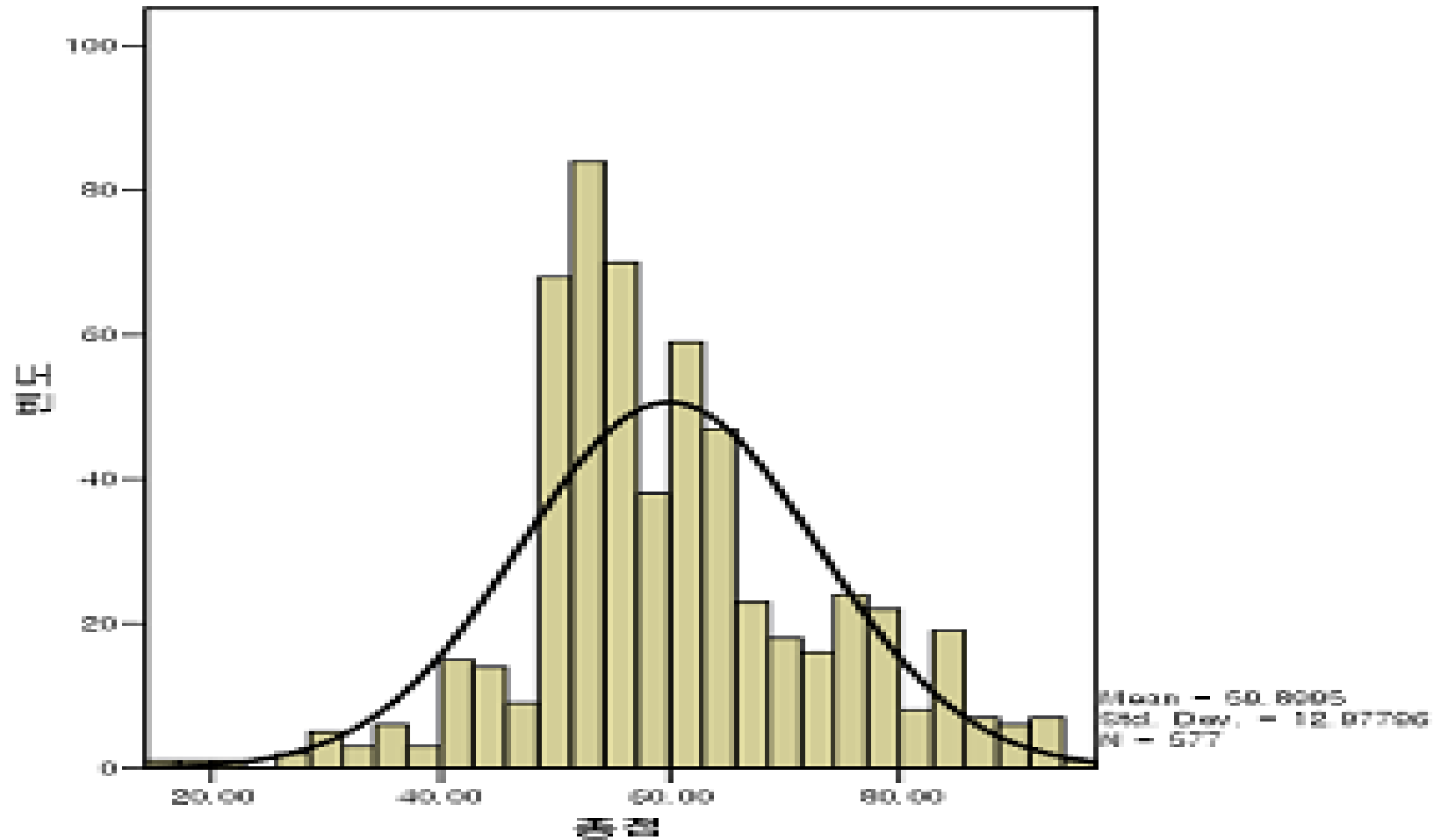


## Report on 2006 Self Assessment of Budgetary Program

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



# Evaluation Results by Total Score





## Evaluation Results by Rating

		Total	Effective (>84)	Moderately Effective (84~70)	Adequate (69~50)	Ineffective (<50)
2005 (A)	Number	555	28	100	340	87
	(%)	(100.0)	(5.0)	(17.9)	(61.4)	(15.7)
2006 (B)	Number	557	30	94	388	65
	(%)	(100.0)	(5.2)	(16.3)	(67.24)	(11.3)
(B-A)			0.2	-1.7	5.9	-4.4

Source: MPB





## Evaluation Results by Section

	Total Score (100)	Planning(30)			Management (20)	Results (50)
		Sub total (30)	Design (15)	Performance Planning (15)		
2005(A)	60.1	<b>23.1</b>	<b>13.8</b>	<b>9.3</b>	<b>15.1</b>	<b>21.9</b>
2006(B)	59.9	<b>22.9</b>	<b>14.3</b>	<b>8.6</b>	<b>14.7</b>	<b>22.2</b>
(B-A)	-0.2	-0.2	0.5	-0.7	-0.4	0.3

Source: MPB



## Results from Questions related to Performance

	Number Of Program (A)	1-6 Performance Indicator				1-7 Performance Targets				3-2 Performance Results			
		"Yes" (B)	B/A	No" (C)	C/A	"Yes" (B)	B/A	No" (C)	C/A	"Yes" (B)	B/A	No" (C)	C/A
2005	555	336	60.5%	219	39.5%	158	28.5%	397	71.5%	497	89.5%	58	10.5%
2006	577	303	52.5%	274	47.5%	129	22.4%	448	77.9%	551	95.5%	26	4.5%

## 2006 Evaluation Results by Program Type

		Total	Design	Planning	Management	Results
Direct Program (185)	Mean	60.9	14.6	8.8	15.9	21.6
	SD	11.2	1.5	3.9	4.1	8.2
Subsidy to State Gov (94)	Mean	56.2	14.1	8.8	13	20.2
	SD	14.3	1.6	4.3	5	9.3
Subsidy to Private (151)	Mean	60.1	14.3	8.1	15	22.5
	SD	13.6	1.9	4.2	3.9	9.8
Loan (43)	Mean	58.5	14.1	7.9	14.1	22.3
	SD	12.3	2	3.5	4.2	8.6
Investment (45)	Mean	57.5	12.9	7.7	13.8	23.1
	SD	10.7	2.6	3.5	4	7.2
Capital Acquisition (9)	Mean	62.2	13.9	10	15.6	22.8
	SD	12.4	1.3	4.3	3	8.2
SOC (50)	Mean	65.6	14.7	10.3	14	26.7
	SD	14.8	1.5	5	3.2	12.4



## Evaluation Result Comparison between MPB and Ministries/Agencies in 2005

	Design and Planning (30)	Management (20)	Result (50)
<b>Ministries/agencies</b>	<b>28.1</b>	<b>17.7</b>	<b>40.4</b>
<b>MPB</b>	<b>23.1</b>	<b>15.1</b>	<b>21.9</b>



## Utilization of Evaluation Results

- 📌 MPB encouraged ministries/agencies to use the results in reshuffling budget allocation
- 📌 MPB announced 10% budget-cut would be done to “ineffective” programs, in principle.
- 📌 Submitted evaluation results to the National Assembly
- 📌 Evaluation results are open to public in 2006.



# Link between Evaluation and Budgeting (2005)

2005	Number Of Program	'05 Budget (A)	'06 Budget (B)	(B-A)	$[(B-A)/A] * 100$
<b>Total</b>	<b>555</b>	<b>35.0</b>	<b>35.8</b>	<b>0.8</b>	<b>2.4</b>
<b>Eff</b>	<b>28</b>	<b>1.6</b>	<b>2.2</b>	<b>0.7</b>	<b>44.1</b>
<b>Mod. Eff</b>	<b>100</b>	<b>8.3</b>	<b>9.6</b>	<b>1.3</b>	<b>15.6</b>
<b>Adq</b>	<b>340</b>	<b>21.7</b>	<b>21.0</b>	<b>-0.7</b>	<b>-3.2</b>
<b>Ineff</b>	<b>87</b>	<b>3.4</b>	<b>3.0</b>	<b>-0.4</b>	<b>-13.5</b>

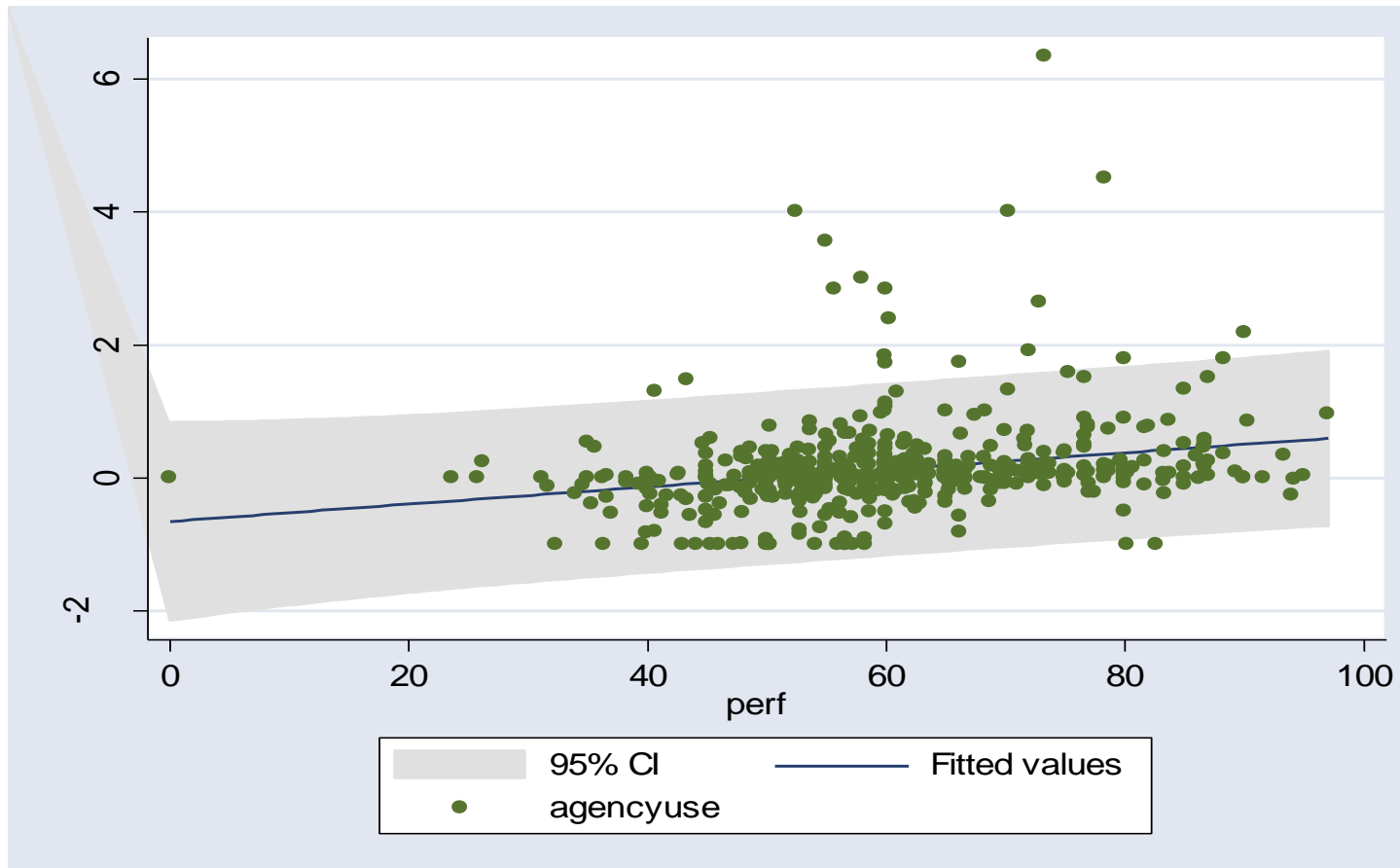


## Link between Evaluation and Budgeting (2006)

2006	Number Of Program	'05 Budget (A)	'06 Budget (B)	(B-A)	$[(B-A)/A] * 100$
<b>Total</b>	<b>577</b>	<b>35.1</b>	<b>34.0</b>	<b>-1.1</b>	<b>-3.1</b>
<b>Eff &amp; Mod. Eff</b>	<b>124</b>	<b>4.2</b>	<b>4.4</b>	<b>0.2</b>	<b>5.8</b>
<b>Adq</b>	<b>388</b>	<b>29.7</b>	<b>29.0</b>	<b>-0.7</b>	<b>-2.4</b>
<b>Ineff</b>	<b>65</b>	<b>1.1</b>	<b>0.5</b>	<b>-0.6</b>	<b>-52.8</b>



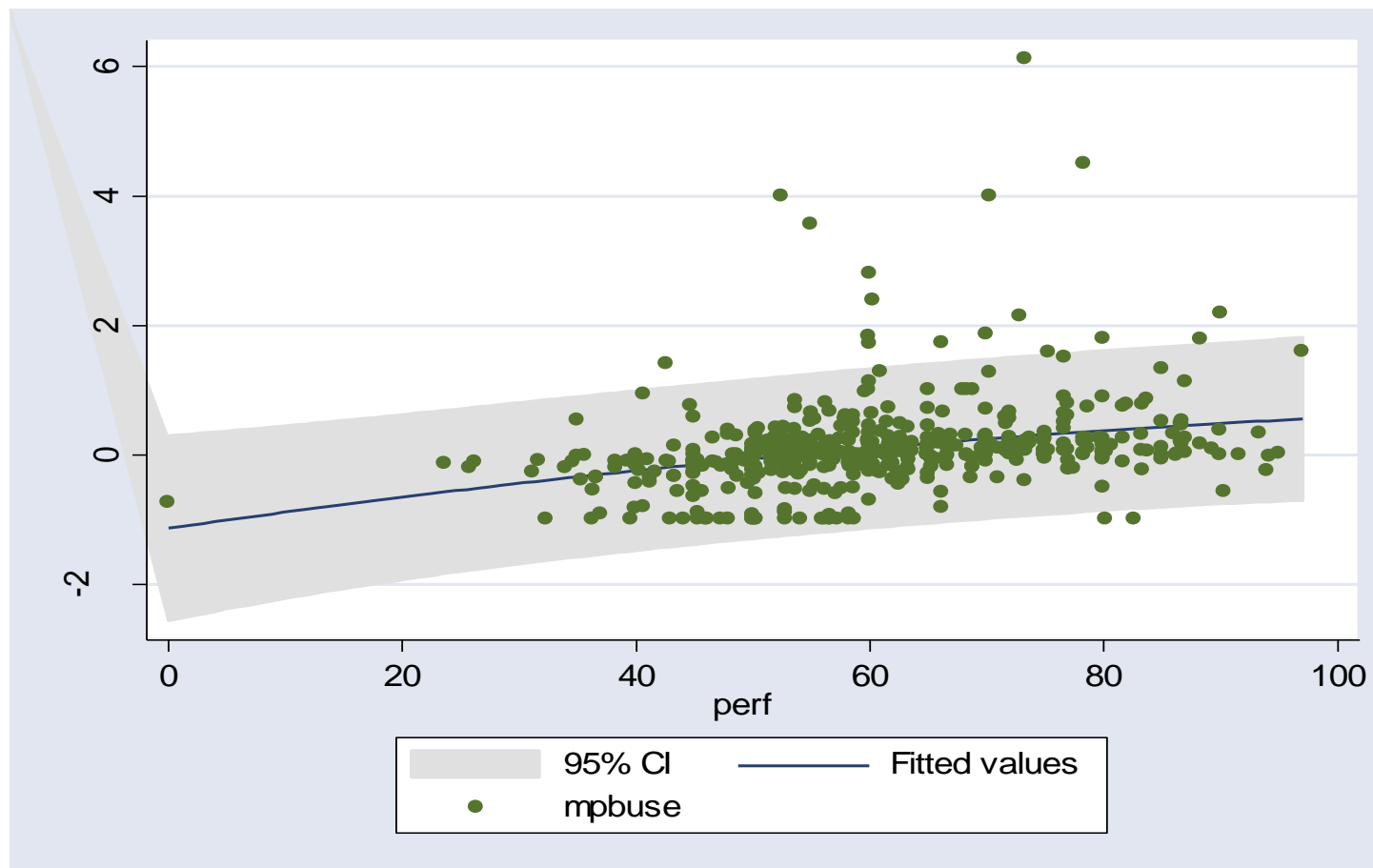
## Use of Performance Information by Agencies (2005)





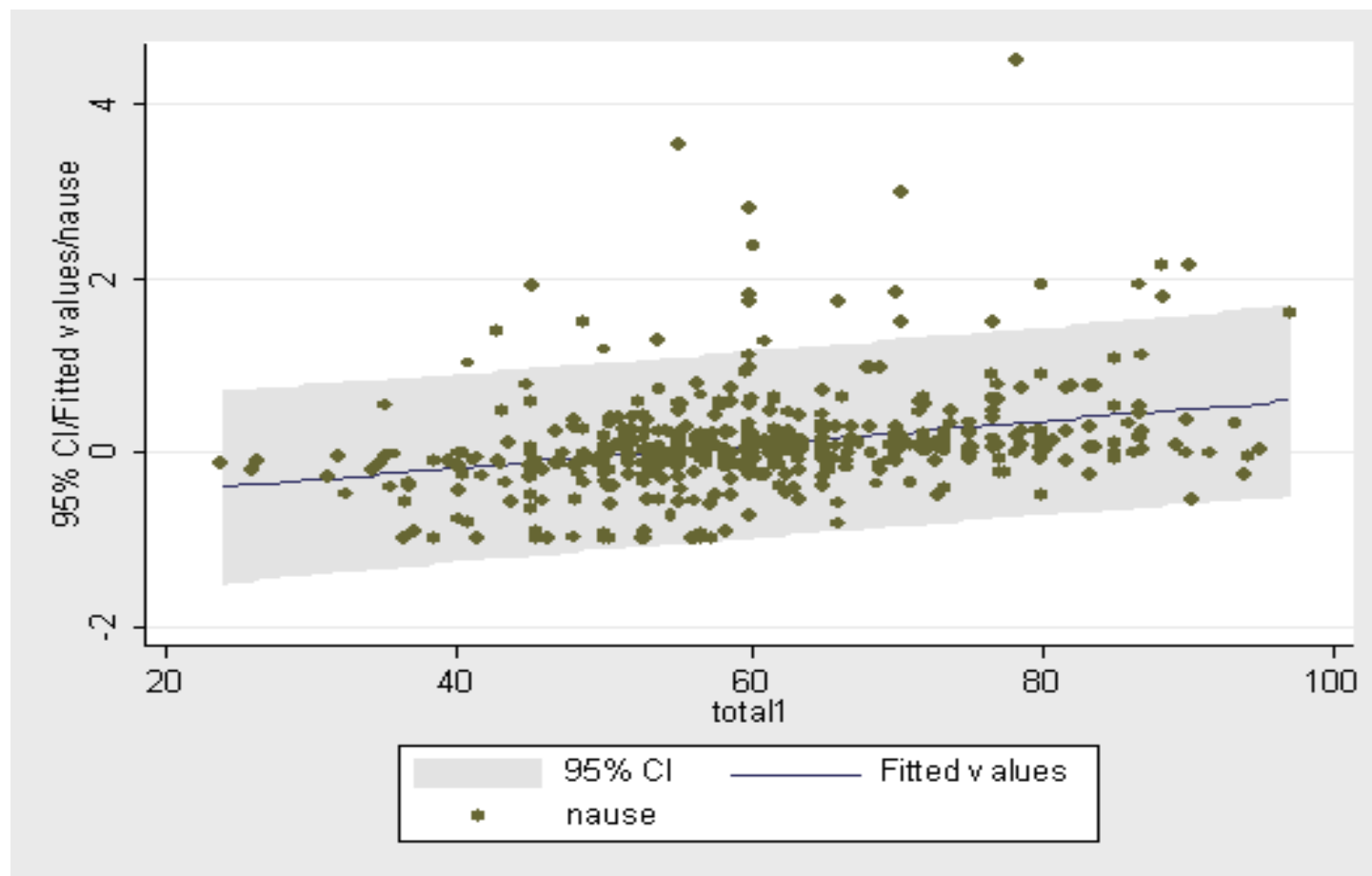


## Use of Performance Information by MPB (2005)





## Use of Performance Information by Legislature (2005)





## Evaluation Activities in Agencies

### Conduct independent program evaluation

Few experiences

Motivation for Evaluation

Required by SABP

Internal Need for Evaluation

Outsourcing to outside experts

In 2006, 51% of evaluated programs did not conduct relevant program evaluation

Quality of evaluation needs to be improved



## Evaluation Activities in Agencies (Cont'd)

### Develop performance measures

Efforts are being made

Internal efforts and outsourcing

Facing difficulties due to lack of data and expertise

In 2006, 47.5% of evaluated programs did not have relevant performance measures



## Utilization of Performance Information in Agencies

### Resource allocation

Evaluation results are reflected in budget request of programs

Until now, total amount of allocated budget to each agency (envelope) has not been affected by the evaluation results

### Incentives to personnel management

Evaluation results are considered in the promotion of high-rank officials

Evaluation results are considered in the compensation of low-rank officials



## Evaluation System in Korean Coast Guard

- 📌 Developed its own evaluation system
  - “Budget Performance System”
  - Performance Rating by SABP + Importance Score
  - Importance score is derived by survey on interested parties
  - Efforts to supplement another information in budget decision making process
- 📌 Its efforts worked in budget process
  - It rationalized its budget request by its own system
  - Had difficulties with MPB but succeeded
- 📌 No experience on program evaluation
  - It plans to do in 2007 but has a funding problem.



## Korean Coast Guard

Number of Program	Performance Rating	Importance Score	Budget Growth	
			Amount	Percentage
6	Effective (85)	5	9	12
	Mod. Effective (79)	4	-4	-100
	Mod. Effective (70)	8	121	21
	Mod. Effective (70)	5	-5	-29
	Adequate (65)	9	65	155
	Adequate (63)	5	0	0



## Issues in Evaluation Process in Agencies

- ✦ Evaluation activities in agencies started as a response to the central budget authority's policy.
  - Some agencies are in the process of developing their own evaluation system
- ✦ Continuous improvement in developing performance measures
  - Wide variation across agencies but improving
  - More active participation in training program
- ✦ Difficulties in program evaluation
  - Lack of funding
  - Lack of relevant data
  - Demand for program evaluation is increasing





# Thank You !