



# The Content Construction and Future Development Options of All-round, Whole-process, and Whole-coverage Budget Performance Management

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**Abstract.** With the deepening of the reform of China's fiscal and taxation system and the advancement of the establishment of a modern fiscal pillar, China's budget performance management has become a problem worthy of study. Only good budget management can provide a basic guarantee for the realization of performance goals and the high-quality supply of public goods. Based on the overall requirements of all-round, full-process and full-coverage budget performance management, and reviewing the development history of China's budget performance management reform, this paper deeply analyzes the existence of all-round, full-process and full-coverage budget performance management in actual practice. The purpose is to provide a reference path selection for the next step to optimize the implementation of government budget performance management in an all-round, whole-process, and full-coverage manner. It aims at promoting the modernization of the national governance system and governance capacity, and improve the budget performance management system.

**Keywords:** whole process budget performance management, all-round budget performance management, full coverage budget performance management | Introduction

## 1 Introduction

In September 2018, the “Opinions of the Central Committee of the Communist Party of China and the State Council on the Comprehensive Implementation of Budget Performance Management” mentioned that “strive to basically build an all-round, whole-process, and full-coverage budget performance management system within three to five years.” Building a budget management system matches the modernization of the national governance system and governance capacity further point the way. Based on the new normal economic, budget performance management is no longer just a tool for evaluating the efficiency of government spending, but has become one of the important guarantee mechanisms for realizing the modernization of national governance.

As an important part of building a budget performance management system, full coverage budget performance management is based on the principle of goal orientation. The government budget performance management system that solves some of the problems existing in the “five cooperation models” between the government and social enterprises. In order to promote the practice of full-coverage budget performance management, it is necessary to actively promote the path mechanism in which full-coverage performance management and all-round budget performance management are closely coordinated and organically linked with the whole-process budget performance management chain.

In order to implement the overall requirements of actualizing budget performance management in an all-round, whole-process and full-coverage manner, and to further play the positive role of performance supervision in optimizing the allocation of budget funds and improving the quality and efficiency of fund use. It is great significance to explore a feasible path to optimize the performance supervision pattern. Judging from the practice of various countries. Since the outbreak of the COVID-19, the downward pressure on the economy of various countries has increased. The fiscal deficit has further increased and the debt level has also increased. In this context, the society is paying more and more attention to the limited capital budget.

## **2 Literature review**

### **2.1 The concept of performance budgeting**

The term performance comes from the West. Murphy (1990) defined the connotation of "performance", that is the behavioral performance associated with the goals set by an organization and a certain type of work [1]. Bernardin (1995) made an in-depth explanation of the close connection between performance management and performance results, and emphasized the importance of results [2].

The Hoover Commission in the United States was the first to propose the concept of performance budgeting. Since then, academia has begun to pay attention to the issue of performance budget, and a lot of academic research has been carried out. On the basis of the guidance of scientific management theory, broker hypothesis. It focuses on the research on the correlation between government behavior, budget control efficiency and effect.

### **2.2 Performance Budgeting Reform**

In the 1990s, it was proposed that government agencies, as the core management of society and economy, should implement a result-oriented budget system. And performance reform should be paid more attention (Ted Gaebler, David Osborne, 1996) [3]. The application field of “government performance” is constantly expanding and it is involved in both developed and developing countries. It is of great significance to improve administrative functions and improve the management efficiency. (Schia-vo-Campo, 2004) [4] Western countries with a relatively high level of economic development are relatively complete in the construction of performance budget match-

ing systems, and take government planning as a starting point to carry out a comprehensive layout and complete the construction of a relatively complete management cycle system.

### **2.3 Fiscal expenditure performance**

Fiscal expenditure performance evaluation means that financial departments and budget departments or organizations use scientific and reasonable performance evaluation indicators, evaluation standards and evaluation methods to evaluate the economy, efficiency and effectiveness of financial expenditures according to the set performance goals. Financial expenditure performance management is an important aspect of financial management. From the perspective of domestic and foreign financial management theory and practice, implementing scientific financial expenditure performance evaluation and management, establishing and improving financial expenditure management standards, operating procedures and evaluation systems are effective ways to improve financial expenditure performance.

### **2.4 Financial Performance Evaluation**

In the performance evaluation of public expenditure, the focus of evaluation is the economy, efficiency and effectiveness of public expenditure. However, these indicators are relative concepts that cannot be directly measured. In order to assess the characteristics of these three public expenditure activities, we must also look for other indirect indicators in the specific assessment. These indirect indicators include public expenditure input: the overall process of public capital input, public expenditure process, public expenditure direct output and public expenditure result. Therefore, in the public expenditure performance evaluation system, two levels of indicators can be selected: one is the final index, including the profit index, efficiency index and benefit index. The second is initial index, including input index, process index, output index and effect index. (Li Yongyou, 2005) [5]

The application of performance appraisal results is the basis of performance management. The correct and effective application of the assessment results can improve the system, continuously improve the method, adjust the budget more accurately, further refine the implementation of the division of responsibilities, and make the boundaries between main responsibilities and supervision responsibilities clearer, which can save money. The allocation of public resources has been optimized, the quality of public products and services has been optimized, and the credibility and reliability of management have been improved. Firstly, all unit performance self-assessment reports contribute to public relations and public relations and are subject to internal controls. Secondly, the Ministry of Finance, the government, the National People's Congress, and the Party Committee should comprehensively promote self-evaluation and re-evaluation reports, and conduct systematic supervision. The third is to encourage acceptance of social supervision in accordance with the law, and to disclose all performance appraisal results (Xia Jinjin & Xia Xiande, 2018) [6]

## 2.5 Literature review

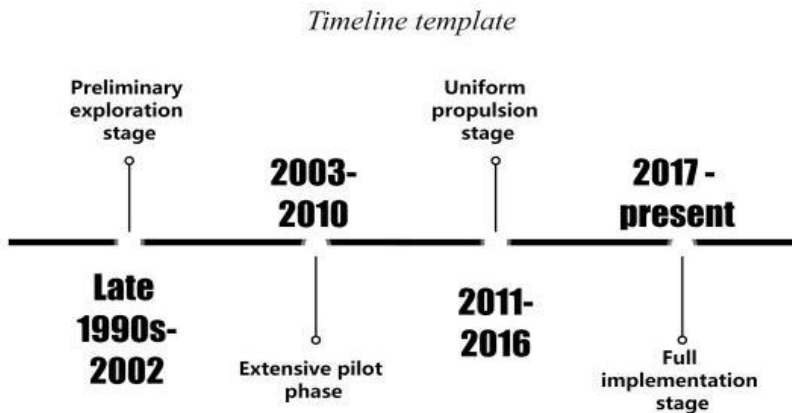
To sum up, the existing studies have expounded the budget performance management from the following aspects. Firstly, the existing studies have summarized the definition of budget performance, and also defined the division of concepts. Different countries have developed different perspectives according to different national conditions. And target management reforms the improvement and layout of different budget performance management systems. The existing research has selected some evaluation tools and evaluation indicators according to the concept of budget performance, and added multiple perspectives to the evaluation of government budget performance management. For the existing research in China, the research and development of budget performance management started relatively late. Theoretical and practical explorations are ongoing, so few studies have discussed the characteristics of budget performance management in China at an all-round, whole-process, and full-coverage budget performance management system. Based on this latest development goal, this paper aims at discuss the related content, the problems existing in it and the development options for the future path.

## 3 The Development History of China's Government Budget Performance Management

Since the reform and opening up, China's financial budget management system has gradually developed, making steady progress, and has been gradually improved under the socialist system with Chinese characteristics. Finance is particularly important in the process of governing a country, and the fundamentality and importance of deepening government budget performance management is self-evident. In the new era, China's economy has gradually transformed from an extensive high-speed growth model to a high-quality economic development model, and China is gradually entering a new era of all-round, full-process and full-coverage budget performance management.

The development of budget performance management in China mainly started in the 1990s (as shown in Figure 1), and began to rapidly modernize and standardize in the early 2000s year. (1) China introduced the concept of performance management in the mid-to-late 1990s, and carried out small-scale pilots and explorations in the process of practice. The stage opened up a good situation and played a foundational role. (2) Extensive pilot stage: 2003-2010. After the Second Plenary Session of the 16th Central Committee of the Communist Party of China held in 2003, it was proposed to establish a budget performance evaluation system. After that, the Ministry of Finance launched extensive pilot work and triggered a series of policy documents. In 2008, there were hundreds of performance evaluation pilot projects carried out from top to bottom, involving more than 2 billion funds. (3) Uniform advancement stage: 2011-2016. Guangzhou held the first national budget performance management work conference. In 2011, the concept of whole-process budget performance management was proposed for the first time. In the same year, the central government issued guid-

ance, clearly proposing to gradually establish an effective budget performance management system and mechanism. From 2012 to 2014, the budget performance management from the central to the local level has reached a new level, and a performance management system with a scale of one trillion yuan covering 30 provinces has been established. (4) Full implementation stage: 2017-present. The 19th National Congress of the Communist Party of China and the Central Committee for Comprehensively Deepening Reform both clearly proposed to build an all-round, full-process, and full-coverage budget performance management system to realize the integration of budget and performance management. The budget performance management model with Chinese characteristics is gradually taking shape, and the budget performance management model in the new era is under construction.



**Fig. 1.** Timeline of China's Budget Performance Management Development

(Figure credit: original)

## **4 Problems existing in the performance management of government budget in China**

### **4.1 Problems existing in the whole process budget performance management**

#### **4.1.1 Difficulty in quantifying and reviewing performance goals.**

The first is in the quantitative audit of budget performance objectives, in addition to the most intuitive, objective and accessible economic indicators quantitative audit, such as social impact, public psychological factors, medium and long-term ecological impact, cultural empowerment or restraint impact indicators are difficult to quantify and analyze rationally and objectively. Even if tools such as big data analysis, survey sampling, etc. are used, the huge workload will lead to the lag of quantitative auditing, which will greatly reduce its actual effectiveness.

#### **4.1.2 There are blind spots in monitoring the budget process.**

Due to the mixed nature of project funds, especially when some financial allocations (only a part of the project funds) only account for a certain proportion IT is difficult to monitor whether the funds are properly allocated when the project funds are allocated. For example, local governments cooperate with enterprises or provide support to industries, then corporate capital and financial appropriation will be merged into mixed funds. This kind of funds with mixed attributes will enter the gray area of cross supervision but form a management vacuum, and it is difficult to determine which part of the funds is used. It belongs to financial appropriation and whether it has been used effectively. If the integration of financial appropriation and corporate capital is forcibly separated, the actual role of financial appropriation will be very limited or even ineffective.

#### **4.1.3. The feedback of performance evaluation results is weak.**

The result of budget performance evaluation should be the purpose of performance evaluation, not just a means. If it is a one-time project, even if it is found that the efficiency and performance management level is poor, if there is no strict accountability and inquiry link, then the evaluation result will be useless. In long-term projects, because the evaluation mainly relies on various indicators to carry out, there is no accurate quota standard or project budget, which often makes the local people's congress and the audit department do not have enough time to review and comment on the results.

### **4.2 Problems existing in all-round budget performance management**

#### **4.2.1 There is a lack of information generation and coordination between the central and local governments.**

Under the system of five levels of government in China, there is a lack of communication between subordinates and subordinates. China's five-level government is not sufficiently linked up and down, and many of the latest policies cannot achieve a unified pace between the local and the central government, and it is difficult to advance synchronously. As for urban cities, due to various economic, cultural and historical problems, financial resources are limited and execution capabilities are insufficient. Considering the huge differences in administrative professional level, local human resources and local financial capabilities, etc. inevitable lag. Township-level governments have insufficient funds and slow execution capabilities. In addition, from the central to local governments, there is a lag in the issuance of information policy documents, and local governments are willing to increase the number of layers.

#### **4.2.2 Poor horizontal linkage between government departments.**

When the financial department promotes budget performance planning or policies, other relevant executive departments are not actively cooperating within a certain range. Taking the local area as an example, the local party committees, local people's congresses, local CPPCC, local government audit departments, local discipline in-

spection commissions and other organizations or departments lack effective cooperation and often operate independently. The dispersion effect results in a very limited supervisory role.

Similarly in the government's financial department, there are many subordinate departments such as office, budget department, statistics, accounting, treasury, information business department, etc. There are many differences in the division of responsibilities, and work is carried out according to their own responsibilities. However, these departments have joint work, and the functions of the departments will overlap. If they did not achieve synergy, but turned an intersecting affair into a hollow area, and there may also be a phenomenon of competition for power in some affairs with overlapping functions.

#### **4.2.3 Participation of third-party social organizations is very high priority and low utility.**

Citizens and social organizations should take the initiative to participate and the government should provide adequate channels and methods. The current contradiction is that, on the one hand, part of the public eagerly wants to participate in the process of government budget performance management, but on the other hand, there is no effective channel for participation. Especially, as for social organizations, they have more restrictions. On the one hand, the government selects a specific evaluation agency. On the other hand, the cooperation between the government and the third party has a trend of polarization. One extreme is that the government leads the third-party evaluation. And the second extreme is audit department directly entrusts all relevant business to the third party.

### **4.3 Problems existing in full coverage budget performance management**

#### **4.3.1 Fiscal budget performance management coverage is too narrow.**

##### *4.3.1.1 The range of state-owned capital operating budget revenue is too narrow.*

The data in Table 2 shows that the main source of total state-owned capital operating budget revenue is profit income. It can be seen intuitively that the proportion of revenue and profit is very important, and the proportion of other income components is far lower than that of profit income. In particular, for dividend income, the government has not made more perfect and standardized regulations for it. The dividend income paid in should also account for a considerable proportion, but the current situation shows that the proportion of income paid in dividends is still not high.

2012-2021 National State-owned Capital Income Final Account Main Different Types of Income (Unit: 100 million yuan)

years	National state-owned capital operating income	profit income	Dividend Income	Property transfer income
2012	1495.9	1154.02	101.96	114.82
2013	171336	1288.08	123.67	141.83
2014	200759	1700.15	117.02	94.86
2015	2550.98	2033.89	269.17	136.9
2016	2608.95	1961.62	205.87	224.72
2017	2580.9	1823.78	286.66	236.41
2018	2905.79	2138.49	344.38	259.65
2019	3971.82	2614.81	543.61	495.5
2020	4774.55	3039.58	646.39	688.32
2021	5170.43	3075.25	827.57	486.71

**Fig. 2.** 2012-2021 National State-owned Capital Income Final Account Main Different Types of Income (Unit: 100 million yuan, figure credit: original)

*The scope of state-owned capital operation budget performance management does not include all central financial enterprises.*

In the government affairs data disclosed by the Budget Department of the Ministry of Finance of the People's Republic of China, almost all of the budget performance management scopes involving state-owned capital operations are clearly marked as excluding central financial enterprises or not including all central financial enterprises.

*4.3.1.2 The funds from the cooperation between the government and social capital have not achieved full coverage of budget performance management.*

In the setting of fiscal revenue and expenditure subjects, there are subjects with similar expenditure content or expenditure purposes in general public budgets and government fund budgets. Under such a subject setting, the boundary between the general public budget and the government fund budget becomes blurred, and the problems of repeated coverage and repeated investment in the same field or project will affect the useful performance of budget funds and real-time management and supervision.



#### **4.3.2 The boundary of government fund budget coverage is blurred.**

In the actual expropriation, funds such as state-owned land use rights transfer fees, state-owned land income funds, and funds such as national major water conservancy project construction funds, civil aviation development funds, etc., although they do not belong to the scope of government fund financial revenue, are still included in the government fund budget.

#### **4.3.3 The scope of budget performance management evaluation is too narrow.**

In practice, the situation often occurs is that the budget performance evaluation process is dominated by the financial budget agency and the budget fund user department. In order to maximize the interests of the department, the power of budget performance evaluation is enlarged to areas that do not belong to its scope of power. Responsibility for tracking results is narrowed down to what it should have been responsible for or passed directly to a third-party assessment agency.

The traditional budget performance evaluation indicators are basically designed on the basis of input and output. In the process of the new performance budget reform, the evaluation dimensions of efficiency, effectiveness and achievement indicators are gradually added. However, the practice of budget performance appraisal mainly focuses on expenditure performance appraisal, and the determination of performance appraisal content does not fully consider the differences of appraisal objects.

## **5 Conclusion**

The core of budget performance management is to make the budget play a more important role in controlling financial risks at the macro level, optimizing resource allocation at the microscopic level, and improving management efficiency at the micro level. At present, the goal of China's government budget performance management is to promote the modernization of the national governance capacity system, and also to better promote the development and full implementation of systematic projects. The Chinese government needs to base itself on the reform orientation from the following aspects, focus on key optimization and implement the reform plan.

### **5.1 Promote the implementation of all-round, full-process and full-coverage budget performance management concepts**

There are problems in the cooperation between different subjects in the process of government budget performance management. Establish a common all-round, whole-process, and full-coverage budget management performance management concept among all subjects, and a macro strategy with a systematic and global thinking mode. To establish this concept, it needs to be implemented in the publicity work among various entities, establish the concept in the grass-roots work, widely publicize the "three comprehensive" budget performance management concept, and promote the transformation from the traditional budget management performance model to the modern budget performance management, While ensuring that the main body of the

government is updated, it will promote the change of citizens' thinking and increase their actual participation.

### **5.2 Promote the organic integration of all-round, full-process and full-coverage**

Budget performance management is not only the improvement of budget performance, but also the modernization of government governance system and governance capacity. Behind the reform of the budget model is the reengineering and upgrading of the government's public management concept and logic. In order to achieve stable and reliable finance, reasonable and efficient resources, and high-quality and efficient services, the following four aspects need to be reformed to further improve the resume of China's financial system modernization system and the establishment of national comprehensive governance capabilities.

### **5.3 Balance fiscal revenue and expenditure and resolve fiscal risks**

An important problem to be faced in budget reform is the contradiction between fiscal revenue and expenditure. Only by controlling the fiscal scale can stability and continuity be ensured. By strictly controlling the basic plan of the government budget under the medium and long-term framework, arranging the budget from a long-term perspective, coordinating and balancing various budgets, and carefully planning various projects, it is beneficial to better control financial risks, optimize capital arrangements, and improve the planning of government activities. and long-term sustainability.

### **5.4 Establish and improve the responsibility framework for budget performance management**

For every expenditure of the government to be efficient, there must be a matching responsibility framework and a matching performance responsibility framework. By establishing performance goals in the early stage, performing performance monitoring in the mid-term, and carrying out performance evaluation in the later stage, the budget responsibility is implemented layer by layer, and an all-round, whole-process, and full-coverage constraint mechanism is realized to promote the achievement of performance goals and the improvement of overall performance.

### **5.5 Optimize performance evaluation system**

Budget capability building is the key capability to support the budget management system, and reasonable and efficient advanced tools are an important basis for improving budget performance. First of all, by improving the basic information construction of budget performance management, explore the positive role of various advanced technologies in the management, analysis and utilization of budget data and

performance information, and improve the level of budget management. Secondly, through a systematic, reasonable and scientific performance evaluation system or index library, a strong support and guarantee for performance evaluation is realized. Finally, improve the supervision mechanism, promote openness and transparency of the budget, and provide opinions for multi-subject supervision.

The openness and transparency of budget performance is conducive to the establishment of the supervision role of all sectors of society and the people over the budget, and is conducive to improving the constraints and incentives for government departments. At the same time, budgeting for the people will be more conducive to improving the quality of public services. Give full play to the role of the financial department in budgetary governance, promote the participation of multiple subjects in budget evaluation and policy formulation, and give play to the active roles of third-party evaluation, media supervision, and mass participation, and form a performance-oriented modern model that combines the leadership of the financial department and the participation of multiple subjects.

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