



China, People's Republic of: Public Expenditure Performance Monitoring in Henan

Project Name	Public Expenditure Performance Monitoring in Henan	
Project Number	47080-001	
Country	China, People's Republic of	
Project Status	Closed	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA 8490-PRC: Public Expenditure Performance Monitoring in Henan	
	Technical Assistance Special Fund	US\$ 450,000.00
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development	
Sector / Subsector	Public sector management - Public expenditure and fiscal management	
Gender Equity and Mainstreaming		
Description	The TA will assist the Henan government to improve public expenditure performance monitoring. It will review and clarify the concept of public expenditure performance monitoring (including principles, methods, indicators and standards), and review domestic and international experiences on public expenditure performance monitoring (including regulations and laws). The scope of the TA will also include reviewing how public expenditure is currently being monitored in Henan, identifying the major issues relating to public expenditure performance monitoring in Henan (including transfer payment for special projects), identifying the major obstacles to implementing a public expenditure performance monitoring framework, identifying major areas of public expenditure (e.g. infrastructure, health, education, and environment) where monitoring could be applied and proposing appropriate indicators, and recommend an appropriate framework for public expenditure performance monitoring for Henan, taking into consideration local conditions, and domestic and international experiences.	

Project Rationale and Linkage to Country/Regional Strategy

Henan Province is located in the central region of the People's Republic of China (PRC). It is one of the country's most populous provinces, with over 94 million inhabitants, about 7% of the country's population. Henan's gross domestic product (GDP) in 2012 was CNY3 trillion accounting for 5.7% of the country's GDP, and its per capita GDP is 82.5% of the national average, which is low compared to central provinces.

Fiscal expenditure in Henan has increased at a significantly faster pace than fiscal revenue over the past 10 years. Most of the outlays have been directed toward health and education, general public service, social security, agriculture, forestry and water resources, and transfer payment from the Henan Provincial Government to prefecture and county level governments. It is noteworthy that around 80% of the transfer payment is for special purpose projects. Due to the lack of adequate performance monitoring and evaluation mechanism, it is difficult to assess the efficiency and effectiveness of fiscal expenditure, including for special purpose projects. This is also a similar pattern in other provinces in the PRC. Improving the public finance system (including public financial management, intergovernmental fiscal transfers, and supervision and monitoring of public expenditure), and ensuring good governance at all levels of government and across all sectors are critical to support the PRC's long-term goal of building a harmonious and prosperous society by improving people's livelihood, and promoting balanced and environmentally sustainable growth. The central government stressed the need to improve the public finance system and the financial management of public finance. For example, in the 2008 Government Work Report, Premier Wen Jiabao proposed an administrative system of accountability and a budget performance management system. In 2010, President Hu Jintao, at the 18th collective study of the Political Bureau of the Communist Party of China (CPC) Central Committee, stressed that the country needed to improve the public finance system and the performance of financial management. In 2012, the new leadership also emphasized the importance of undertaking fiscal and taxation reform, and strengthening public finance system at the 18th National Congress of CPC.

In recent years, the PRC has actively explored various forms of public financial management (including performance-based budgeting and performance monitoring) but they are still at the initial and exploratory stage. For example, regulations and systems of performance management and monitoring are inadequate, budget units lack the understanding and knowledge of performance management and monitoring, and the results of performance monitoring deviate markedly from the original targets. These issues have seriously hampered the efficient and effective use of fiscal funds. In this respect, it is important to further strengthen research, deepen the understanding of and awareness about performance monitoring, and propose appropriate policy recommendations to improve the overall public financial management.

Henan is one of the provinces that are exploring measures to strengthen public financial management, which is a key area to ensure the proper functioning of the provinces. Sound public financial management improves accountability and efficiency in the management of public resources and delivery of public services to meet public expectations. Revenue reform is an important aspect of sound public financial management. However, as most tax bases and rates are set by the central government, it would be best pursued as part of a wider national agenda of fiscal reform. TA 8379-PRC: Public Finance Development Strategy 2020, approved in June 2013, is designed to help the PRC government to address the key national issues on fiscal and taxation reform.

Effective public expenditure management is an essential part of sound public financial management. In this context, the Henan government specifically requests ADB to focus on one aspect of this agenda. It seeks ADB's technical assistance to help strengthen its public expenditure performance monitoring system to improve the efficiency and effectiveness of public spending to maximize value for money, increase the transparency of the transfer payment for special purpose projects, increase the government's administrative efficiency, and enhance the awareness of due diligence and responsibility of government departments at sub-provincial level. Such public expenditure performance monitoring framework could be applied in other provinces in the PRC, thus, contributing to achieving national objectives. Moreover, this TA project would help enhance the governance of public expenditure.

The TA is consistent with the inclusive growth agenda, one of the three pillars of the strategic framework in the PRC's CPS. Improving public expenditure performance monitoring will ensure that public expenditure is targeted, the outputs are monitored and the outcomes are assessed against the objectives in order to maximize the development impact. The TA will also support good governance and capacity development, one of the drivers of change of the strategic framework in the PRC's CPS. Moreover, the TA will contribute to the government's efforts to strengthen the policy and regulatory frameworks and practices to improve municipal services and expand capacity development.

Impact	Strengthened public financial management in Henan through improved efficiency and effectiveness of public expenditure.
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Project Outcome

Description of Outcome	Improve the efficiency and effectiveness of public expenditure through improved public expenditure performance monitoring in Henan.
Progress Toward Outcome	Project outcome will be evaluated once the project is completed.

Implementation Progress

Description of Project Outputs	The outputs will contain 3 reports: 1. Research report; 2. Recommendations report; and 3. Final report. These outputs will establish a framework for public expenditure performance monitoring in Henan.
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Status of Implementation Progress (Outputs, Activities, and Issues)	All consultants were recruited by the end of April and the inception workshop was conducted on 5 May 2014. Field surveys were completed in July and the survey report was submitted by the end of September 2014. The mid-term review workshop was held in December 2014. An overseas study visit to the United Kingdom, Germany and Netherland in November 2014 and findings of the visit were reported in the mid-term review workshop. The final workshop was held in June 2015 and the TA was completed by 30 June 2015. The TA will be financially closed before 30 September 2015.
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Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design The TA mission will closely consult relevant stakeholders during project design, including EA/IA, other government agencies, think tanks, and beneficiaries.

During Project Implementation The TA mission will closely consult relevant stakeholders during project implementation, including EA/IA, other government agencies, consulting team, think tanks, and beneficiaries.

Business Opportunities

Consulting Services A total of 21 person-months of individual consulting services (one international consultant for 5 person-months and 2 national consultants for a total of 16 person-months) will be provided. The consultants will be engaged in line with ADB's Guidelines on the Use of Consultants (2010 as amended from time to time).

Responsible Staff

Responsible ADB Officer	Zhuang, Jian
Responsible ADB Department	East Asia Department
Responsible ADB Division	PRC Resident Mission
Executing Agencies	<i>Finance Department Henan Province 25 Jingsan Road Jinshui District, Zhengzhou China, 450008</i>

Timetable

Concept Clearance	24 Jul 2013
Fact Finding	19 Aug 2013 to 21 Aug 2013
MRM	-
Approval	17 Oct 2013
Last Review Mission	-
Last PDS Update	17 Sep 2015

TA 8490-PRC

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
17 Oct 2013	19 Nov 2013	19 Nov 2013	30 Jun 2015	-	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
450,000.00	0.00	112,500.00	0.00	0.00	0.00	562,500.00	17 Oct 2013	252,257.36

Project Page	https://www.adb.org/projects/47080-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=47080-001
Date Generated	06 July 2017

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