



# Completion Report

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Project Number: 47080-001  
Technical Assistance Number: 8490  
June 2016

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

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TA Number, Country, and Name:			Amount Approved: \$450,000	
TA 8490-PRC: Public Expenditure Performance Monitoring in Henan			Revised Amount: none	
Executing Agency: The Department of Finance of Henan Province		Source of Funding: TASF-others	Amount Undisbursed: \$197,742.64	Amount Utilized: \$252,257.36
TA Approval Date: 17 Oct 2013	TA Signing Date: 19 Nov 2013	Fielding of First Consultant: 30 Jan 2014	TA Completion Date Original: 30 June 2015	Actual: 30 June 2015
			Account Closing Date Original: 30 June 2015	Actual: 21 Sep 2015
<b>Description</b>				
<p>As a populous and traditional agricultural province, most of Henan's fiscal outlays have been allocated for agriculture, forestry, water resources, education, social security, health care, and transfer payments from the Henan provincial government to prefectural and county governments. The fiscal expenditures in Henan have increased at a significantly faster pace than fiscal revenues in the past 10 years. In addition to balancing fiscal revenues and expenditures, public financial management has started to focus on enhancing the effectiveness of public expenditure performance. However, due to the lack of adequate performance monitoring and evaluation mechanisms, it is difficult to assess the efficiency and effectiveness of fiscal expenditure, including that for special purpose projects.</p> <p>The Henan provincial government sought policy and advisory technical assistance (TA) of Asian Development Bank (ADB) to help strengthen its public expenditure performance monitoring system to improve the efficiency and effectiveness of public spending, and thereby enhance the governance of public expenditure. A strengthened public expenditure performance monitoring system could maximize value for public outlays; increase the efficiency and effectiveness of public expenditure; enhance the awareness of due diligence and the responsibility of government departments at the provincial and sub-provincial level. Such a public expenditure performance monitoring framework could also be applied in other provinces in the People's Republic of China, thus contributing to achieving national objectives.</p>				
<b>Expected Impact, Outcome, and Outputs</b>				
<p>The impact of the TA is to strengthen public financial management in Henan. The achievement will be demonstrated by an integrated evaluation and monitoring framework on public expenditure performance. The key outcome will be improved efficiency and effectiveness of public expenditure in Henan. The TA outputs include (i) a final report and a bilingual synopsis report on improving public expenditure performance monitoring in Henan and (ii) two policy briefing notes. The final report will present a set of guidelines and methods to help implement a public expenditure performance monitoring system in Henan. It comprises three parts: (i) overview, concepts, and experience; (ii) major issues and challenges in public expenditure performance monitoring; and (iii) policy recommendations.</p>				
<b>Delivery of Inputs and Conduct of Activities</b>				
<p>In close cooperation with the Department of Finance of Henan Province, the executing agency; and its Financial Supervision Bureau, the implementing agency, ADB engaged four national consultants for 26 person-months and one international consultant for 3 person-months. The TA amount is \$450,000, but only \$252,257 was utilized as estimated consultants' cost was reduced by 10% as a result of selection and only 27% of domestic training/seminar budget was claimed by the executing agency during the TA implementation. In line with the TA implementation schedule, 3 workshops, 8 domestic surveys, and an international study tour were undertaken. The consultants successfully accomplished all assigned tasks efficiently with high quality and their overall performance was satisfactory. The executing agency and the implementing agency supported the TA implementation as committed and provided adequate counterpart staff, meeting facilities, data, and logistics support. They also organized a steering committee to review and comment on the TA reports and policy briefs at different stages of implementation. Their performance was satisfactory. The supervision provided by ADB was timely, efficient, and ADB's performance was satisfactory. The executing agency, the implementing agency, and ADB are in agreement that all the inputs provided were satisfactory. The executing agency and the implementing agency highly appreciated the consultants' work, which they found "serious, professional, efficient, and</p>				

responsible” according to their statements made at the various stages of implementation.

#### **Evaluation of Outputs and Achievement of Outcome**

The TA produced the expected outputs and achieved its expected outcomes. Two final reports (one in English and the other in Chinese) and two policy briefs were submitted to the implementing agency and ADB. Major components of the final report include: (i) elaborating the theoretical basis and objective needs for public expenditure performance monitoring; (ii) proposing a framework for managing public expenditure performance led by strategies and thus improving performance, comprehensive evaluation, and transparency; and (iii) calling for establishing a participatory performance management model through inviting the public to participate in building an information sharing platform, developing government plans and strategies, and allocating budgetary resources. The final reports and the two policy briefs provided policy recommendations including (i) establishing a results-based budgetary management model that emphasizes the idea of serving-for-people’s government budgets and the importance of responsibility and efficiency of the budget expenditures; (ii) setting up a new cycle for budget management that includes strategic plans, department targets and project targets, providing help for implementing Henan’s 13th Five-Year plan; and (iii) making strategic action plans for Henan Province to engage the public more effectively and proactively, including website development strategies and mobile phone apps for “Henan Government Performance” initiatives.

The executing agency highly appreciated the consultants’ final report and indicated that the report should be disseminated to relevant divisions at provincial and county levels for study and reference. As the TA suggests, a Performance Management Committee was established in the executing agency to coordinate budget performance management and supervisory activities, public expenditure performance in 12 budget units was monitored, and a mobile application for “Henan Public Expenditure Performance” was designed and tested. Key TA recommendations were incorporated into “Opinions on Further Strengthening and Improving the Work of Fiscal Supervision at Provincial Level”, issued by the executing agency in 2015, for implementation by lower levels of the finance bureaus in Henan. Following TA recommendations, the implementing agency invited 3 third-party consulting/assessment firms from Shanghai, Beijing, and Zhejiang to evaluate the performance of 9 projects using fiscal funds in Henan Province. As a result of dissemination and knowledge sharing of the TA findings, Guangzhou city, Guangdong Province expressed strong interest in applying key findings and methods of this TA in its public expenditure performance monitoring and management since May 2016.

#### **Overall Assessment and Rating**

The TA is rated as successful as it was implemented effectively and efficiently with satisfactory performance of the consultants and active participation of the executing agency and the implementing agency. All activities planned under this TA were fully implemented and completed on time. The executing agency and the implementing agency were satisfied with the TA’s findings and conclusions.

#### **Major Lessons**

Strong ownership and commitment of the executing agency and the implementing agency are precondition for the success of a TA. The implementing agency’s support and coordination was particularly important for the consultants to successfully conduct field surveys and investigations in Guangdong, Sichuan, Shanghai, and Henan. Although the time for the international study visit was limited (10 days in 3 countries), relevant officials in the executing agency and the implementing agency benefited from discussions, investigations, and knowledge sharing. During the TA implementation, additional opportunities for the dissemination of TA results and application of its findings in other provinces could be explored.

#### **Recommendations and Follow-Up Actions**

The implementing agency suggested that ADB increase the ceiling of the honorarium for resource persons to review reports and attend workshops. Follow-up actions include (i) further disseminating the TA outputs, (ii) exploring opportunities to apply policy recommendations in other provinces, and (iii) sharing the experiences and lessons learned in this TA with similar TAs focusing on public spending monitoring and management in the future.