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# Study on the Construction of the Performance Evaluation Index System of Fiscal Expenditure in China

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**Abstract:** The Nineteenth National Congress of the Communist Party of China put forward the full implementation of performance management. Thus, the importance of fiscal performance evaluation has risen to a new height. The performance evaluation index of fiscal expenditure is an important prerequisite for performance management. The performance evaluation index of fiscal expenditure policy refers to the assessment tool to measure the degree of achievement of fiscal expenditure policy performance goals. This paper study the performance evaluation indexes of fiscal expenditure policy from its basic framework and basic principles, categorization the indicators of fiscal expenditure performance evaluation system; make the evaluation of performance of fiscal expenditure more clearly. The construction of the performance evaluation index system of fiscal expenditure plays a very important role in evaluating the economy, efficiency and effectiveness of fiscal expenditure.

**Keywords:** Performance Evaluation, Index, Fiscal Expenditure

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## 1. Introduction

The Nineteenth National Congress of the Communist Party of China put forward the full implementation of performance management. Thus, the importance of fiscal performance evaluation has risen to a new height. From the perspective of fiscal budget system, it is proposed that the implementation of performance management in a comprehensive way is a new path for the modernization of national governance and the innovation of government management (Zheng & Wang [1], 2018). The performance evaluation index of fiscal expenditure is an important prerequisite for performance management.

The performance evaluation index of fiscal expenditure policy refers to the assessment tool to measure the degree of achievement of fiscal expenditure policy performance goals. It is a specific quantity reflecting the necessity, feasibility, process monitoring and overall effect of budget implementation. It has the effectiveness of measuring, monitoring and evaluating the degree of implementation of the policy and the economy, efficiency and effectiveness of budget management, and reveals the effectiveness of problems in policy implementation and budget management.

The performance evaluation index system of fiscal expenditure policy is based on the requirements of policy performance management evaluation and according to certain principles to reflect the contents of different policies and budgets and reflect the performance of evaluation objects.

Researches on fiscal performance indicators are comprehensively. Xiong [2] (2018) review the history of China's performance evaluation from a historical perspective. Some scholars research the construction and improvement of performance evaluation index system for fiscal expenditure (Cheng & Xue [3], 2015; Wu [4], 2015; Liu [5], 2016; Wang [6], 2017; Liu [7], 2017; Li & Wang [8], 2018; Liu [9], 2018). Meanwhile, some others scholars have researched the target setting of fiscal performance evaluation (Wu [10], 2017; Wang [11], 2017). Zheng & liao [12] (2017) study the fiscal performance evaluation from its concept, system and practice. Wang [13] (2018) establishes a three level framework for performance evaluation. And Ren [14] (2017) researches the individualized performance index design of fiscal funds.

On the basis of the above research, this study probes into performance evaluation index system of fiscal expenditure policy in China.

## 2. The Basic Framework

The guideline of the design of the performance evaluation index system of fiscal expenditure policy is based on the requirements of national laws and regulations, the overall planning of national economic and social development, and the national industry planning. It should be given full consideration to the relationship between the development of policies and sectors and the coordinated development of economy and society, and policy implementation industry or department internal coordination as well as basic expenditure and project expenditure development level, mainly around the implementation of the comprehensive evaluation of the strategic objectives and functions of the policy. The performance evaluation index system of fiscal expenditure policy includes: The setting of the goal of policy performance; Investment and use of policy funds (the use of budgetary funds, the legality and compliance of expenditures, the financial management and asset allocation and utilization in order to achieve performance objectives); The system and measures adopted to achieve the goal of policy performance; The degree of completion and effect of policy performance goals (The achievement of performance objectives and the economic, social and ecological benefits of fiscal expenditure); Other content of policy performance evaluation.

First, according to the contents and requirements of the evaluation and the scope of application of indicators, it can be divided into common indicators and individual indicators. Common indicators: Common indicators are indicators applicable to all sectors and departments to evaluate policies and targets. It's generally determined by the financial department. It involves the necessity and feasibility of policy implementation, budgeting and implementation, financial management, asset allocation, use and disposal. Generally speaking, the common indicators are predominant control conditions to ensure that all expenditure policies, industries or departments and budgetary units' budgeting centered on performance, are universality. Individual indicators: Individual indicators are determined according to the characteristics of industries or departments that implement policies, and are applicable to different industries or

departments. The personality index is formulated by the finance department in conjunction with the policy implementation department according to the performance target of the evaluated object.

Second, according to whether indicators can be quantified, they can be divided into quantitative indicators and qualitative indicators. Quantitative indicators: The quantitative index refers to the index that can directly evaluate through the data and reflect the evaluation results in quantity. Qualitative indicators: Qualitative indicators mean that it is difficult to directly analyze evaluation content and reflecting the object of evaluation through data calculation, which need to objectively describe and analyze the evaluation objects to reflect the evaluation results. Quantitative indicators and qualitative indicators are included in common indicators and individual indicators, which is a manifestation of whether common indicators and individual indicators can be quantified. The design of indicators system is usually based on common indicators, supplemented by individual indicators.

Third, according to the policy performance evaluation management process, the policy performance evaluation index system can be divided into the pre event performance index system, the event performance index system and the ex post performance index system.

### 2.1. The Classification of the Pre Evaluation Index of Fiscal Performance

According to the characteristics of pre performance evaluation of fiscal expenditure policy, the evaluation indicators are divided into three categories: policy decision, policy implementation, and policy performance. Policy decisions can be divided into five secondary level indicators: goal setting, decision-making process, policy establishment, policy decomposition, budgetary decision making (allocation of funds). The implementation of policies can be divided into three secondary level indicators: planning implementation, process control and management system. Policy performance can be divided into two secondary level indicators: output and outcome. A number of tri-grade indicators are set up under each secondary indicator. (Table 1).

**Table 1.** Preevaluation index system of fiscal expenditure policy performance.

First level indicator	Secondary level indicators	Weight (%)
Policy decision	goal setting	6
	decision-making process	10
	policy establishment	10
	policy decomposition	6
	budgetary decision making (allocation of funds)	15
The implementation of policies	planning implementation	6
	process control	6
	management system	6
Policy performance	output	10
	outcome	25

**2.2. The Classification of Fiscal Expenditure Policy Event Performance Indicators**

The event performance evaluation of fiscal expenditure policy is the implementation evaluation in the process of policy implementation. Although the implementation of the policy at this time is not yet finish, the economy, efficiency and effectiveness of policy implementation have emerged. Especially the defects in policy options, problems in the allocation of policy resources, changes in certain conditions in the policy environment have been exposed. This evaluation

can be used to adjust the policies in implementing. However, the event evaluation of fiscal expenditure policy performance is just point at a certain process in the process of policy implementation, so it is transitional and temporary. According to the transitional and temporary nature of event performance evaluation in fiscal expenditure policy, the event performance evaluation indicators of fiscal expenditure policy are divided into three categories: the guarantee of policy implementation, the effectiveness of policy implementation process control and the attainment of policy stage goal. (Table 2).

*Table 2. Event evaluation index system of fiscal expenditure policy performance.*

First level indicator	Secondary level indicators	Weight (%)
The guarantee of Policy implementation	the guarantee of system construction	15
	the guarantee of Institutional and staff	10
	the guarantee of operation mechanism	10
	time control of policy implementation	8
The effectiveness of Process control	program control of policy implementation	9
	capital control of policy implementation	9
	quality control of policy implementation	9
Stage goal achievement	time achievement of target in policy period	15
	achievement of target output at policy period	15

**2.3. The Classification of Ex Post evaluation Index of Fiscal Performance**

According to the core content of the ex post evaluation of the performance of fiscal expenditure policy, the post evaluation index of fiscal expenditure policy performance is divided into five categories: relevance of policy objective, efficiency of policy implementation, benefit of policy implementation, the fairness of policy and demonstration of policy. The relevance of policy objective evaluate the level of objective satisfaction brought about by policies itself, it is the evaluation of the usefulness of policies, as well as the evaluation of scientific of policy decisions. The efficiency of policy implementation aims to evaluate whether the policy implementation process is scientific and reasonable, it is the

evaluation of the efficiency of financial management and the scientific management of financial funds. The benefit of policy implementation is the evaluation of the effect of policy implementation; it evaluates the specific scope of the policy effect, the realization of the output target, the relevance with the policy objectives and the satisfaction of the social parties. The fairness of policy concern the relationship between capital allocation and the universality of policies, it is a comprehensive consideration of public nature, non-difference and non-exclusiveness of public services. The demonstration of policy evaluates the future applicability of policy from the positive aspects and problems, it is a comprehensive evaluation of the effect of policy implementation, and has important reference value for future similar policy decisions. (Table 3).

*Table 3. Expost evaluation index system of fiscal expenditure performance.*

First level indicator	Secondary level indicators	Weight (%)
Relevance of policy objective	level of Policy meets demand	5
	the reasonableness of the decomposition of policy tasks	5
	the degree of implementation of policy effect	12
Efficiency of policy implementation	the scientificity of policy planning	7
	effectiveness of policy process control	8
Benefit of policy implementation	efficiency of policy implementation	8
	effect of policy implementation	20
The fairness of policy	degree of satisfaction of policy implementation	15
	the fairness of the allocation of policy funds	5
Demonstration of policy	universality of policy	5
	positive factors and effects of policy	4
	the typicality of the problem of policy	3
	policy demonstration effect and Sustainability	3

### 3. The Basic Principles

#### 3.1. Principle of Objective Relevance

The design of performance evaluation indicators of fiscal expenditure policy should be directly related to the performance objectives of policy implementation sectors or departments, should properly reflect the achievement degree of performance goal, can comprehensively and systematically reflect the characteristics of evaluation objects. Each of the indicators can be linked to each other, as well as comprehensively reflect the relationship, inner connection and regularity of the performance components of the policy implementation industry or department. The index system should be unified, and unified standard evaluation should be adopted for the same index.

#### 3.2. Comparability Principle

The performance indicators of fiscal expenditure policy should be independent of each other at the same level. Not only does it reflect the commonality of the policy implementation industry or the department, but also should be comparable in different time, region, industry and department under the condition of the same nature and the performance evaluation index set for the same kind of evaluation objects.

#### 3.3. Objectivity Principle

The indicator data selected in the performance evaluation index of fiscal expenditure policy should have a legitimate and accurate source; at the same time truly reflect the actual situation of the evaluation objects of the policy implementation industry or department.

#### 3.4. Practical Principle

The selection of performance indicators for fiscal expenditure policy should focus on the combination of scientific and practicability. It not only accurately reflects the performance connotation of the policy implementation industry or department, but also considers the practical feasibility and application cost of the indicator. It should pay attention to the combination of comprehensiveness and simplicity, fully reflect the performance of fiscal expenditure, and highlight key performance.

#### 3.5. Principle of Management Effectiveness

Management effectiveness is the policy implementation capacity and policy management efficiency of the policy implementation industry or department in achieving policy objectives. The design of performance evaluation index of fiscal expenditure policy should fully reflect the management effectiveness of the policy implementation industry or department.

#### 3.6. Principle of Dynamic and Extensibility

The determination of the performance evaluation index

of the policy implementation industry or department is not only restricted by the regulation of its industry or department and the law of its own development, but also changes with the changes of many factors such as the external economy, politics, culture and the needs of the people. Therefore, the policy performance evaluation index system is dynamic and extensible. The fiscal departments and policy implementation sectors or departments can continuously improve the indicators according to the performance evaluation work.

### 4. Conclusion

The construction of the performance evaluation index system of fiscal expenditure plays an extremely important role in evaluating the economy, efficiency and effectiveness of fiscal expenditure. Through this study, we categorization the indicators of fiscal expenditure performance evaluation system, make the evaluation of performance of fiscal expenditure more clearly. Meanwhile, the subsequent application of the results of fiscal expenditure performance evaluation also plays an important role in practical work. In further study, we can also learn from Swedish experiences that improve fiscal performance through improve and perfect planning stage and the implementation stage of the budget process [15].

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