

# The Study of The Possibility of Budgeting Linked to Performance Evaluation

**SANGHAN KIM**

International Center

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**Carl Vinson  
Institute of Government  
UNIVERSITY OF GEORGIA**

## **1. Introduction**

Searching for evaluation models to promote efficiency and accountability of federal and local governments to reflect performance results in budgeting is one of the ultimate goals of public administration. However, the performances of governments are not easy to be measured because of the complexity and ambiguity of performances of governments. Effective performance evaluation to overcome the gap between the budgeting cycle and performance evaluation cycle is very difficult.

Pursuing efficiency and effectiveness of the budget of governments is based on whether the problem is properly defined. What if the problem is not a real problem or what if the problem doesn't really reflect social phenomena? Then, even if policies themselves are efficient and effective, it would be hard to expect effectiveness in the execution. Rather it's better not to act for society. This research look into why this kind of wrong definition of the problems is happening.

Also, the role of governments is doing the right things right. Doing things right cannot stand alone without doing the right things.

In this research, I review the possibility of budgeting linked to performance evaluation and the reason for the wrong definition of the problem with the analysis of empirical programs which are the No Child Left Behind Act (NCLB) of the United States and the population policy in South Korea.

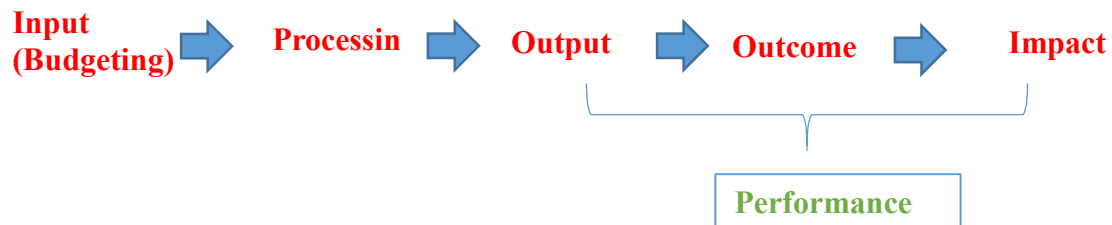
## **2. Can Budgeting be linked to Performance?**

### **2.1. What is Performance?**

Unlike private companies that pursue profits as a performance, the performances of public organizations are various and complex. And they are difficult to be measured and it usually takes time to check the performance of government policies.

The performance of governments refers to the degree to which they have achieved the desired state by executing policies. The policies could be achieved in the form of output and outcome through the government's internal execution process using inputs such as budgets and personnel, which eventually would have an impact on society. Outputs indicate workloads that

reflect the amount of work done or the number of services provided by governments.<sup>1</sup> Outcomes refer to the results of the services provided. Outcomes are “essential to establishing whether a program has met predetermined goals and objectives.”<sup>2</sup>



## 2.2. Is the performance measurable?

Measuring the performances of governments may be feasible but it is useless if it takes a long time to get the information. Outputs can be easily captured but outcomes cannot. Some policies are very complicated because they consist of lots of programs and it's too difficult to get the performance information on which program actually affects the results. In addition, there are lots of programs whose result does not appear in a short period.

## 2.3. Can budgeting be linked to performance?

Ideally, budgeting should be linked to performance. However, there has not been a single success in budgeting with performances. There have been several attempts but all have failed. But the effort continues.

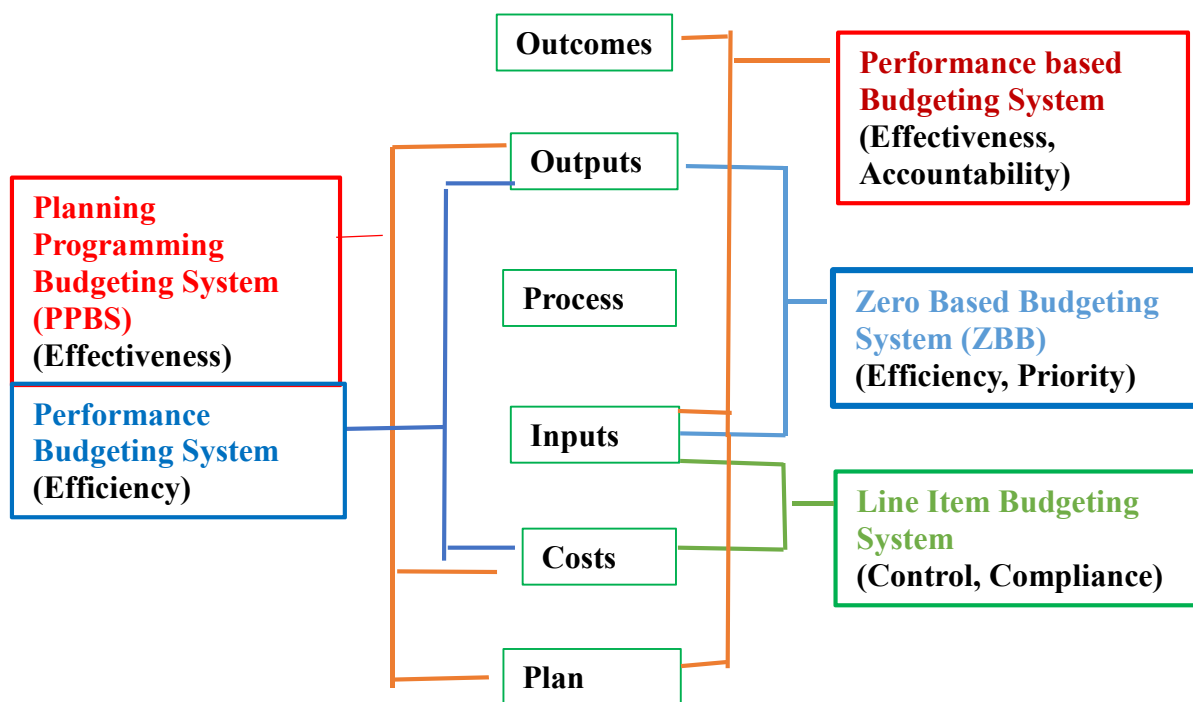
### 2.3.1. Efforts so far for innovative budgeting

The attempts to improve governments' accountability have been focused on budgeting. 'Doing more with less' has been a primary goal of budget innovation because the increase in government deficits threatens normal budgeting. The main intent of budget reform has been moved from control and compliance to efficiency and effectiveness. In terms of performance, the focus of budgeting has been moved from input to output to outcome.

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<sup>1</sup> Public administration, Holzer and Schwester, 2016

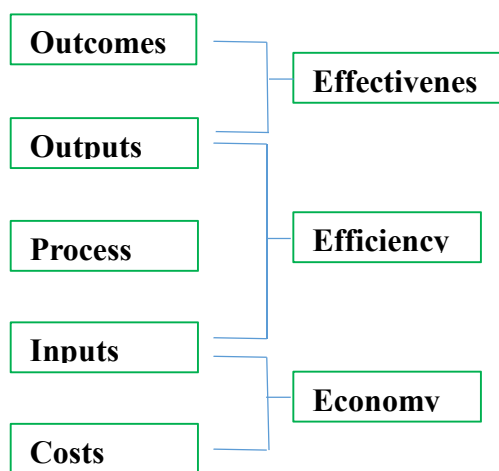
<sup>2</sup> Public administration, Holzer and Schwester, 2016



### 2.3.2. What should the budget focus on?

The reform of the budgeting system has been shifting from economy to efficiency and effectiveness.

<Figure 2.1. Focuses and measures of achievement<sup>3</sup>>



Effectiveness is a measure of how well the government has achieved its goals. However, outcomes are not easy to measure and it takes a long time to produce outcomes. Therefore pursuing effectiveness without considering efficiency, only bankruptcy will wait. Efficiency is a measure of how well the government operates on a given budget. In terms of doing more with less, the key to budgeting reform is to improve efficiency.

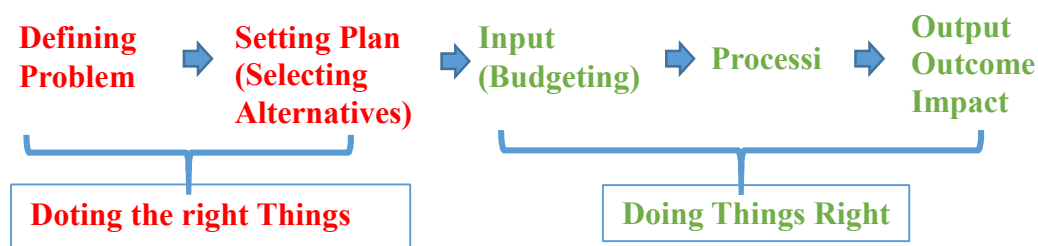
<sup>3</sup>Outcome-focused Management and budget, Krisetensen, et al, 2002

### 3. Doing the right things vs. Doing things right

So far, the focus of budget reform has been on improving performance. This tendency is based on the assumption that the definition of the problem and the plan to address the problem are correct. But this kind of position does not answer the following questions.

- What if the problem is not a problem?
- What if the defining problem is wrong?
- What if the government does not need to address the problem?
- What if selected alternatives are not correct measures?

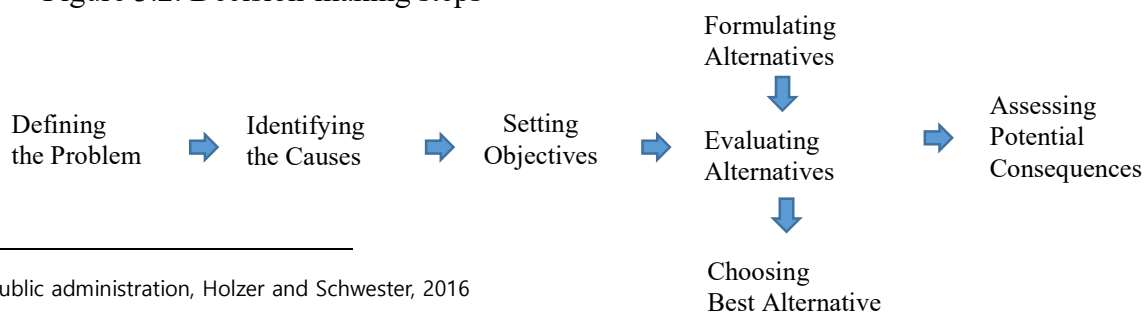
<Figure 3.1. Doing the right thing vs Doing things right>



#### 3.1. Ideal steps for the policymaking process

Social phenomena and incidents are happening every day. Not all of these phenomena need to be solved. Among the phenomena, the government should choose some that need to be involved in order to be a more desirable society. The first step of the policy-making process is to check what is happening and what should occur. The next step is to figure out why these phenomena occur. And then the government should look for the best measures to solve these situations.

<Figure 3.2. Decision-making steps<sup>4</sup> >

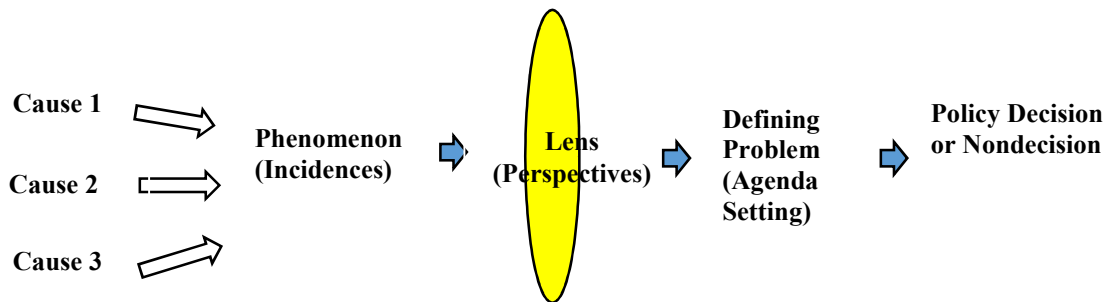


<sup>4</sup> Public administration, Holzer and Schwester, 2016

### 3.2. Decision-Making steps in reality

Not everyone has the same opinion about the problem that the government needs to solve. Everyone looks at the phenomena with their own eyes called perspectives. **This difference in perspectives would be greater in a society where it is more pluralistic.** One side of society may recognize the phenomena as a problem to be addressed, however, the other side may not.

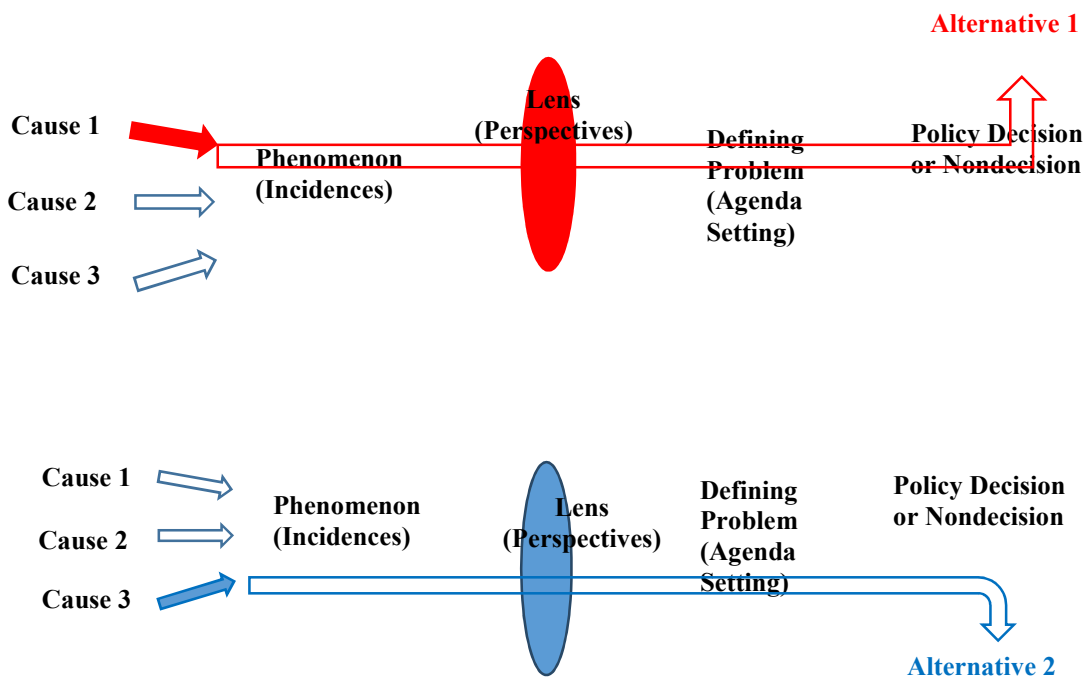
<Figure 3.3. Decision-making steps with Perspectives>



#### 3.2.1. Examples that the perspective focuses on one of the causes

The difference in perspectives of phenomena results in a different interpretation of the causes of the problem and a different approach to the solution.

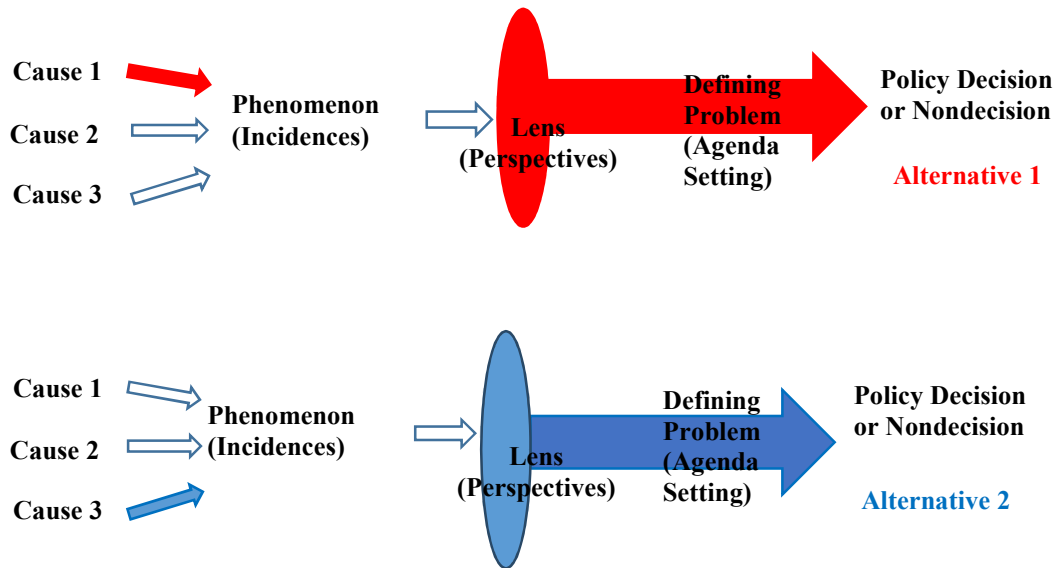
<Figure 3.3. The perspective focuses on one cause >



### 3.2.2. Cases that the alternative is dominated by one of the causes

What really concerns us is the approach that highlights only some special causes of the phenomena. In such cases, the phenomena can be distorted with the pre-intentional purpose of one side of the society. Furthermore, the process of reasonable decision making cannot be made. 'Doing things right' would head in the wrong direction.

<Figure 3.4. One-cause-dominated decision making steps>



## 4. Analysis of the No Child Left Behind Act (NCLB)

### 4.1. The Elementary and Secondary Education Act

The Elementary and Secondary Education Act (ESEA) Passed in 1965 as a part of President Lyndon B. Johnson's Great Society program. The ESEA created a clear role for the federal government in K-12 policy that was limited federal government role offering federal government funds (Title 1).

The ESEA provided federal resources for states to level the playing field between schools in wealthy and poor districts to ensure equal opportunity.

### 4.2. The No Child Left Behind Act

The No Child Left Behind (NCLB) was enacted on January 8<sup>th</sup>, 2002 by President George W. Bush with bipartisan support to increase the federal role in holding schools responsible for the academic progress of all students.

The NCLB intended to improve the international competitiveness of the American education system. To accomplish this purpose, the NCLB required an annual standardized test set by each state in reading and math. And it tied the federal funding (Title 1) to Adequate Yearly Progress (AYP) in test scores. The main objective of the NCLB was to bring all students to “Proficient Level” on state tests by the 2013-2014 school year

#### 4.3. Steps to improve the schools whose results were repeatedly poor <sup>5</sup>

missing AYP for second consecutive year	<ul style="list-style-type: none"> <li>– publicly labeled as “In Need of Improvement”</li> <li>– Students can transfer to a higher-performing school</li> </ul>
third consecutive year	<ul style="list-style-type: none"> <li>– Offer free tutoring and other supplemental education services</li> </ul>
fourth consecutive year	<ul style="list-style-type: none"> <li>– labeled as requiring “corrective action”</li> <li>– wholesale replacement of staff, the introduction of a new curriculum, or extending the number of time students spend in class</li> </ul>
fifth consecutive year	<ul style="list-style-type: none"> <li>– Plan to restructure the entire school</li> </ul>
sixth consecutive year	<ul style="list-style-type: none"> <li>– Implement the plan to restructure</li> <li>– Closing the school, turning to a charter school, hiring a private company to run</li> <li style="padding-left: 20px;">Asking the state to run the school directly</li> </ul>

#### 4.4. Result of the No Child Left Behind Act

In 2015, the deadline had passed, but no states had gotten all 100 percent of its students over the proficiency bar.<sup>6</sup> In 2010, 38% of schools were failing to make AYP, up from 29% in 2006<sup>7</sup>

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<sup>5</sup> [https://en.wikipedia.org/wiki/No\\_Child\\_Left\\_Behind\\_Act](https://en.wikipedia.org/wiki/No_Child_Left_Behind_Act)

<sup>6</sup> <https://www.edweek.org/ew/section/multimedia/no-child-left-behind-overview-definition-summary.html>

<sup>7</sup> <https://www.edweek.org/ew/section/multimedia/no-child-left-behind-overview-definition-summary.html>



For example, in North Carolina, in 2004, there were 9 schools in the state that were identified for some level of improvement sanction. And by 2008-2009, there were 521.<sup>8</sup>

The results of the Program for International Student Assessment (PISA) from the Organisation for Economic Co-operation and Development (OECD) show no evidence of improved international competitiveness of the US education system.

<Figure 4.1. PISA results for the United States (Program for International Student Assessment, OECD)<sup>9</sup>

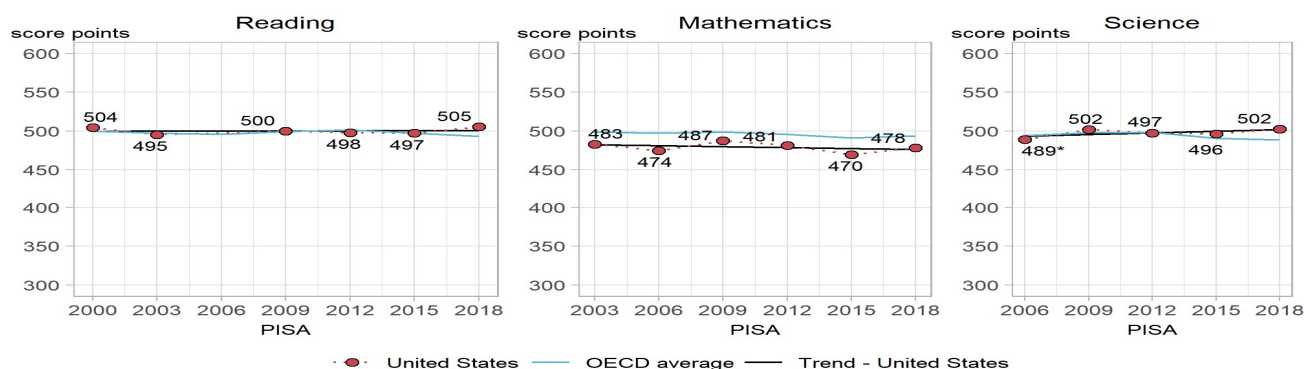
		2018 (79)	2015 (72)	2012 (61)	2009 (57)	2006 (52)	2003 (39)	2000 (39)
Math	International Average	487	490	494	495	494	499	
	USA	478/38	470/40	481/29	487/29	474/33	483/28	
	KOREA	526/7	524/7	554/4	546/3	547/4	542/3	
Reading	International Average	487	493	496	493	489	494	493
	USA	505/14	497/24	498/22	500/16		495/18	504/15
	KOREA	514/9	517/7	536/4	539/1	556/1	534/2	525/7
Science	International Average	489	493	501	501	498		
	USA	502/19	496/25	497/26	502/21	498/28		
	KOREA	519/8	516/11	538/6	538/5	522/10		

In 2015, the NCLB was replaced by the Every Student Succeeds Act

<sup>8</sup> <https://www.npr.org/sections/ed/2015/10/27/443110755/no-child-left-behind-what-worked-what-didnt>

<sup>9</sup> [https://www.oecd.org/pisa/publications/PISA2018\\_CN\\_USA.pdf](https://www.oecd.org/pisa/publications/PISA2018_CN_USA.pdf)

<Figure 4.2. PISA results for the United States by subjects>



<Figure 4.3. PISA results for the United States by race and ethnicity>

PISA results for the United States by race and ethnicity.

Race	2015	2012	2009	2006	2003	2000
	Score	Score	Score	Score	Score	Score
US Average	497	498	500	—	495	504
White	526	519	525	—	525	538
Black	443	443	441	—	430	445
Hispanic	478	478	466	—	453	449
Asian	527	550	541	—	513	546
Other	440	438	482	—	456	455
More than one race	498	517	502	—	515	—

Race	2015	2012	2009	2006	2003
	Score	Score	Score	Score	Score
US Average	470	481	487	474	483
White	499	506	515	502	512
Black	419	421	423	404	417
Hispanic	446	455	453	436	443
Asian	498	549	524	494	506
Other	423	436	460	446	446
More than one race	475	492	487	482	502

Race	2015	2012	2009	2006
	Score	Score	Score	Score
US Average	496	497	502	489
White	531	528	532	523
Black	433	439	435	409
Hispanic	470	462	464	439
Asian	525	546	536	499
Other	462	439	465	453
More than one race	503	511	503	501

[https://en.wikipedia.org/wiki/Programme\\_for\\_International\\_Student\\_Assessment](https://en.wikipedia.org/wiki/Programme_for_International_Student_Assessment)

## 4.5. Analysis of the No Children Left Behind Policy

### 4.5.1. Defining problem

Is K-12 education a problem of the US federal government? In the US, each state is responsible for K-12 education and has its own educational environment. The federal government is not capable of solving the educational problems of each state with a ‘one size fits all’ strategy.<sup>10</sup>

### 4.5.2. Identifying the causes

Is the educational gap a problem caused by schools and teachers? Or is this a comprehensive problem caused by multiple factors, such as individuals, families, communities, teachers, and/or schools? Problems in education are intertwined with multiple issues, rather than are defined by specifying a few causes, such as schools and/or teachers.

<sup>10</sup>[https://www.washingtonpost.com/opinions/no-child-has-failed/2015/02/13/8d619026-b2f8-11e4-827f-93f454140e2b\\_story.html](https://www.washingtonpost.com/opinions/no-child-has-failed/2015/02/13/8d619026-b2f8-11e4-827f-93f454140e2b_story.html)

### 4.5.3. Setting objectives

Could schools make all students have above standard scores regardless of individual competencies? It is hard to expect all students to achieve the goal of the NCLB which was ‘Proficient level’ in the test. It is unreasonable to judge students’ abilities by standardized tests, ignoring individual characteristics, capacity, and background.

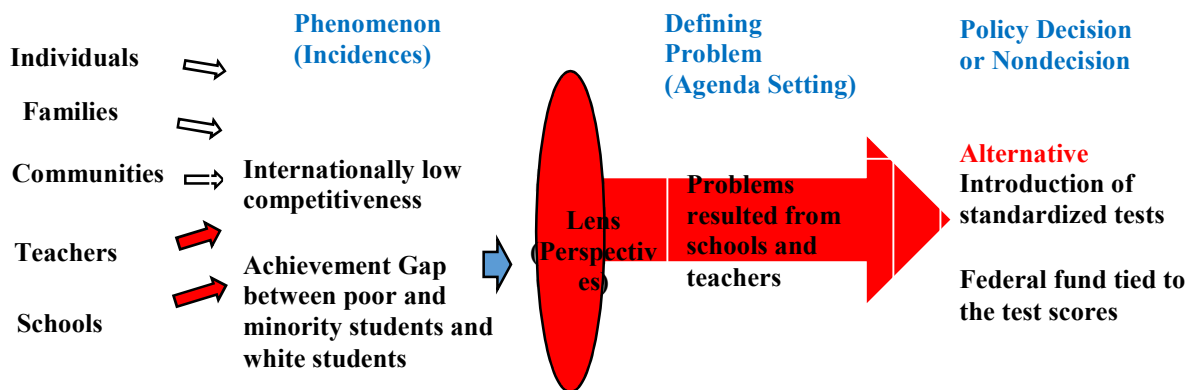
### 4.5.4. Choosing alternatives

The NCLB adopted a way of punishing the struggling schools rather than supporting them. Schools with a low test score can be encouraged by the relative improvement rate rather than an absolute scoring.

### 4.5.5. Performance evaluation

Could the budget be reduced because of the low performance? In terms of a performance-based budget, it should be cut in conjunction with the degree to which the goal is achieved. However, the fund for the NCLB couldn’t be linked to the performance of the policy.

<Figure 4.4. Decision-making steps for the NCLB>



## 5. The population policy of Korea

### 5.1. The population control policy

In South Korea, from 1955 to 1960, the average population growth rate was 2.92% and the total fertility rate was 6.3. The total population of South Korea increased steeply from 21.5 million in 1955 to 25 million in 1960.

In 1962, the Population Control Policy was initiated and the goal was to curb the population growth rate to 2.7% by 1966. In 1972, the goal was updated to 1.5% of the population growth rate by 1976. In 1983, the total population exceeded 40 million and the total fertility rate was 2.06, which was below the population replacement rate.

In 1996, the New Population Policy replaced the population control policy

### **5.2. The new population control policy**

In 1996, the Population Control Policy was abolished and the New Population Policy was adopted. The main focus of the policy was an emphasis on welfare improvement and the quality of the Korean population. The Objectives of the new policy were as follows;

- to keep the low rates of fertility for social and economic development
- to promote family health and welfare
- to balance the sex ratio at birth
- to promote gender equality and women's empowerment
- to prevent induced abortion.

### **5.3. The fertility encouragement policy**

In 2004, the population Policy was shifted to the Fertility Encouragement Policy. And in 2005, the Framework Act on Low Birthrate in an Aging Society was enacted. The purposes of the policy were as follows;

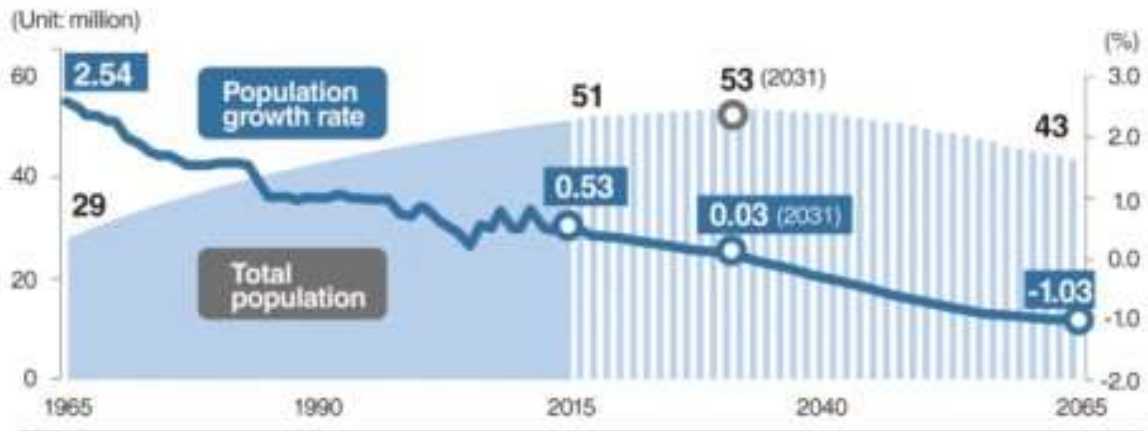
- to foster a family-friendly social environment that encourages marriage and childbirth and family life
- to expand the infrastructure of child care
- to foster a working environment enabling the coexistence of family and workplace such as paid child care leave
- to increase medical support for healthy pregnancy and delivery

<Figure 5.1. Total population and growth rate of South Korea><sup>11</sup>

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<sup>11</sup> <http://www.theinvestor.co.kr/view.php?ud=20161208000907>

## Total population and growth rate (1965-2065)

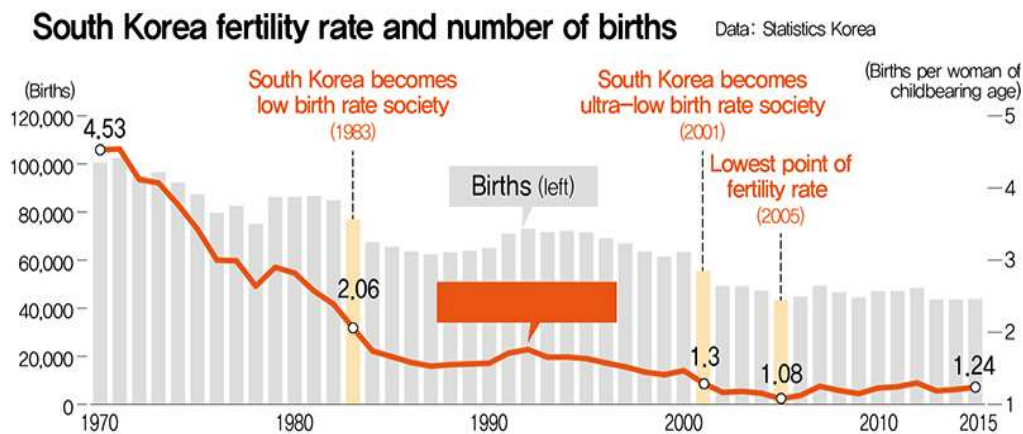


Source: Statistics Korea

### 5.4. Result of the fertility encouragement policy

In 2019, South Korea's total fertility rate fell to a record low of 0.92, two consecutive years for the rate to fall below one. The number of newborns came to 302,700 in 2019, 7.4% drop from 2018. The number of marriages reached 239,200, decreased by 7.2% from 2018

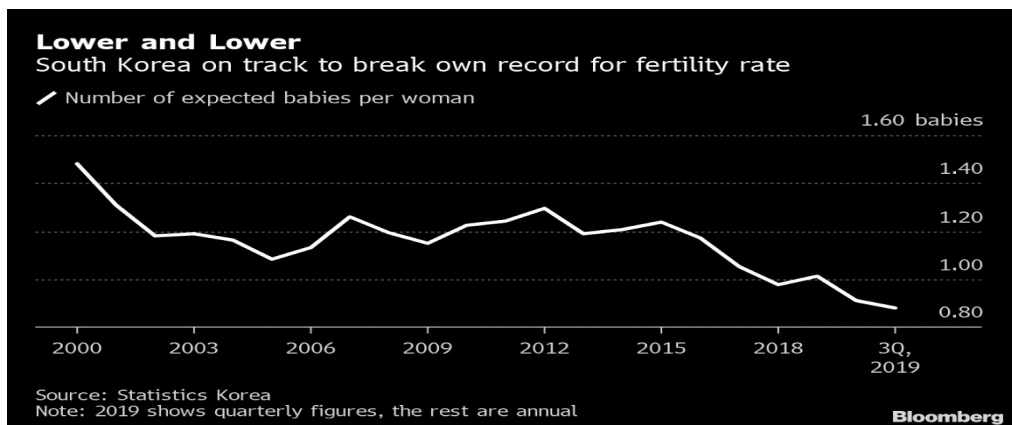
<Figure 5.2. South Korea fertility rate and number of births><sup>12</sup>



<Figure 5.3. South Korea fertility rate from 2000 to 2019><sup>13</sup>

<sup>12</sup> [http://english.hani.co.kr/arti/english\\_edition/e\\_national/758664.html](http://english.hani.co.kr/arti/english_edition/e_national/758664.html)

<sup>13</sup> <https://www.bloomberg.com/news/articles/2019-11-27/south-korea-set-to-break-own-record-on-world-s-lowest-birth-rate>

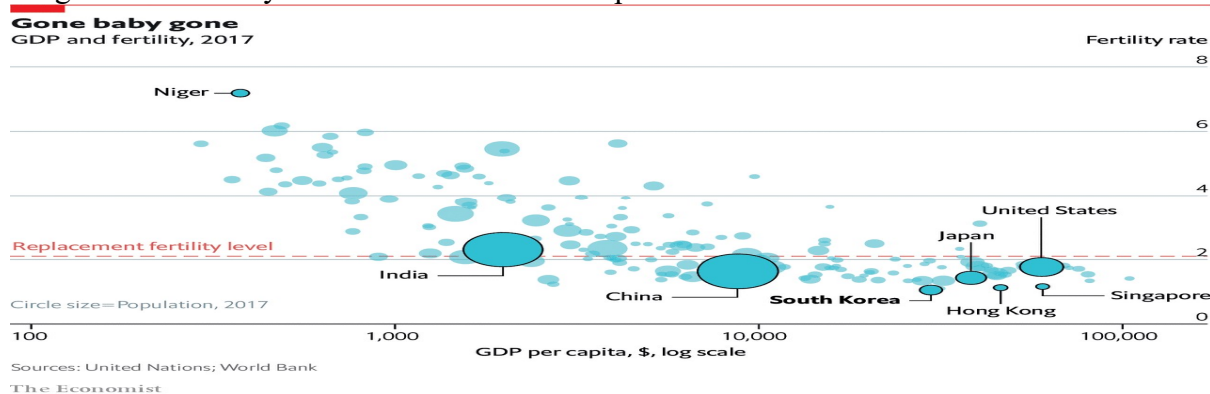


## 5.5. Analysis of the fertility encouragement policy

### 5.5.1. Defining Problem

Is the low fertility rate a critical problem that requires us to raise the birthrate or prepare for demographic changes? Given the global statistics, a low fertility rate occurs as economic development progresses. One reason of the situation would be the improvement of social security systems which makes many children unnecessary as a role of insurance against old age. Therefore, now it is time for South Korea to brace these demographic changes along with economic development.

<Figure 5.3. Fertility rate and economic development><sup>14</sup>



<sup>14</sup> <https://www.economist.com/graphic-detail/2019/08/30/south-koreas-fertility-rate-falls-to-a-record-low>

### **5.5.2. Identifying the causes**

Is the low fertility rate mainly caused by the burden of raising children, or resulted from a change in perception of the family and lifestyle? Young people's perception of family and children may be completely different from that of older generations.

### **5.5.3. Setting Objectives**

Can the government's policy raise the fertility rate? At the time of the population control policy, 'fewer children for family happiness' was a persuasive motto for the policy. However, 'more children for the country's future' is hard to work for the younger generation who values individual happiness more than family.

### **5.5.4. Performance Evaluation**

Finally, we can ask the question of whether the budget can be reduced because of low performance.

## **6. Can Budgeting be linked with performance evaluation?**

### **6.1. The nature of the Budgeting**

Firstly, the major role of budgeting is a distribution of scarce resources regardless of performance. And the essence of budgeting is control over inputs and is inherently insulated from performance

Also, budgeting is one of the main political processes among regions, classes, races, interest groups rather than an economic process is searching for optimal alternatives.

Budgeting has a fixed schedule, however, it takes some time to receive an information about performance evaluation, resulting in the evaluation can be linked to the budget.

Lastly, there would be die-hard projects. Once a project is implemented, interests and concerns can be created surrounding the project. It is highly likely that the stakeholders would resist the reduction or abolition of the project regardless of its outcome.

### **6.2. The validity of performance information**

Information about the projects' performance would not properly reflect reality. For example, projects with low performance may require more budget, however, projects with high performance could be over-budgeted.

### **6.3. Essential projects vs. Symbolic projects**

There would be essential and critical projects and they would require an appropriate budget regardless of their performance. But, there are projects which exist with symbolic reason and they do not necessarily require performance.

### **6.4. The subjectiveness of performance evaluation**

There is no objective evaluation and thus, performance evaluation can be subjective. There is no policy failure during the period of power.

## **7. Conclusion; Budget is not guilty.**

Given the analysis of the research, it seems that there is no functional relationship between budgeting and performance. Budgeting is not a process to reduce fund for low performing projects, but a process to reduce unnecessary projects.

Effectiveness is not a matter of budget, but a matter of policymaking including defining a problem and selecting alternatives as the study pointed out. Also, through this research, we can see efficiency is not a matter of budget, but a matter of the way of working.

This study concludes that linking budget to performance is a kind of illusion, however, budget is a major bridge between doing the right things and doing things right.