

Outcomes-Based Budgeting: Making a Difference in Sub-Saharan Africa: An Empirical Analysis.

JOHNSON Stephen Kemhe

Department of Public Administration and Leadership Management (PALM) "Tanzania Public Service College (TPSC) Dar es Salaam Campus, P.O. Box 2574, Dar Es Salaam, Tanzania East Africa, 7Magogoni Street 11479, E-mail: kkommukemhe@gmail.com. johnson.kemhe@tpsc.go.tz Cell: +255674796 or +255628533170

Abstract: *The study explores the results-based budgeting is a promising approach to making needed changes in our public budgeting systems to deliver the expected results and it is a proven means of increasing financial transparency and accountability. Research shows that political will, commitment, management support, discipline, and rigor are the key success factors for implementing Results-based budgeting. Results-based budgeting (RBB) is a journey, not an end, therefore developing countries should strive to mitigate the challenges and start by implementing a basic model of RBB because the advanced models used by developed countries seem to be complicated and extremely demanding.*

Keywords: *Outcomes-Based Budgeting, Sub Sahar, and Empirical Analysis.*

1. Administrative summary

Most governments often rely on line item and input-based budgeting. Pressure to improve performance and financial crisis across the world has necessitated a transition from traditional budgeting methodologies to modern ways that focus more on results. Some governments have begun to develop their budgets more strategically, favoring a budget process methodology that considers actual results that support long-term strategic goals over the traditional approach where the short-term focus has been on making cuts to bring spending in line with anticipated revenues. The most favored budgeting methodology is Results-Based Budgeting (RBB). RBB is becoming an increasingly common public sector financial management tool that connects government funding to pre-defined country priorities and objectives, usually defined in a 3-5-year strategic plan. It is a proven means of increasing financial transparency and accountability. Donors and development partners also favor RBB as a planning and monitoring tool for all donor-funded programs. This paper provides a roadmap to the implementation of results-based budgeting in the public sector. The study focuses more on developing countries and the African region in particular because its member countries face more implementation challenges compared to their counterparts in other regions of the world. Most developed countries have implemented RBB models and they are all at different stages. The challenges encountered by developed countries are worthwhile and they have provided a stepping stone for developing countries.



2. Introduction

The concept of Results-based budgeting simply put is to start with the results you want and work backwards to the means to achieve those results. The mean to achieve results is the input required to produce output to achieve the expected results. There is no clear definition of PDB, but the one proposed by the **United Nations** might be adopted "**Results-based budgeting** is a program budget process in which program formulation revolves around a set of predefined objectives and expected (b) expected results would justify source requirements which are dyed from and inked to the outputs required to achieve such results: (c) actual performance in achieving results measured by objective performance Indicators".

RBB is a proven methodology that has facilitated governments to make a difference in the lives of their people by improving their living conditions and changing their behavior. The RBB chain starts with results then outputs, followed by activities and inputs. The following definitions apply to the RBB chain: **Results** cover both outcomes and impacts and can be defined as a changed state of being; they describe the effects, benefits, or consequences that occur due to the outputs of programs, processes, or activities within a timeframe and can be measured through performance indicators. Examples of results are: (i) outcome: change in the

development conditions child mortality decreased by 30% within 5 years in country A (ii) impact: improvement in people's lives and changed behavior. **Outputs** are the final products of goods and services produced or delivered for example ten new primary healthcare centers constructed in country A. **Activities** are processes, actions, or tasks that consume inputs to produce the desired outputs and ultimately results, for example, the construction of primary healthcare centers or the purchase of medical equipment. **Inputs** are resources that contribute to the production and delivery of outputs for example financial, Infrastructure and human resources.

Results-Based Budgeting: Results Chain

Results	Outputs	Activities	Inputs
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This paper intends to provide a roadmap to the implementation of Results-based budgeting in the public sector with more emphasis on developing countries in the African region. The paper starts with the executive summary, followed by an introduction, objectives literature review, and then a conclusion and recommendations Literature review also includes benefits, challenges, and lessons learned from Implementing a Results-based budgeting model

3. Objectives

The main objective of this paper is to advocate the implementation of Results-Based Budgeting in the public sector To identify and evaluate the factors that are critical for the country's strategic objectives and priorities to improve service delivery to the public through increasing financial accountability and transparency. Also, promote the adoption of an accrual-based accounting system (International Public Sector Accounting Standards-IPSAS) in developing countries and the use of modern financial information systems.

4. Literature Review and Discussion

The following section covers a literature review of countries and organizations that have successfully implemented Results-Based Budgeting and those that have made an attempt and currently operating it in different stages of implementation as well as those still at the planning stage. The study was done to review the progress made by: Botswana Brazil, Burkina Faso, Canada, Ethiopia, Malaysia, Mali, Mauritius, Mozambique, Panama, New Zealand, Netherlands, Slovenia, South Africa, Sweden, Tanzania, Tunisia, United States and United Kingdom as well as United Nations (UN) and some UN agencies and programs. The discussion covers overall objectives, benefits, implementation challenges, lessons learned, and the way forward. We will also discuss developing countries that have started implementing RBB and their milestones.

Some governments are changing the conversation from cuts to spending though with anticipated savings. When you change the focus from cuts to spending, it essentially transforms the government to focus on how to effectively and efficiently provide the services and deliver the results that citizens want most from their tax and donor-funded programs. Expected results are oven on the country's strategic objectives or goals Study shows that good ideas fail because of bad strategies compounded by poor budgeting methodologies. Meaningful results cannot be achieved in one year; therefore, countries should focus on medium and long-term objectives for 3-5-year and 5-15-year plans. A good example of a long-term plan is the Millennium Development Goals (MDG) (1) eradicate extreme Poverty and Hunger, 2 achieve Universal Primary Education,) Promote Gender Equity and Empower Women, (4) Reduce Child Mortality, (5) Improve Maternal Health (6) Combat HIV/AIDS, Malaria and Other Diseases, (7) Ensure Environmental Sustainability and (8) Develop a Global Partnership for Development.

Most developed countries have made good progress in implementing RBB and they are at different stages; mature, advanced, implementation, and some at the introductory stage, Most developing countries especially in Africa have not attempted to implement RBB, some are at introductory stage and a few ones like Botswana, Mauritius, Tunis and South Africa have made good progress. The study made by the Collaborative Arc Budget Reform Initiative (CABRI) in April 2013 indicates that a few African countries have made some improvements in central budget processes and better mechanisms for sector planning. It also shows the improvement in the political leadership and ownership of commitment to and involvement in the budget system, however, they face more challenges in implementing RBB compared to their counterparts in other regions of the world.

4.1 Benefits

The study shows that governments and international organizations that have implemented results-based budgeting have gone through a trial and error process for some years because most reforms were new and there was no benchmark but efforts have been worthwhile The realized benefits are also motivating factors or catalysts for countries and organizations which have remained undecided towards implementing Results-based budgeting The first and foremost benefits are better budget presentation and results, financial accountability and transparency as w standardizing reporting processes and improved planning for medium and long-term budget. The availability of information has helped legislators and senior management in making better decisions. Countries have benefited from improved efficiency, effectiveness, and consistency. RBB has necessitated the creation of better ways for tracking results, output, activities, and inputs as well as

facilitating effective allocation of resources and developing measurable performance indicators. Countries and programs have benefited from carry-forward budgets for several years as opposed to annual budgets with spending limits where the funds get frozen on the last day of the fiscal year.

There has been a clear linkage between budgeting and performance management systems RBB allows consolidation of sources of funds and human resources and reduces conflicting roles and priorities between central government and ministries. Clarity of roles and responsibilities has become a motivating factor for employees and has created a more responsive system to management oversight. Effective communication and outreach including citizens' participation in decision-making and managing programs has been a paradigm shift from the old system where governments and donors used to tell their people what to do and how to do it. It allows legislators to provide better information to their constituents regarding the use of government funds and plan future programs. RBB has necessitated the formulation of policies and standards to bring reporting in compliance with International Public Sector Accounting Standards (IPSAS) and best practices.

Countries that are at the maturity stage, for example, Canada and New Zealand have seen significant improvements in the public sector lowering debt, reducing waste, and improving coordination. Developing countries stand a better chance if they use the RBB model in the management of natural resources associated with wealth creation. The current wave of discovering oil, natural gas, and minerals in developing countries (for example Botswana, Tanzania, Uganda, etc.) has come with blessings and challenges on how to manage those resources and share the wealth with citizens. Some countries are anticipating fighting and reducing extreme poverty within 10-15 years and make a step upward from Low-Income Countries (LIC) group to Middle-Income Countries (MIC). The wealth creation through natural resources has raised concerns and many questions on shared prosperity and the answer to this is Results-based budgeting. If your country has not thought of RBB, it is probably a matter of time as we expect Results-based budgeting to become a generally accepted operating standard and best practice across the world.

4.2 Implementation challenges

Implementing Results-based budgeting is a challenging journey. However, challenges are stiffer depending on the country's level of development and financial management systems including reforms and political will. This section covers key challenges encountered by countries and organizations that have successfully implemented RBB and those that have made some progress as well as those that are still in the planning stage. There is no widely recognized benchmark and RBB seems to be a work-in-progress whereby organizations and countries did trial and error because reforms were new and countries had to learn by doing. In most

countries resources are allocated to ministries and sectors or departments based on prior years budgets and current year's estimates without any relationship with the expected results. There is no clear linkage between inputs, outputs, and results compounded by difficulties in quantifying many of the expected achievements of the organization as well as poor analysis and lack of well-defined performance indicators. Inherited challenges in linking the results-based programmatic structures to the traditional project activity coding accounting and budgeting systems and its connection to performance and reporting information systems. The other challenge is the length and complexity of the budgetary process and paper-based transactions and the need to adapt its components to the results paradigm.

Ministries and programs/ projects face extreme uncertainty concerning the availability of funds with quarterly or monthly allotments and significant discrepancies between actual and reported expenditures for certain activities. Financial reporting has been one of the main challenges faced with delayed publication of financial statements, inconsistent financial reporting standards and requirements and the use of two reporting systems- accrual and cash-based accounting systems that make it difficult for officials to appropriately assess the government's finances. Countries find it difficult to adopt accrual accounting and budgeting and fail to comply with International Public Sector Accounting Standards (IPSAS) because they are demanding both in terms of skilled staff and financial costs.

There has been inconsistency in the classification of costs and Program expenditures, resulting in omissions and sometimes double counting. In some cases, reforms have also increased the workload which has caused turnover in key administrative positions resulting in a loss of knowledge and making it harder to carry out certain reforms and improvements especially where the succession plan is weak or non-existent.

Poor process documentation and weak project coordination have slowed down the implementation. Also, inconsistency with priorities is affected by political changes as a new president assumes office, poor governance, conflicting priorities between ministries, and the central government's inability to enforce the execution of budgets as planned where budgetary rules and procedures are not being respected. Another challenge relates to legislators, management, and staff's negative attitude towards reforms as the engine for the country's sustainable growth and financial stability as well as the lack of staff training. There has been poor communication with citizens where the public is not well informed on the government's objectives and lack of citizen participation in government programs. All these challenges have made countries and organizations that have implemented RBB revisit their plans to achieve the intended objectives and this has made RBB implementation a work in progress even in

countries that are at a mature stage, for example, Canada and New Zealand.

Most developing countries have not implemented RBB and their challenges are almost the same. Most African countries are finding it difficult to implement RBB because of challenges facing the continent with little prospects in tackling them. These challenges are political buy-in: low capacity in both financial and human resources, difficulties in linking planning and budgeting: commitment and focus in planning the reforms: organizational requirements and culture of change and performance; poor technology (information systems) with paper-based budgeting processes; legal and major stakeholder challenges including poor public knowledge and participation. The new focus should be on how African countries are planning to tackle these challenges. **CABRI** report (April 2013) shows the progress made on budget reforms by selected African countries: **Burkina Faso** - Budget reforms first launched in 1997, the progress is slow and the momentum of the reform is regained through a participative approach. **Mozambique** -A performance-based budget remains a planning tool, not an execution tool, but benefits from linking planning and budgeting is a good basis for further push on the reform. The review was also done on the progress made by **Namibia**. The reforms were tabled in parliament in 2005 and reforms gained new momentum in 2012 and currently, steps are being taken to consolidate the reform regarding appropriations and costing.

Another study was done on **Mauritius** which is one of the African countries which has made good progress in implementing RBB. Reform aspects have been understood and the RBB manual developed an iterative approach to program structure and costing has supported progress in implementation **Tunisia** has also made good progress in implementing budget reforms. The country is using a three-tier approach at the highest level and has established a thematic group to consider cross-cutting themes. All these achievements have been possible due to good coordination, consultation clear road map, and sequencing of reforms and progress. The study done by the **IMF** shows that **South Africa** (not a low-income country) is at an advanced stage where program budgeting has been implemented at the central and regional government levels and is considered one of the better implementations. Apart from good progress made in some countries; budget transparency and participation are still a problem in Africa and IPSAS implementation remains a concern because of inadequate human and financial resources. African countries should take these challenges as learning points and come up with mitigation plans and if put into practice, they will make a difference in the lives of Africans

4.3 Lessons learned and the way forward

Results-based budgeting is a journey, not an end. This section shares lessons learned from countries and organizations that have successfully implemented RBB. Research shows that

political will, commitment, discipline, and rigor are the key success factors for implementing Results-based budgeting, it is important to secure the willingness of the senior executives to promote and support the changes and the legislators' commitment to overcome the expected resistance implied by any cultural change and legal matters. Trial and error was part of the process where reforms were new, countries decided to lead by doing. There is a business need to adopt an accrual-based accounting system- International Public Sector Accounting Standards (IPSAS) and formulate accounting policies, processes, and internal controls Long-term objectives have to be formulated (should be SMART) and the organization's programs are well aligned with its long-term objectives. It is advisable to keep the RBB model simple, usable, affordable, and flexible for budget formulation and monitoring and consider less number of activities but with larger budget thresholds that make results measurable, attributable, and verifiable. There is a need to have a robust financial management information system for timely and accurate reports and auditing. therefore consider investing in Enterprise Resource Planning (ERP) for example SAP- based ERP system.

You do not need to rush, allow sufficient time and resources; it might take 3-10 years to attain RBB full implementation depending on each country's level of development, Institutional capacity, and political will. The study done by the IMF on performance-based budgeting in 2009, in the case study of Slovenia illustrated the pros and cons of gradual versus the 'Big Bang' approach and the latter was successful. However, this was seen as an isolated case because the circumstances that permit a "Big Bang" approach are not often replicated, especially in developing countries. It is good to monitor process documentation for all project stages and research for best practices from organizations and countries that have successfully implemented RBB. It is important to monitor both implementation progress and results achieved and give managers autonomy to manage for results and become accountable for their actions. There is a head to formulate clear performance indicators, data collection and analysis, monitoring, reporting, and measuring tools Staff training and clarity of roles and responsibilities a requirement and key terms and concepts should be clearly defined and understood by the parties. The existence of adequate staff capacity is very important and managers should try to manage turnover in key administrative positions to reduce loss of knowledge. Staff training programs and a well-defined succession plan should be part of the main plan.

The cost for bad results is normally high, and the commitment to prevention is key. however, is widely advocated but weakly practiced and research shows that good ideas fail because of bad strategies Countries should be more proactive because reactivity has proven to be very expensive. Communication and outreach are very important considering public participation and early dialogue to gain public acceptance and ownership, Rak management is very

important, people should identify and manage risks that might hinder or slow the implementation process. Always be Flexible with your plan because the World is changing constantly and reforms must be a continuous process, not a one-time fox. Consider benchmarking and analysis: assess your country's performance with peers and use best practices as suggested by IMF, World Bank, CABRI, Canada, New Zealand, United States, United Kingdom, and other countries that have adopted RBB successfully. As you work through your budgets this coming year, keep this paper in mind as it may lead you to think differently in budgeting and service delivery which will enable you to make a difference in people's lives.

5. Conclusion and recommendations

Results-based budgeting is a promising approach to making needed changes in our public budgeting systems to deliver the expected results and it is a proven means of increasing financial transparency and accountability. Research shows that political will, commitment, management support, discipline, and rigor are the key success factors for implementing Results-based budgeting. Results-based budgeting is a journey, not an end, therefore developing countries should strive to mitigate the challenges and start by implementing a basic model of RBB because the advanced models used by developed countries seem to be complicated and extremely demanding. Politically stable countries, embracing reforms, and with sound financial management systems, adequate human and financial resources, good governance, and financial information systems are likely to benefit much from results-based budgeting.

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