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Result based-budgeting in public sector: Literature Review

La budgétisation axée sur les résultats dans le secteur public : Une revue de littérature

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Abstract :

In several countries, central government has taken several steps toward recognizing the relevance of performance measurement and management systems and understanding the role of budgeting as a planning and control tool.

According to (Eschborn 2006), the important role of PFM lies in a modern, development-oriented state: goal-oriented fiscal policy and transparent budget management are the basis for public services aimed at achieving the Sustainable Development Goals (SDGs) in developing countries. Both of these fields fall under the notion of accountability. In other words, financial and managerial accountability.

In this sense, the present research shows to what extent results-based budgeting plays a role in ensuring financial and managerial accountability in the public sector.

We establish a reading grid for the literature studied. this is a systematic literature review. The references listed were selected via the renowned database, using the keywords "RBB" AND ("Result Based Budgeting" OR "Performance Budgeting")". The decision to retain the reference in question was based on the quality of the sources and the explanation of the facts.

The findings of the study show that it is about measuring achievements and outcomes against the allocated budget through performance monitoring (Robinson and Brumby 2005). RBB links allocated funds to measurable results (OECD 2008). Indeed, the public budget is still influenced by a traditional, input-oriented approach, enriched with performance information; performance measures and indicators are presented in several documents but hardly serve as a basis for budget decisions.

OECD countries have recently integrated the performance information into the budget process to improve decision making, moving away from the simple amount allocated to focus on budget achievements (OECD 2008). This operation supports the notion of result based budgeting, which contributes to its conceptualization and future evolution.

Indeed, there is a close link between performance and fiscal sustainability objectives. The fiscal consolidation efforts undertaken by many countries since the late 1980s have underlined the importance of ensuring that scarce public resources are spent on services that are important to the community, and that they are produced efficiently (Robinson and al.2005).

Keywords: Public financial management-accountability-budget transparency-financial effectiveness and efficiency-financial accountability-managerial accountability
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Résumé :

Dans plusieurs pays, le gouvernement central a pris plusieurs mesures pour reconnaître la pertinence des systèmes de mesure et de gestion des performances et pour comprendre le rôle de la budgétisation en tant qu'outil de planification et de contrôle.
Selon (Eschborn 2006), L'importance du rôle la GFP réside dans un Etat moderne désireux de se développer: une politique budgétaire axée sur des objectifs et une gestion budgétaire transparente sont à la base de prestations publiques visant à atteindre les Objectifs du Développement Durable (ODD) dans les pays en développement. Ces deux champs précédemment cités incombent dans la notion de la redevabilité. A savoir une redevabilité financière et une autre managériale.
Dans ce sens, la présente recherche montre dans quelle mesure le budget axé sur les résultats joue un rôle dans l'assurance de la redevabilité financière et managériale dans le secteur public.
Nous établissons une grille de lecture de la littérature étudiée. Il s'agit d'une revue de littérature systématique. Les références listées ont été sélectionnées via la base de données renommée, en utilisant les mots-clés "RBB" ET ("Result Based Budgeting" OU "Performance Budgeting")". La décision de retenir la référence en question a été basée sur la qualité des sources et l'explication des faits.
Les conclusions de l'étude montrent qu'il s'agit de mesurer les réalisations et les résultats par rapport au budget alloué grâce au suivi des performances (Robinson et Brumby 2005). La RBB lie les fonds alloués à des résultats mesurables (OCDE 2008). En effet, le budget public est encore influencé par une approche traditionnelle, axée sur les intrants, enrichie d'informations sur les performances ; les mesures et indicateurs de performance sont présentés dans plusieurs documents mais ne servent guère de base aux décisions budgétaires.
Les pays de l'OCDE ont récemment intégré les informations relatives à la performance dans le processus budgétaire afin d'améliorer la prise de décision, en s'éloignant du simple montant alloué pour se concentrer sur les réalisations budgétaires (OCDE 2008). Cette opération soutient la notion de budgétisation basée sur les résultats, ce qui contribue à sa conceptualisation et à son évolution future.
En effet, il existe un lien étroit entre les objectifs de performance et de viabilité budgétaire. Les efforts de consolidation fiscale entrepris par de nombreux pays depuis la fin des années 1980 ont souligné l'importance de s'assurer que les ressources publiques limitées sont dépensées pour des services importants pour la communauté et qu'elles sont produites de manière efficace (Robinson et al. 2005).

Mots clés : Gestion des finances publiques - responsabilité - transparence budgétaire - efficacité et efficience financières - responsabilité financière - responsabilité managériale
JEL Classification : M41
Type du papier : Recherche Théorique

1. Introduction

Public financial management requires budget transparency and accountability. The concept of budget transparency has been defined differently by different organizations. For the OECD (2002), budget transparency means "making all budget information fully available in a timely and systematic manner". As for the IMF (2014), it states that "transparency in the management of public affairs means that the population, especially the citizen, understands what the State is doing. (...) citizens need to be better informed about how the State collects and spends its money".

Transparency without accountability cannot be beneficial in terms of good governance of public finances, as the two concepts are twins. More concretely, accountability necessarily includes transparency, because it presupposes clarity of roles and responsibility, and therefore transparency in the management of administrative and financial acts.

Accountability, in turn, is the logical extension of accountability, providing the end result of the accountability process, which may crystallize in the form of financial or managerial accountability. An analysis of the relationship between "financial accountability" and "managerial accountability" reveals that financial accountability requires those involved in public finance to account for their administration of public money. Managerial accountability, on the other hand, is a more recent phenomenon, involving the obligation to account for the quality of public management. It is often less formalized and more focused on performance or democratic control than financial accountability.

Results-based budgeting (RBB) is a new concept, part of the wave of budget reforms being implemented by countries around the world to meet the challenges of public finance management. It is linked to New Public Management (NPM). Both concepts gained worldwide momentum in the 1990s.

RBB involves the allocation of budget funds to projects and programs, reviewed in terms of objectives and priorities, and controlled permanently. On this basis, RBB combines financial and managerial accountability, to guarantee both budgetary transparency and better management of public finances. Public sector managers must be accountable, transparent, and legally flexible so that budgets can be managed effectively (Siswana 2007).

This contribution is a presentation of a literature review of RBB in the public sector in order to analyze its various facets, its added value in the world of public finance, and its role in ensuring financial and managerial accountability

Thus, results-based budgeting (RBB) has been part of the wave of comprehensive budget reforms, which have been implemented by countries at the international level to address public financial management challenges (Cangiano et al. 2013).

The shift to performance-based budgeting, seen as a more transparent method of allocating public resources (Allen and Tommasi 2001), is recommended by many international organizations and donors because traditional budgeting shows where money has been spent, but it does not give any idea of the results of that spending. Performance budgeting is supposed to fill this gap, informing all stakeholders about what a public agency is trying to achieve by answering questions such as "What is to be achieved with the resources allocated?" and "What do citizens get for their money?" Performance budgeting is supposed to shift the focus from inputs to outputs and/or outcomes, from "How much money will I get?" to "What do I have to do to get this money?" Performance-based budgeting has (in theory) important benefits: it is supposed to improve planning for service delivery, contribute to the fight against corruption through increased transparency, serve as a "bridge" between a public agency and all relevant stakeholders, increase management efficiency, improve audit and control processes, and contribute to the reorganization of spending programs (OECD 2014).

2. Theoritical review

2.1 The concept of : Result based budgeting (RBB)

Performance budgeting is defined as "procedures or mechanisms designed to strengthen the links between funds provided to public sector entities and their outcomes and/or outputs through the use of formal performance information in resource allocation decision-making (Robinson and Brumby 2005).

Robinson and Brumby 2005 state that the most important objective is to achieve "greater rationality in expenditure planning, with the aim of allocating limited funds more effectively to areas where they will be of most benefit to society. In all its cases, result-based budgeting aims to enhance the effectiveness of spending by systematically linking funding to outcomes, using performance information to make this link (Robinson 2002).

Although there are a lot of definitions of result based budgeting, the purpose is to link program budgets to their performance. In the most straightforward situation, result based budgeting refers: if a program has been able to prove itself, its financing will be improved. if not, it will be reduced or even eliminated.

For example, result based budgeting is designed to measure the results of agencies (Behn, 1994). If the results are positive, the budget will be increased. If not, the budget is reduced. In other words, the budget is adjusted according to performance. The RAB is designed to measure the performance of agencies according to their results. If the results are positive, the budget will be increased. If not, the budget is reduced. In other words, the budget is adjusted according to performance.

Program budgeting and performance-based budgeting (PB) are often confused. However, the introduction of program budgets is only one approach to PBB. In general, by using performance information, RBB links funding to results. There are several models of RBB that employ different mechanisms for linking funding to results. The most basic form is to present performance information in the budget and other government documents. Performance information here does not play a role in budget allocation decisions: this is often referred to as a "purely formal" model. The second option, performance-based budgeting, takes into account past performance in determining budget expenditures. Finally, full performance budgeting aims to allocate resources according to the results sought. It is only used in a limited number of high-income countries.

2.2 Public financial management(PFM) and result based budgeting(RBB)

2.2.1 Goal-oriented budget policy

The foundations of RBB date back to the early 90s, with the New Public Management movement (Kelly and Rivenbark, 2011). It was seen as a new concept in budgeting.

It has always been about performance and budgeting. The theory states that the "purpose" of government is to provide collective properties to solve people's problems. To do this, it is necessary to establish a budget to meet these needs.

In ancient times, this public action was used to ensure public policies and security, the construction and maintenance of public property, and the financing of the army. The idea behind this is to show that the budget serves to respond to a need, and therefore to achieve an objective, hence the question of performance.

For decades, performance budgeting has been considered an essential subject in public management. Indeed, in the 1990s, this mode of practice gained remarkable momentum in both advanced and developing countries. During this period, new performance budgeting initiatives began to take hold in both advanced and developing countries. (Robinson and al.2005).

This transition to RBB is a major change that is part of reforms that are changing both the way the public sector is managed and the boundary between the private and public sectors. Reforms that have been inspired by the compelling need to address the problem of poor public sector performance (Robinson and al. ;2005).
Through RBB, we aim to enhance expenditure efficiency by systematically associating financing to results. But that's not all: the budgeting system involves a budget allocated according to performance, and this is what will be discussed in the following section.

2.2.2 Transparent budgetary management

RBB is linked to other aspects of public finance. The aim is to ensure both improved public performance and fiscal sustainability (Robinson and al. ;2005).
From this perspective, performance budgeting has been closely linked to other public sector budgeting and financial management reforms, which have aimed not only to improve public sector performance, but also to ensure fiscal sustainability (Robinson and al. ;2005).
There is a limit to the use of performance information in the budget process. All types of information are associated, during the budgeting process; information collected in the past is marginalized at the expense of information about the future. Thus, it's a long way to go for results-based budgeting (Bleyen et al. 2017).
At the academic level, Breul (2007, p. 330) asserts that budget allocation decisions still do not take into account the notion of performance. He explains that "despite efforts to date, it remains difficult to systematically assess the effectiveness of programs or their relative efficiency compared to similar activities in other areas of government and the private sector."
The RBB is an important tool, which has clearly helped to give a better idea of how public funds are allocated. The idea is to show a new distribution of expenditure for the implementation of public programs, than on the basis of economic classification alone. In this way, political decision-makers clearly communicate to voters and stakeholders the allocations made to their programs, thus guaranteeing better use of public funds.
In the foregoing, we have shown that RBB involves both results-based financial management and results-based budgeting.
In the following section, we will highlight the role of RBB in financial and managerial accountability.

2.3 Accountability and performance based-budgeting(PBB)

RBB is a means of ensuring financial and managerial accountability. For financial accountability, RBB involves the allocation of budgetary funds to projects and programs, reviewed in terms of objectives and priorities, and controlled permanently. From a managerial accountability perspective, RBB allows for better public financial management by improving the effectiveness of spending through systematically linking financing to results, using performance information to make this link.

2.3.1 Financial accountability and RBB

According to Sterk and Bouckaert (2006), the objective of RBB is to improve the efficiency of public fund allocation and operational effectiveness. In this sense, it is necessary to control public expenditure in such a way as to ensure that the allocated budget will enable the associated project to be carried out (OECD, 2008). According to Kumar (2017), budget execution must be monitored continuously and systematically, and managers must be financially and legally accountable for budget execution. All authors share the same opinion on the benefits of RBB, as in the case of public expenditure control.

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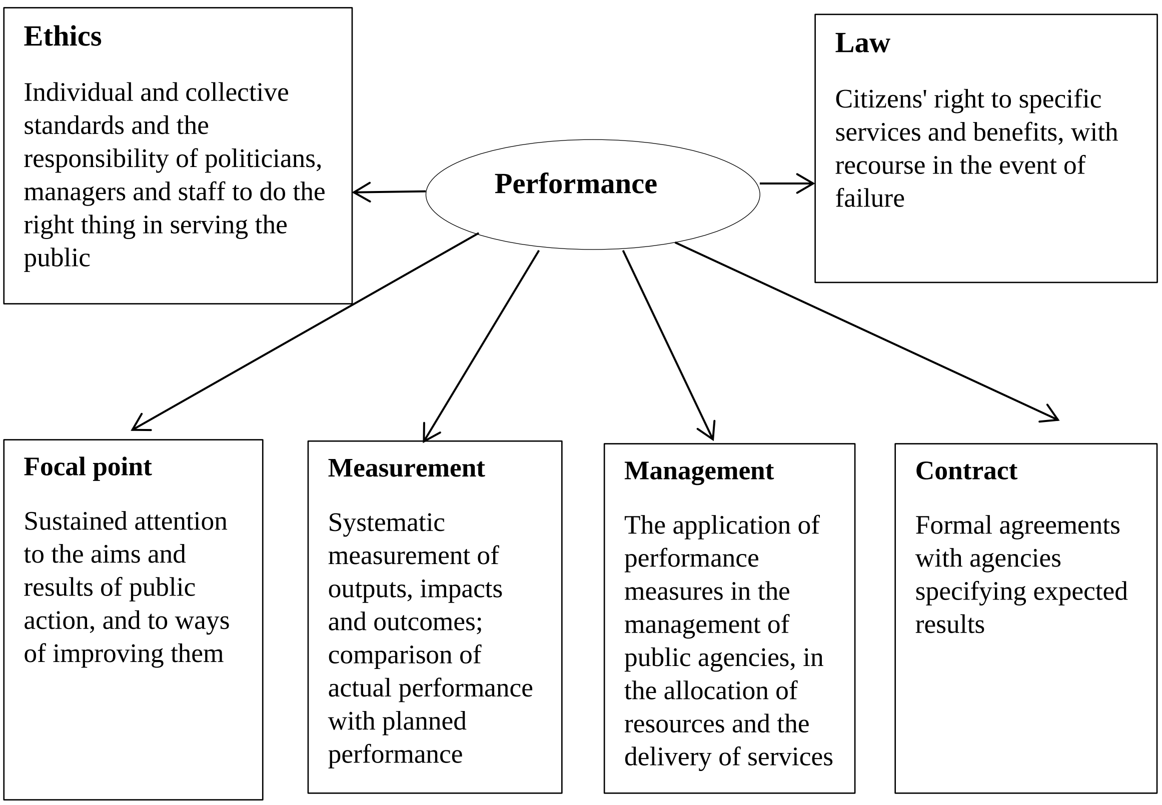
In the early twentieth century, literature on budgeting promotes the use of performance measurement (PM) by modern government. It has not yet been proven that RBB enhance program effectiveness (Newman et al. 2004; Melkers and Willoughby 1998, 2001).
RBB calls for the use of appropriate software to provide information control and analysis of budget expenditures and revenues during the budget process. The automated information system must provide synthetic information on the status of expenditures in the sector and information distributed according to budget programs during the application of RBB. It is therefore appropriate to elaborate a system for exchanging data needed for planning. To establish an effective budget, it should be avoided complexity, intricacy and obsolete framework.

2.3.2 Managerial accountability and Result based-budgeting(RBB)

Performance has managerial and political dimensions (Schick 2003) ". They play a complementary role. Each party (politicians and managers) contributes to the other's objectives.
Two important documents were imposed by the new legislation: the "performance plan" and the "performance report. The performance plan is a three-year planning document prepared and published by each ministry at the beginning of the year, where performance indicators are published for each objective, depending on its public policy. It is adopted on the basis of the policy guidelines and defines the strategic and operational objectives accordingly of each ministry. The performance report is an annual document prepared at the end of the year and published in June of the year following the reference year. It closes the performance cycle as a reporting document in which each department reports on the results achieved against those originally set out in the performance plan. Its main purpose is to verify correspondence with objectives and to contribute to the transparency and accountability of the organization.

Figure n°1: Performance paths



Source: *Adapted from Schick(2003)*

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Recognition of the central role of measurement is a common way to improve public sector performance. Focusing on change, it seeks to assess it through quantifiable indicators. Targets are set and, with the help of indicators, they are compared with the results.
Performance management focuses on the objectives and tools of NPM. It promotes a market and private sector management perspective, as well as managerial accountability through increased decision-making authority and reduced controls.
The contractual approach seeks to set out in a written agreement the objectives to be achieved and the means made available to achieve them. Contracts can be between departments and managers or between superiors and subordinates. The accountability system is part of it. Rewards and sanctions are also included.
For the citizen, performance, once it is defined in a legal or regulatory text, becomes a right. Performance as a right extends from transfer payments to public services. This trend gives courts a greater role in defining and enforcing public performance standards.
According to our literature review, this new budgeting system (RBB) aims to achieve a good level of performance by relying on various elements. Performance information remains the central element. A good level of performance is achieved through results-based financial management, and a budget allocated on the basis of results. Responsibility is therefore twofold: financial responsibility and managerial responsibility.

3. Conclusion

Through this article, we have tried to address the concept of results-based budgeting in the public sector, and we have found that RBB has a very important role in ensuring transparency and efficiency in public financial management.
The choice to adopt RBB is motivated by several reasons, such as enhancing budgetary process and the quality of services provided, facilitating budgetary and strategic decision making, developing a transparent budget system for the public, and increasing financial and managerial accountability, which is the focus of our discussion.
Performance is a multidimensional concept. There would be an objective dimension to performance and a subjective dimension with a back and forth, a more or less permanent hesitation between the two depending on the situation. The objective dimension is based more on economic and systematic considerations. Performance would be evaluated in terms of the effectiveness and efficiency of management, as well as an organization's ability to ensure its sustainability, which is the guarantee of adequate performance. The subjective dimension, on the other hand, focuses on the social appreciation of achievements. Do the organization's achievements benefit from the mobilization of its personnel? Are they the result of the commitment of the organization as a whole? Does what is achieved correspond to what society expects? Is the societal recognition of the organization's performance in line with the results achieved or is it out of step with them? It can be assumed that in the medium term the two dimensions should converge and that the absence of convergence is an indication of inconsistent or incomplete performance.
What emerges from these different interpretations is that performance is not only a difficult concept to grasp, but also relative one. It is not fixed once and for all, but must be assessed in relation to a reference standard.
The perception of the role of the state has evolved over time. Long focused on the protection of people and property, it has broadened so that the contemporary state is now seen as existing to provide services and benefits to its population. In this context, performance is very important: if the state is perceived as performing inadequately, alternative solutions will be sought to deliver the relevant services.

It must be realized, however, that performance is a dynamic standard: services that were perceived to be quite good at one time may now appear unsatisfactory. Improved performance is the objective goal of contemporary public management reform.
The public service ethic can be used to inspire government employees to participate in building a modern state, to be involved in the implementation of public programs that are more responsive to the needs of the people. Public service as a value attracts some of the most competent individuals to public service careers, and their commitment, through the internalization of high standards, allows them to perform well in a low-cost context.
Another way to ensure performance is to put it on the front of the organizational building. An organization focuses on performance by focusing on results, which it uses as benchmarks to evaluate past activity and plan future operations. Mission and vision statements emphasize goals and the definition of a good level of performance, while fostering awareness and commitment among staff, managers and others.
Although the PBB implementation process in some places has been ongoing for decades, to achieve positive results, there is always a work to do and still many elements that delay the process of achieving positive results. These factors include constant changes in public policy priorities, reflecting changes in government, foreign policy processes, etc., which negatively affect the processes of forming regional sector development strategies. Since the main authors of Budget elaboration do not have a coherent strategic planning system or sectoral strategic development plans, this leads to a leveling of PBB implementation results. The constant changes limit the possibility of assessing the effectiveness of the use of budgetary resources

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