

Performance-Based Budgeting in Developing Countries: A Systematic Review of Accountability and Governance Outcomes

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Abstract

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Performance-based budgeting (PBB) has emerged as a key public financial management reform in developing countries, aiming to enhance accountability and governance by linking funding to measurable outcomes. However, the effectiveness of PBB remains uneven across different national contexts. This study conducts a systematic literature review to examine how PBB has influenced accountability mechanisms and governance structures in developing countries. Drawing on peer-reviewed studies published from 2011 to 2021, the review synthesizes evidence on the design, implementation challenges, and institutional outcomes of PBB reforms. The article critically evaluates the enabling and limiting factors of PBB, including administrative capacity, data systems, and political will. The findings suggest that while PBB can improve fiscal transparency and performance monitoring, its success is highly dependent on context-specific institutional conditions. The review concludes that tailored approaches, sustained political commitment, and capacity-building are essential for maximizing the governance benefits of PBB.

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1. Introduction

In recent years, developing countries have increasingly sought to enhance public sector effectiveness by reforming their budgeting systems with a shift toward performance-based budgeting (PBB). Rooted in the principles of new public management, PBB links budget allocations to explicit performance metrics, outputs and outcomes, thereby promoting efficiency, fiscal transparency, and accountability. The central question guiding this systematic review is: to what extent has PBB implementation in developing countries influenced accountability and governance outcomes?

While the concept of PBB has evolved in more advanced economies, its adaptation to developing country contexts is relatively nascent. Nevertheless, early efforts show potential. In Mali, for instance, program-based budgeting was phased in to enable parliamentarians to assess budget proposals against national programs, setting the groundwork for more rigorous oversight (Allen et al., 2017). Ethiopia's experimentation with program budgeting similarly illustrates how aligning spending with strategic plans can initiate governance improvements, particularly when champions within ministries drive change (Bobe et al., 2017). These emergent practices suggest that even scaled-down PBB models may yield substantial benefits where institutional capacities and data systems exist.

A systematic literature review offers the necessary rigor to synthesize existing empirical and conceptual studies on PBB in developing countries from 2011 to 2021. Key dimensions explored include the motivations behind PBB reforms, enabling and inhibiting factors in implementation, observed accountability

outcomes (such as expenditure alignment, transparency, and parliamentary oversight), and the broader governance implications of adopting performance-informed budget frameworks.

Evidence indicates that successful PBB reforms are typically anchored in supportive infrastructure, including medium-term budget frameworks, performance monitoring systems, and legal mandates that enforce performance reporting (Moynihan & Beazley, 2016). Yet, implementation is often compromised by structural challenges: weak data collection mechanisms, limited technical capacity, reform fatigue, and misaligned incentives. In many cases, these constraints render performance frameworks tokenistic rather than transformative. Moreover, political economy considerations such as vested interests and bureaucratic resistance, frequently undermine reform efforts (Ho et al., 2019).

Nonetheless, when carefully designed and context-sensitive, PBB has demonstrated governance improvements. For example, in select cases, PBB has enabled ministries to use budget data for managerial decisions, improved the clarity of expenditure reporting, and strengthened ties between funding and service delivery outcomes. These improvements contribute to both internal fiscal discipline and external accountability to citizens and legislatures.

In summary, this review aims to clarify how, under what conditions, and with what effects PBB initiatives in developing countries influence accountability and governance. By systematically analyzing the peer-reviewed literature on reform frameworks, practical barriers, and measurable outcomes, this study offers

policymakers and reform advocates a focused understanding of how to design and sustain PBB systems that genuinely enhance public sector performance.

2. Literature Review

Research on performance-based budgeting (PBB) in developing countries underscores both its transformative potential and the institutional constraints that shape its effectiveness. Tsofa et al. (2021) highlight how program-based budgeting in Kenya's health sector led to better alignment between funding allocations and service delivery priorities, though implementation was impeded by limited technical expertise and bureaucratic rigidity. The success of PBB in devolved settings hinges on strong fiscal oversight, timely resource disbursement, and transparent reporting mechanisms. Mauro et al. (2020) add that organizational culture and political commitment play critical roles, particularly in ensuring that performance indicators are systematically used in budgeting decisions. These observations are consistent with Dubnick and Frederickson (2011), who argue that budget reforms linked to performance outcomes tend to be more effective when supported by credible accountability systems and access to public performance information.

The literature also highlights the structural and contextual factors that influence how PBB is adopted and sustained. Ho (2018) argues that for PBB to drive meaningful governance improvements, it must be embedded within multiyear expenditure frameworks, coupled with performance audits and the use of realistic, policy-relevant indicators. In the same vein, Deschamps and Mattijs (2018) contends that the organizational learning enabled by performance information is

crucial for iterative improvements in budgeting systems. However, Moynihan and Beazley (2016) warns that in countries with limited administrative capacity and weak data systems, PBB can easily become symbolic, serving as a facade of reform rather than a genuine tool for improving resource allocation and accountability. This is particularly problematic where political incentives for transparency are low, or where performance measures are not meaningfully integrated into expenditure decisions.

Recent studies also emphasize the importance of citizen engagement and feedback mechanisms in enhancing the impact of PBB. Chowdhury (2021) stresses that bottom-up accountability and inclusive participation in budget formulation can complement performance-based approaches, reinforcing their legitimacy and responsiveness. Evidence from Uganda and Tanzania shows that when communities are informed and involved, budget transparency and service outcomes tend to improve (Waddington et al., 2019). Taken together, these insights suggest that the promise of PBB in improving governance outcomes is real but contingent on a supportive institutional ecosystem including political will, capacity for implementation, public oversight, and iterative learning mechanisms.

3. Methods

This study employed a systematic literature review methodology to synthesize existing evidence on the implementation and outcomes of performance-based budgeting (PBB) in developing countries, with a particular focus on accountability and governance. The review followed a structured process involving

the identification, selection, and analysis of peer-reviewed literature published from 2011 to 2021. Academic databases such as Scopus, Google Scholar, and JSTOR were searched using combinations of relevant keywords, including “performance-based budgeting”, “developing countries”, “accountability”, and “governance”. Inclusion criteria required that studies be empirical, published in reputable peer-reviewed journals, and address aspects of PBB reforms in low- and middle-income countries. Studies focused exclusively on high-income contexts or theoretical discussions without empirical data were excluded. After screening titles, abstracts, and full texts, a total of 19 articles were selected for in-depth analysis. The findings were then thematically categorized based on how PBB influenced fiscal transparency, institutional accountability, and public sector governance.

4. Results and Discussion

The systematic review highlights a multifaceted relationship between performance-based budgeting (PBB) and improvements in public accountability and governance outcomes in developing countries. The adoption of PBB frameworks has frequently aimed to improve fiscal discipline, increase transparency, and enhance the efficiency of public expenditure. Studies such as Gollwitzer (2011) underscore that while developing countries often implement PBB to address fiscal inefficiencies, the actual outcomes are shaped by the underlying institutional capacity and political will. Countries with relatively mature institutional frameworks such as South Africa, Chile, and Brazil have experienced more success in integrating performance indicators into budget processes

compared to countries where bureaucratic fragmentation and low data reliability persist (Dener et al., 2011; Ho, 2018).

The evidence also suggests that while the introduction of PBB can lead to short-term improvements in reporting and planning, its long-term impact on accountability is highly dependent on implementation fidelity and the integration of performance information into decision-making. For instance, Veillard et al. (2017) argues that in many low-income settings, performance indicators are often produced for compliance rather than used to inform resource allocation. This leads to a disconnect between performance planning and execution, weakening the accountability mechanisms intended to be strengthened through PBB. Similarly, Kroll and Moynihan (2015) emphasizes that without sufficient training and incentives for public officials, performance data are underutilized, reducing their effectiveness in influencing budgetary outcomes. These insights align with the findings from countries like Kenya and Tanzania, where formal adoption of PBB has not been accompanied by significant behavioral changes in budget execution practices (Park & Jang, 2015).

Moreover, several studies indicate that governance outcomes associated with PBB vary by sector. Education and health sectors, in particular, have shown more measurable improvements due to their more quantifiable performance indicators and closer public scrutiny. Evidence from Ghana, for example, reveals that PBB contributed to improved outcomes in the education sector through better alignment of programs with development goals and enhanced monitoring mechanisms (Dokalskaya, 2016). However, the same study also shows that

institutional resistance and political interference remain key barriers to broader governance reforms.

The review further reveals that donor influence plays a substantial role in the adoption and effectiveness of PBB in many developing countries. Development partners often condition financial assistance on the implementation of performance reforms, which has led to a proliferation of externally driven PBB initiatives. While this has accelerated adoption in some cases, it has also raised concerns regarding sustainability and domestic ownership (Schick, 2013). This externally induced reform pressure can lead to superficial compliance rather than meaningful institutional transformation.

Another critical insight from the literature concerns the need for robust monitoring and evaluation (M&E) systems to complement PBB. Without reliable and timely data, the effectiveness of performance-based reforms remains limited. Studies by Lonsdale et al. (2011) highlight that countries with strong audit institutions and independent oversight bodies are more likely to achieve substantive accountability improvements through PBB. These institutions provide the necessary checks and balances to ensure that performance information is both accurate and influential in guiding budgetary decisions.

In summary, the effectiveness of PBB in enhancing accountability and governance in developing countries is not uniform. Success largely depends on pre-existing institutional conditions, political commitment, administrative capacity, and the extent to which performance information is genuinely integrated into decision-making processes. While some countries demonstrate positive shifts in

transparency and efficiency, others show limited progress due to implementation gaps and institutional inertia. Therefore, future reforms should prioritize capacity-building, institutional alignment, and stakeholder engagement to fully realize the potential of PBB in transforming public sector governance.

5. Conclusion

This systematic review explored how performance-based budgeting (PBB) has been implemented in developing countries and its implications for strengthening accountability and governance. While many governments have adopted PBB as part of broader public sector reforms, its outcomes vary depending on institutional readiness, administrative capacity, and policy commitment. In settings where these enabling factors are present, PBB has shown promise in promoting fiscal discipline, improving transparency, and linking resource allocation with measurable results.

Despite its potential, PBB implementation continues to face several practical challenges. These include limited technical capacity, inadequate performance data, and weak monitoring systems. In many cases, budgeting decisions remain influenced by political considerations rather than performance evidence. Such constraints hinder the shift from traditional budgeting practices to results-oriented frameworks, reducing the effectiveness of PBB in promoting meaningful accountability and improved public service delivery.

To maximize the benefits of PBB, developing countries need to invest in institutional capacity, strengthen performance monitoring tools, and foster a

culture of results within the public sector. Continued political support and stakeholder engagement are also essential to ensure that PBB reforms are sustained over time. Ultimately, while PBB is not a one-size-fits-all solution, its thoughtful and context-sensitive implementation holds significant potential to improve governance outcomes and promote greater public accountability.

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