

# Performance-Based Budgeting In The Public Sector Governance And Public

Performance-based budgeting (PBB) is a budgeting approach that links funding to the achievement of specific performance goals. This approach is based on the principle that public resources should be allocated based on the outcomes they are expected to achieve, rather than on historical spending levels or political considerations.

PBB has been adopted by governments around the world as a way to improve the efficiency and effectiveness of public spending. By linking funding to performance, PBB provides incentives for public agencies to improve their performance and achieve better outcomes.

There are four key principles of PBB:



## Performance-Based Budgeting in the Public Sector (Governance and Public Management) by Susan Page

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1. **Clear and measurable performance goals:** PBB requires the establishment of clear and measurable performance goals for each program or activity. These goals should be specific, measurable, achievable, relevant, and time-bound (SMART).
2. **Linkage of funding to performance:** Funding is allocated to programs or activities based on their expected performance. This linkage ensures that resources are directed to those programs or activities that are most likely to achieve the desired outcomes.
3. **Performance measurement:** PBB requires the regular measurement of performance against the established goals. This measurement provides feedback to public agencies on their progress and helps to identify areas for improvement.
4. **Accountability for performance:** Public agencies are held accountable for achieving the performance goals that they have been assigned. This accountability can be enforced through a variety of mechanisms, such as performance contracts, performance audits, and citizen feedback.

PBB can provide a number of benefits for public sector governance, including:

- **Improved efficiency:** PBB can help to improve the efficiency of public spending by directing resources to the programs or activities that are most likely to achieve the desired outcomes.
- **Increased effectiveness:** PBB can help to increase the effectiveness of public spending by ensuring that programs or activities are actually achieving the desired outcomes.

- **Greater transparency:** PBB can help to increase the transparency of public spending by providing clear and measurable performance goals for each program or activity.
- **Improved accountability:** PBB can help to improve accountability for public spending by holding public agencies accountable for achieving the performance goals that they have been assigned.
- **Increased citizen satisfaction:** PBB can help to increase citizen satisfaction with public services by ensuring that those services are meeting the needs of the community.

There are a number of challenges that can be encountered when implementing PBB, including:

- **Setting clear and measurable performance goals:** It can be difficult to set clear and measurable performance goals for all public programs or activities. This is especially true for complex programs or activities that have multiple objectives.
- **Measuring performance:** It can be difficult to measure performance accurately and reliably. This is especially true for programs or activities that have long-term outcomes or that are difficult to quantify.
- **Holding public agencies accountable for performance:** It can be difficult to hold public agencies accountable for achieving the performance goals that they have been assigned. This is especially true for agencies that are not used to being held accountable for their performance.

PBB is a powerful tool that can be used to improve the efficiency, effectiveness, transparency, and accountability of public spending.

However, it is important to be aware of the challenges that can be encountered when implementing PBB. With careful planning and implementation, PBB can be a valuable tool for public sector governance.

- [Performance-Based Budgeting: A Primer](#)
- [Performance-Based Budgeting in the Public Sector](#)
- [The World Bank's Experience with Performance-Based Budgeting](#)



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