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# Book review: Is outcome-based budgeting in governments of emerging economies promising?

Book review

247

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## **Public Sector Reform and Performance Management in Emerging Economies: Outcomes-Based Approaches in Practice**

by *Zahirul Hoque (Ed.)*

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This book addresses public sector reform and performance management in emerging economies, with special reference to outcomes-based approaches in practice in government services. The book contains 15 chapters, covering 14 countries. Asia is by far the most represented continent, with nine countries: Bangladesh, India, Indonesia, Iran, Malaysia, with two chapters, Sri Lanka, Singapore, South Korea and Vietnam. The remaining chapters originate from Africa (Egypt and Kenya), Middle America (Honduras), the South Pacific (Fiji) and Europe (Turkey). In terms of the diverging income groups distinguished by the World Bank (WB) [1], 12 of the 14 countries are so-called lower-middle or upper-middle income countries. The category of the poorest economies, the low-income countries, is not represented. This is visible in a small number of African countries, especially in the sub-Saharan area. Latin America is absent in the book, which is remarkable because, apart from the relatively wealthy countries of Uruguay and Chile, this continent generally comprises lower-middle and upper-middle-income countries. The two high-income countries, South Korea and Singapore, have developed strongly in recent decades with high growth rates. The chapters of the book cover both governmental organizations and specific public service fields, such as education and health.

Although a significant number of chapters discuss outcome-based budgeting (OBB) in government, there are several chapters that deal with a broader discussion of public sector reforms and other types of outcome-oriented approaches, such as outcome-based measurement systems (see Figures 1 and 2 for a categorization of chapters) [2]. A few examples can illustrate this. Chapter 1 reviews the adoption of results-based management systems in Kenya, whose key components are identified in strategic planning, performance contracting and reporting suitable for linking local and national priorities. Chapter 3 about Honduras investigates which factors are impacting citizens' satisfaction of services delivered by municipalities, considered an outcome measure and shows that greater transparency is associated with higher perceived quality of services and trust determines service quality. The chapter reflects on the distinction between outputs and outcomes,



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linking the measurement of outputs to public expenditures and the measurement of outcomes to citizen satisfaction. Chapter 5 investigates the outcome-based performance measurement system adopted in the higher education field in Vietnam. This study discusses the changes in the research and teaching performance measures, pointing out how the peculiarities of the context influence the system, for instance, as it starts with a process of self-evaluation of university employees but is then followed by a voting procedure for ranking these employees, and students' feedback is not discussed in evaluation meetings as a "culturally sensitive solution." Chapter 6 about Singapore reports about health care reforms over a period of three decades and reveals mixes of market forces, government steering and citizens' empowerment, with a large success in terms of financials and health outcomes: costs were remarkably low, amounting to only 4% of GDP and government controls were severe, among others, through setting boundaries to the rise of costs and surveillance of budgetary constraints to which hospitals must comply.

The book comprises examples of interesting or at least promising initiatives that are aligned with problems that are common to many less-developed countries (LDCs). Sanitation and achieving a supply of clean water are, for example, important development goals. India struggled for decades with the need to enhance sanitation in especially rural areas, and during the most recent decade, remarkable results have been achieved, as Chapter 14 shows: large numbers of household and community latrines were installed. However, although OBB has been supportive, various issues remain problematic, such as a lack of resources, an unclear division of responsibilities between the federation and the state and a lack of clear targets for each of the sanitation domains. A river care program in Malaysia that started in 2011, as discussed in Chapter 8, shows how governmental interventions were aimed at preventing pollution of a major river. The program was labeled as an outcome-based NPM program and considered an example of how local traditions and religion as well as NPM-based ideas of markets and outcome-based controls are mixed (or collide) in practice through

Figure 1.  
Key topics across  
economies

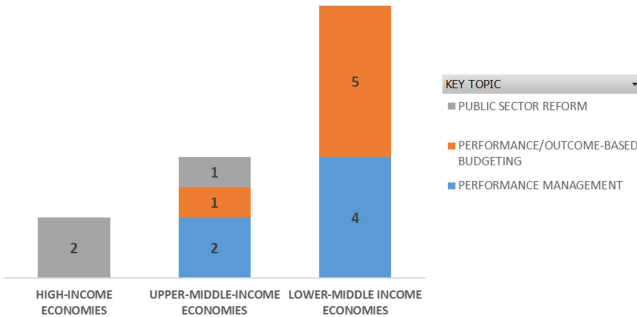
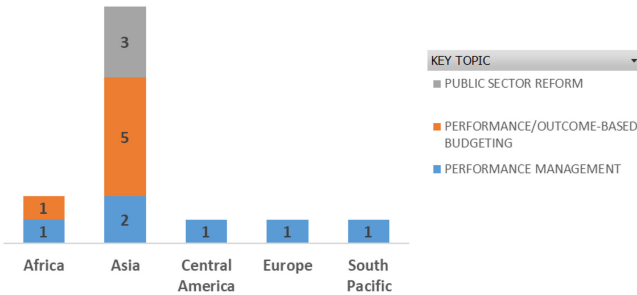


Figure 2.  
Key topics across  
geographical areas



a public-NGO partnership in which Malay and non-Malay communities are represented. Chapter 10 about Fiji is another example of an LDC-specific goal, and it presents a set of strategic priorities and related outcome indicators in the area of health care, including disease prevention, special services for certain groups (e.g. children, women and disabled patients) and high-quality curative health services.

OBB is the main theme of many chapters. As a specific type of performance budgeting, it is characterized by a focus on outcome measures to inform the budgeting process (Diamond, 2005) and has received growing attention in more recent times in the spirit of the evolution of public sector reform movements (Mauro, 2021). The reported studies in this book are almost always discussing the adoption and implementation of OBB. Whether relevant actors are using this information for the allocation of resources remains largely unaddressed, while OBB information for accountability purposes is observable in various studies. The impacts of OBB, that is, whether there are causal links between the use of OBB and impacts on underlying goals, are not investigated. This is aligned with the general debate on performance budgeting, which points to the difficulty of assessing the proper effects of the practice and to the more limited use of performance information for directly allocating resources compared to accountability and/or management purposes.

Some of the studies indicate factors that are stimulating or hindering OBB adoption and implementation. Chapter 2 about an Egyptian tax agency, for instance, points to the role of the agency managers in supporting OBB due to its merits of decentralized decision-making, while their efforts were hindered by the Ministry of Finance that remained supportive of the line item budgeting approach with a substantial extent of top-down steering. Chapter 7 illustrates the implementation of OBB in Malaysia. Although the country has been considered an early performance-based budgeting reformer in Asia by the WB, the reform has not been without difficulties, and several factors are recognized as hindering the OBB implementation, such as the slow development of the IT system needed to support the reform, the insufficient training and lack of clear guidelines, the low quality of data and low level of understanding of the reform among actors and the still partial implementation of accrual accounting.

A large majority of the chapters in this book are mainly descriptive. A couple of studies are theory-informed, but not always in a convincing way that enriches the understanding of the empirical evidence. This partly reflects the tendency of budgeting research to be under-theorized. Qualitative research is overwhelmingly present in this study, with only two exceptions, in which the findings of a survey study are presented.

With a specific focus on OBB, does the research presented in the book problematize OBB because focusing on outcomes instead of inputs or outputs is a challenging task, to say the least? The book chapters do not seem to fully recognize and reflect on the main specific complexities of OBB, especially in terms of identifiability and measurement of outcome indicators, as well as controllability. A prerequisite for the development of OBB is the establishment of a proper performance measurement and management system, taking into account that it is more difficult to measure outcomes directly and that the use of outcome measures for accountability is more complex as they are influenced by a multiplicity of factors (Diamond, 2005; Rajala *et al.*, 2018). Our reading of the book leads us to conclude that, with a few exceptions of success stories, the majority of the cases point out failures in the adoption and implementation of OBB. Such failures are often explained in light of the contextual circumstances (see also van Helden *et al.*, 2021), but more attention can be paid to the specific issues characterizing the design and use of outcome measures, which are peculiar and different from input, process or output measures. We are inclined to believe that OBB may be a step too far for many LDCs, which aligns with a “basics first” idea (Bietenhader and Bergmann, 2010).

We merit the endeavors of this book to report on real-life experiences of outcome-based practices in governments of emerging economies, mostly LDCs. We, however, envisage

major routes for future investigation, especially a critical analysis of the pros and cons of OBB in the context of EE and specific challenges, more emphasis on the use of outcome information for decision-making and a further theorization of OBB implementation and use.

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## Notes

1. Source: the WB website, <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519>
2. A database of chapter summaries and relevant categorizations will be published on the ResearchGate and personal websites of the book review authors.

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