‘DRIVING FINANCIAL SUSTAINABILITY THROUGH INNOVATION AND REFORM

Performance-based budgeting

Linking expenditure to measurable outcomes

CIGFARO Public Sector Finance Seminar

July 2026

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CIGFARO
Chartered Institute of
Government Finance, Audit & Risk Officers

A defining moment for municipal finance

MUNICIPAL FINANCIAL PRESSURES

FINANCIAL SUSTAINABILITY

- Revenue collection challenges
- Water & electricity costs
- Increasing operating costs
- Infrastructure backlogs
- Rising community expectations
- Fiscal constraints

Municipalities must deliver move with fewer resources

Why traditional budgeting is no longer enough

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Traditional budgeting

- Was the budget approved?
- Was expenditure authorised?
- Was procurement compliant?
- Was the budget spent?
- Was expenditure reported accurately?

Essential for financial governance

Questions citizens ask

- Did service delivery improve?
- Were roads repaired?
- Did water interruptions decrease?
- Did customer satisfaction improve?
- What value was created?

Essential for public accountability

“ *Compliance shows money was spent correctly. Performance shows money was spent wisely”*

Financial stability: The outcome we seek

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Financial sustainability

Financial stewardship

- Sound budgeting
- Revenue management
- Cashflow
- Financial control

Service delivery

- Reliable services
- Infrastructure maintenance
- Customer responsiveness

Governance & accountability

- Good governance
- Performance management
- Oversight
- Transparency

Long-term resilience

- Asset sustainability
- Investment
- Risk management
- Adaptability

“Financial sustainability is achieved when sound financial management delivers sustainable delivery outcomes”

From budgeting for expenditure to budgeting for results

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Expenditure-based budgeting

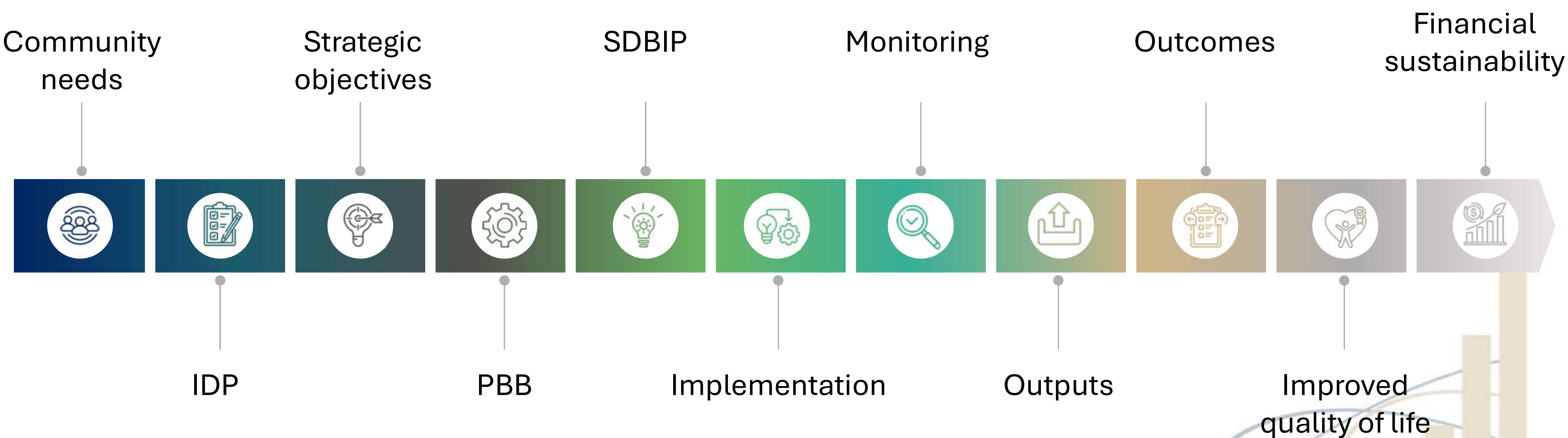
- Focus on spending
- Compliance
- Inputs

Results-based budgeting

- Focus on outcomes
- Value creation
- Impact

Budgeting must shift from spending to results

Performance-based budgeting: Linking expenditure to measurable outcomes



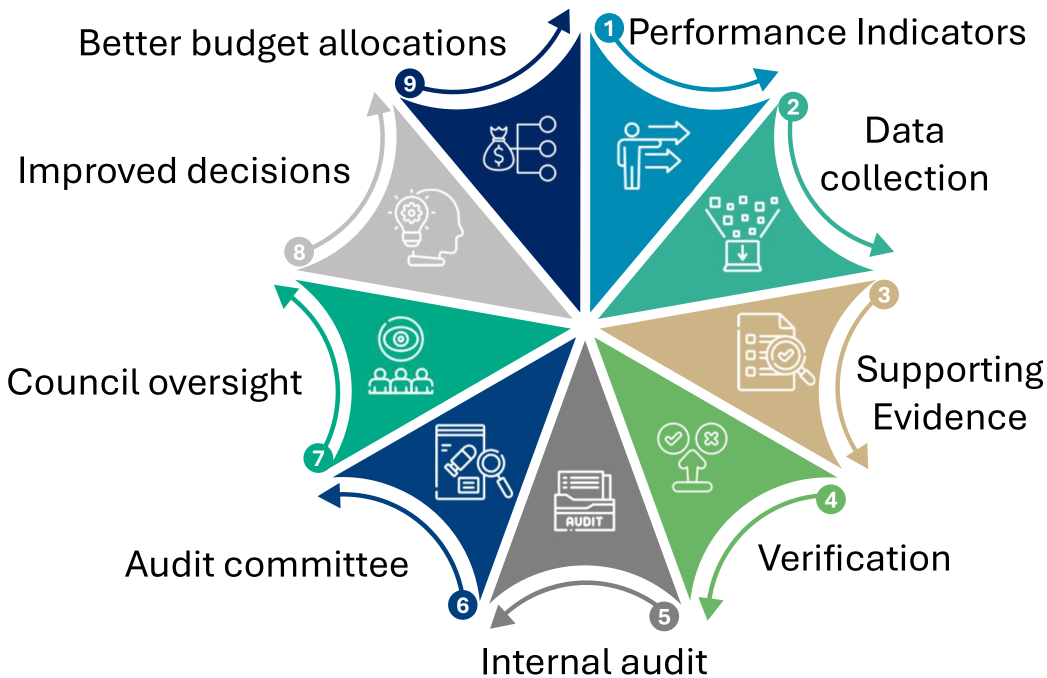
PBB ensures every budget allocation is linked to measurable outcomes

Understanding the municipal performance value chain

Inputs	Activities	Outputs	Outcomes	Impact
• Budget • Employees • Equipment	• Road maintenance • Procurement • Construction	• 386 000m2 roads repaired	• Better roads • Fewer complaints	• Economic growth • Public confidence

"Money does not create value. Effective implementation does"

Measuring performance: From indicators to credible evidence



Characteristics of Good Performance Information:

- Specific
- Measurable
- Reliable
- Verifiable
- Relevant
- Timely

Performance information must be reliable enough to influence resource allocation

Legislative architecture for performance-based budgeting

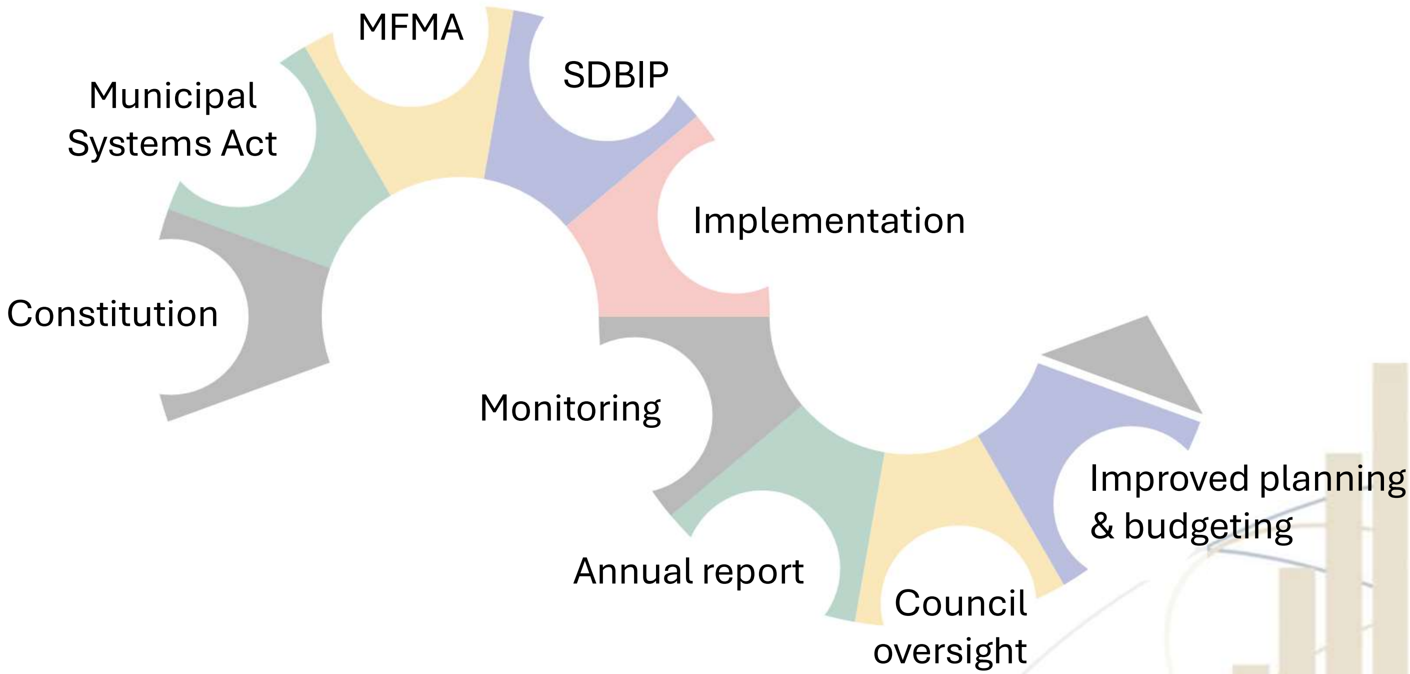
Key legislative contributions

Constitution
- Developmental Local Government
- Sustainable Service Delivery

Municipal Systems Act
- Integrated Development Planning
- Performance Management System

Municipal Finance Management Act
- Budgeting
- Financial Accounting
- In-Year Monitoring
- Annual Reporting

SDBIP
- Annual service delivery commitments



The legislative architecture already supports PBB

Financial accountability & performance accountability

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Financial accountability

- Budget approved
- Expenditure authorised
- Procurement compliant
- Financial statements prepared
- Assets safeguarded

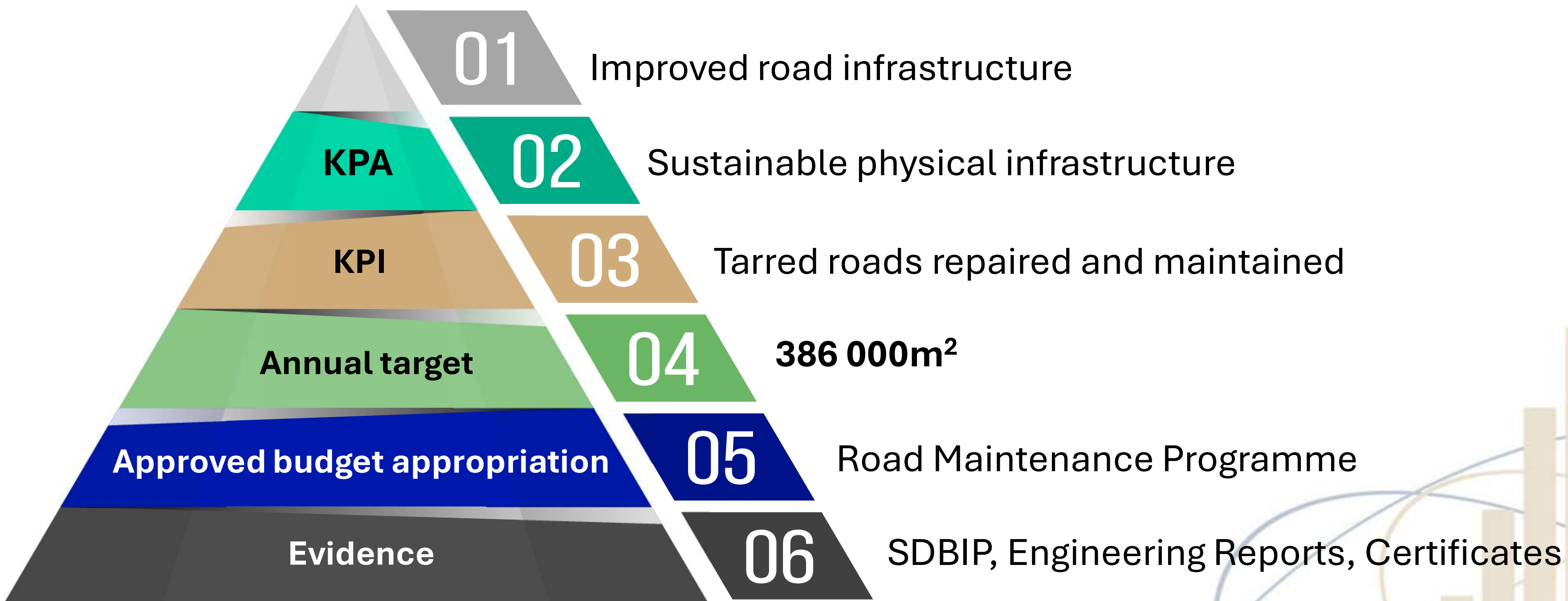
Performance accountability

- Targets achieved
- Service delivered
- Outcomes realised
- Citizen satisfaction
- Public value created
- Sustainable service delivery

"Public money must be spent lawfully, managed responsibly, and translated into measurable improvements in people's lives."

Performance-based budgeting in practice

Case Study: Govan Mbeki Municipality



PBB begins by aligning strategic priorities with measurable service delivery commitments

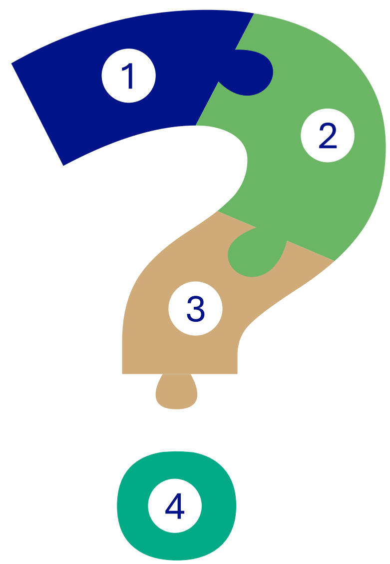
Linking approved budget appropriations to measurable outputs

Appropriation

Implementation

Output:
386 000m² repaired

Reported performance



Questions management must answer

1. Was the appropriation used as intended?
2. Was the output delivered?
3. Was the target achieved?
4. Is evidence credible?

Expenditure becomes meaningful only when it produces approved outputs

From outputs to outcomes: Measuring the difference we make

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Approved budget appropriation

Output	**386 000m²** – Tarred roads repaired
Outcomes	• Improved road condition • Improved accessibility • Reduced vehicle damage • Reduced public complaints • Improved customer satisfaction
Constitutional objects	• Sustainable service delivery • Social and economic development • Safe and healthy environment

Ask these questions

Did road users experience better service?

Did travel become safer?

Did business benefit?

Did emergency maintenance reduce?

Did the investment improve citizens quality of life?

"Outputs demonstrate delivery. Outcomes demonstrate public value

How Performance-Based Budgeting Improves Decision-Making

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Short comparison

Traditional vs **PBB**

Traditional review

- Previous budget
- Actual expenditure
- Incremental increase

PBB review

- Strategic priorities
- Approved budget
- Performance results
- Evidence & analysis
- Future aspirations

Traditional budgeting

- What did we spend
- Historical expenditure
- Incremental increases
- Focus on financial execution

Performance-based budgeting

- What did we achieve?
- Strategic priorities
- Evidence-informed appropriations
- Focus on financial execution and service delivery

Performance-based budgeting enables better budget decisions by combining performance with service delivery performance

Using performance information to inform future budget appropriations

Key idea: Performance information strengthens reprioritisation

Financial sustainability in the public sector

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Key concepts

Fiscal responsibility — Ensuring government resources are used efficiently and transparently

Long-term planning — Aligning budgets with future service delivery needs and economic conditions

Revenue stability — Diversifying income sources to reduce reliance on volatile funding streams

Cost management — Controlling operational expenditure while maintaining service quality

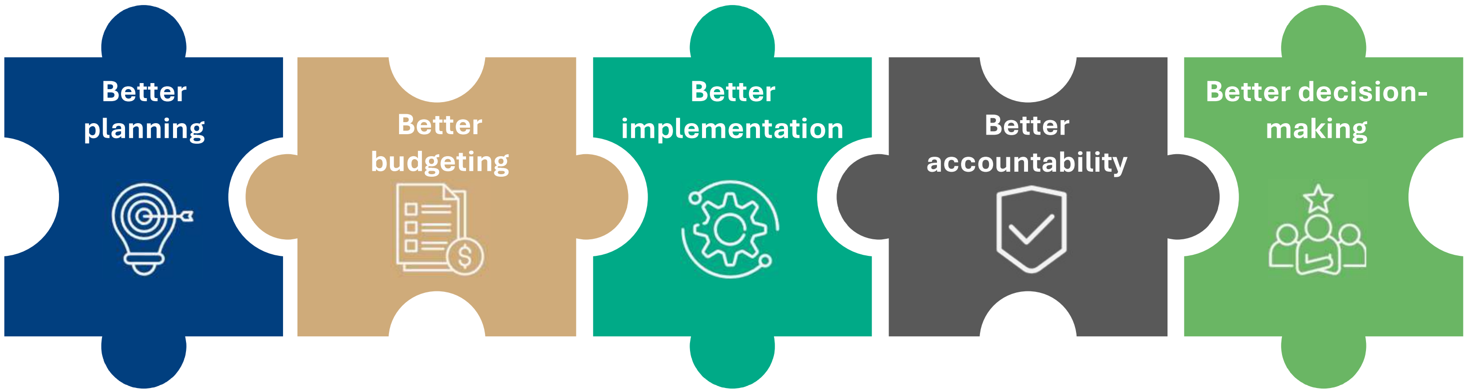
Risk mitigation — Identifying and managing financial risks such as economic downturns or policy shifts

Why it matters

- Protects essential public services
- Builds trust through transparent financial governance
- Supports long-term socio-economic development

Practical benefits of performance-based budgeting for South African Municipalities

Performance-based budgeting strengthens budgeting by linking approved budget appropriations to measurable results



Benefit summary table

Municipal function	How performance-based budgeting contributes
Planning	Aligns approved budget appropriations with strategic priorities in the IDP.
Budgeting	Improves resource allocation by incorporating credible performance information.
Implementation	Links appropriations to clearly defined outputs and measurable outcomes.
Accountability	Enables the Council and communities to assess what was achieved with appropriations.
Decision-Making	Supports evidence-informed budget reviews and future allocation decisions.

Performance-Based Budgeting improves not only how municipalities prepare budgets, but also how they evaluate the results achieved through those budgets

Practical implementation challenges and municipal responses

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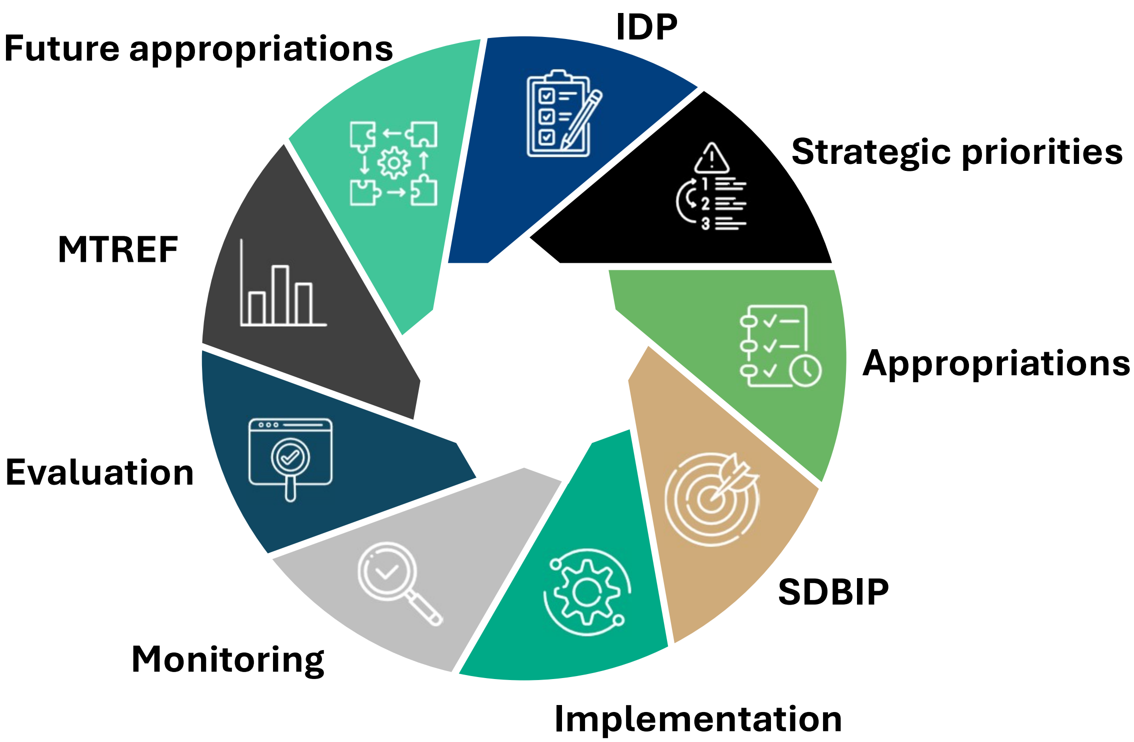
Challenge	Response
Weak IDP-Budget-SDBIP alignment	Strengthen integrated planning
Poor KPIs	Develop SMART indicators
Confusion between outputs/outcomes	Train officials
Weak evidence	Improve verification
Limited use of performance information	Integrate into MTREF
Resistance to change	Leadership commitment

PBB succeeds when performance information becomes part of budget planning and review

Embedding performance-based budgeting in the municipal budget cycle



Five actions

- Plan strategically
- Budget purposefull y
- Monitor continuously
- Evaluate objectively
- Budget intelligently

PBB is a continuous management cycle

Conclusion: From spending money to demonstrating results

- Link appropriations to priorities
- Measure what was achieved
- Improve future budgeting through evidence

> *Municipal budgets should not only tell us how public money was spent – they should demonstrate what measurable outcomes were achieved.*

Driving financial sustainability through innovation and reform

Thank You!

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