
Challenges in Transitioning to Results-based Budgeting and Planning

Purevsuren Chantsaldulam¹, Lombodorj Naranchimeg², Selenge Tuul³, Munkhdalai Erdenebat⁴

¹Business School, National University of Mongolia

²Business School, National University of Mongolia

Corresponding author

³School of Arts and Sciences, National University of Mongolia

⁴Business School, National University of Mongolia

doi.org/10.51505/IJEBMR.2026.1104

URL: <https://doi.org/10.51505/IJEBMR.2026.1104>

Received: Jan 20, 2026

Accepted: Jan 29, 2026

Online Published: Feb 04, 2026

Abstract

Countries have made developing a results-based management system a top priority, strengthening governance and increasing transparency, openness, and accountability as they strive for people-centered, sustainable development. Therefore, countries regard results-based management as the primary means of achieving sustainable development, and each country is developing and implementing methods and methodologies tailored to its own characteristics. There is a need to develop and implement result-based development policies and planning, aligning national and local budgets, organizational strategies, and performance planning. Results-based integrated planning is a core component of results-based integrated management and is the process of analyzing the present and past and planning for the future.

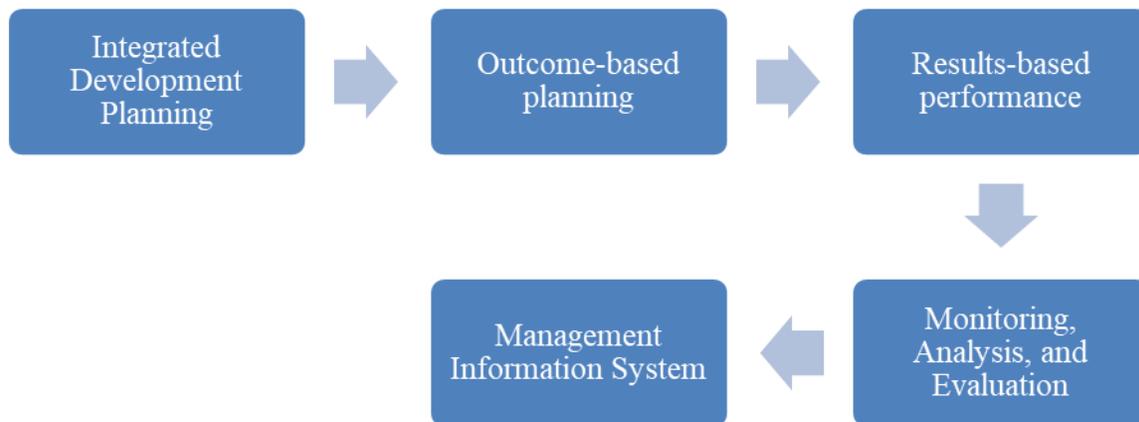
This study analyzes the process of transitioning to a results-based planning and budgeting system in Mongolia, its legal framework, and its actual implementation.

Keywords: Results-based budgeting, results-based planning, integrated management, budget reform, public financial management, performance evaluation, policy coherence

1. Introduction

The transition to a results-based integrated management system is a crucial reform that consolidates the government's financial accountability and the efficiency of budget expenditures. It is a comprehensive process that requires not only technical methodology but also changes in individual attitudes, institutional capacity, governance culture, and leadership. If this transition is implemented correctly, the fiscal stability of Mongolia will reach a new level of financial accountability, enabling more effective implementation of its development policies.

Integrated results-based management consists of the following main components, which integrate five functions: planning, implementation, monitoring, evaluation, reporting, and accountability. These include:



Source: (EU-funded project “Supporting labor market reforms through budget planning aligned with the Sustainable Development Goals in Mongolia.”, 2024)

Integrated development planning is a planning document that includes the country's development goals and objectives, as well as projects and measures that reflect the budget and financial sources to be implemented in the given year; accordingly, a short-term development plan must be prepared.

Result-based budgeting focuses not only on monitoring financial expenditures but also on evaluating the goals, outcomes, and social impacts achieved by the budgetary funds. Therefore, results-based planning and budgeting determine not only the organization's performance indicators but also the actual financial results and the effects on society and the economy. This approach steers budget resources at a more strategic level, aligning with policy objectives and long-term development outcomes. In other words, once the performance indicators for the intended outcomes are determined realistically, the ability to measure, monitor, and evaluate performance is established, and the conditions for management decisions to be grounded in reality are created.

Integrating strategic management with results-based budgeting defines spending objectives and makes ministries more accountable for using public resources efficiently and effectively (Bonomi, Costumato, & Marchese, 2019). Countries around the world are implementing results-based budgeting and planning to improve public services for citizens and to ensure sustainable budget management (Hoque, 2022). Among developed nations, the Nordic countries and the United Kingdom are implementing the most advanced, institutionally mature forms of performance-based budgeting (Artikov, 2025). In recent years, Asian countries have shown considerable attention to results-based budgeting (Gharib, Saleh, & Isa, 2024).

From international experience, by the late 1990s Japan faced backward road transport infrastructure, acute urbanization issues, overlapping responsibilities among too many ministries and agencies, inefficient allocation of resources, a lack of coherence between public transport, urban planning, and environmental regulation, and a need to strengthen safety in air and sea

transportation, as well as to reduce the gap between rural and urban development. Therefore, in 1998 a foundational law to reform central ministries and agencies was enacted, and in 1999 laws establishing the Ministry of Land, Infrastructure, and Transport were enacted. In 2001, within the framework of this law's reform, the Ministry of Land, Infrastructure, Transport and Tourism was created by merging the Road and Transport Ministry, the Ministry of Construction and Urban Development, the Hokkaido Development Agency, the National Land Agency, social infrastructure, transport, and land use into a single, large “transition” ministry. In other words, this ministry is not just a road-building organization, but aims to address systemic issues such as urbanization crises, infrastructure coherence, and lack of inter-ministerial coordination. Japan’s Ministry of Land, Infrastructure, Transport and Tourism is regarded as one of the strongest and most well-organized ministries in the world (Ministry of Land, Infrastructure, Transport and Tourism, 2026).

New Zealand has also established a results-based planning and budgeting system as part of the budget and financial reforms it has implemented in phases since 1989. This system is designed to clarify and allocate responsibilities and involvement at the departmental and agency levels in the processes of defining, implementing, and evaluating policies and programs, and to make them transparent and accountable. The New Zealand Public Finance Act, which regulates the planning, reporting, and accountability mechanisms of government agencies, serves as the primary foundation.

Within this framework, government ministers have the primary responsibility for defining policy and strategic objectives focused on “what to do” (Department of the Prime Minister and Cabinet, 2026). Meanwhile, ministries and agencies focus on “how to implement” the policy by developing implementation measures and operational plans, incorporating them into the budget, and carrying them out.

Since 2012, New Zealand has been implementing the “Better Public Services” program, which has improved coordination and connectivity among government agencies and increased collective accountability for results (The Treasury, 2026). Within this framework, ministers set joint performance targets, multiple agencies jointly implement a single goal, and budget and policy decisions are made based on integrated analysis. As a result, each ministry and agency has shifted to a new approach in which they are evaluated not only on their own performance but on joint outcomes based on impact.

The implementation of results-based planning and budget transition processes in Mongolia, covering the 2023–2025 budget planning and transition process for general directors, evaluating outcomes (financial accountability, optimal resource allocation, decision-making, transparency), A comparative study against international benchmarks, assessing the efficiency of budget reforms and the challenges encountered, drew conclusions in two areas. These are:

1. We examined, from a legal regulatory perspective, whether the legal and institutional environment for transitioning to an integrated, results-based management system in Mongolia

has been established. The planning of outcome-based development policy and the measures and organizational processes implemented to introduce it were examined in relation to government policy.

2. We examined whether the pilot implementation of outcome-based planning and budgeting in 2024 and 2025 by the ministries was able to meet their budgetary requirements.

2. Research on the legal and regulatory framework for transitioning to a results-based integrated management system in Mongolia

In 1996, the “Policy on Reforming and Updating the General Structure of Government Operations and Organizational Framework” was approved. The government's operational direction was redefined, and the overall structural framework was refined through re-engineering. It began introducing management methods suited to the requirements of a market economy in a democratic society. The government made its first attempt to implement results-based performance management by setting a goal of reducing expenditures in the budgets of state agencies and increasing the efficiency of their operations.

In 2002, to establish a system for planning and allocating the Mongolian state budget in an efficient manner, the Law on the Management and Financing of Budgetary Institutions and the Law on the Budget were enacted and have been enforced. With funding from the European Union and the Asian Development Bank, efforts were directed toward establishing the foundations for results-based budgeting and planning

By enacting the Law on Development Policy, Planning, and Their Management in 2020, Mongolia aimed to address the following issues.

- Ensuring the stability and continuity of Mongolia's development policy and planning;
- Defining the principles to be followed in national-level development policy and planning;
- To formulate, plan, and effectively implement development policies,
- To monitor, analyze, evaluate, and report on the implementation of development policies,
- Establish an integrated, efficient system,
- Define the rights and responsibilities of stakeholders in policy and planning,
- Strengthen the management and organization of development policy and planning.

In accordance with this law, in 2022 and 2023, the “Methodology for Preparing the Annual National Development Plan” and the “Methodology for Preparing Targeted Development Programs,” “The Methodology for Preparing Annual Development Plans for Provinces, the Capital City, and Municipalities” was approved in 2022 and 2023, respectively, laying the groundwork in 2023 for the development of short-term development policy documents. However, although policy decisions have been made to shift toward results-based planning and budgeting, a system for ensuring implementation and holding accountable has not been established (State Audit Institution, 2025). Thus, it is evident that the integrated, results-based management system has not been fully consolidated. “Policy on Reforming and Updating the General Framework of Government Operations and Organizational Structure” Since it was

adopted in 1996, the failure to transition to a results-based integrated management system provides grounds for concluding that the accountability framework has not been fully developed. Although projects have been implemented to study results-based planning and budgeting, the policies in Mongolia's long-, medium-, and short-term development policy documents have not fully shifted toward results-based planning and budgeting. It has been included in the plan only in a limited way.

3. Results of implementing results-based planning and budgeting in Mongolia

In Mongolia, results-based planning and budgeting are being piloted in some ministries in 2024 and 2025. When these ministries prepare their draft budgets, they assess their performance against eight indicators that meet the requirements of the results-based budgeting programme guidelines issued by the Ministry of Finance:

- Only 43.7 per cent met the criterion that the programme's issues, causes and needs be clearly defined within the framework of the results logic and the outcomes to be achieved as set out by the Ministry of Finance;
- the criterion that the problems, causes and needs to be addressed within the programme are clearly defined was met by 12.5 per cent;
- 22.9 per cent met the criterion for specifying the programme beneficiaries and target population;
- the criterion for having clear outcomes, outcome indicators, measurement units, and timeframes was met by 20.8%;
- the criterion for having a pathway to achieving the targeted outcome was met by 18.8%;
- the criterion that the programme has measures to produce results, met by 33.3 per cent;
- the criterion that the programme has a defined implementation period, met by 16.7 per cent;
- 27.1 per cent did not meet the criterion that the programme has the inputs, or financial and non-financial resources, to implement the measures.

Within the framework of results-based planning methodology, the above criteria have not been fully met due to a lack of situational and cause-and-effect analysis. Due to the failure to develop a program that fully meets the required criteria, the implementation of the country's long- and medium-term policy objectives is being delayed. The program's failure to deliver results has the adverse consequence of increasing inefficient expenditures. Therefore, it is essential to make situation, efficiency, cost, and resource analyses mandatory and routine at every stage of drafting budget proposals when developing programs.

The fact that the above draft budgets fail to meet the required standards demonstrates that the accountability system is not yet fully developed. The incomplete nature of budget preparation also indicates a lack of cooperation and a deficient governance culture.

4. Conclusion

International experience shows that results-based planning and budgeting require not only methodological innovation but also a comprehensive transformation of governance culture, accountability frameworks and organisational collaboration.

1. The process of transitioning to a results-based planning and budgeting system in Mongolia has become more active at the policy level in recent years, with the legal and regulatory framework in place, but at the implementation stage institutional capacity, It is necessary to establish legal provisions to ensure adequate institutional capacity, human resource expertise and methodological preparation, and to plan programme and activity budgets on a medium-term basis.
2. The evaluation of the programmes of ministries and local government bodies being piloted in 2024–2025 found that the outcome logic chain is weak, The lack of clear indicators, contextual and cost-benefit analyses poses a risk of diminishing the real impact of public funds.

Therefore, to effectively implement results-based planning and budgeting in the future, it is necessary to establish a monitoring and evaluation system with unified outcome indicators, It was concluded that there is a need to systematically strengthen the capacity of officials, develop institutional arrangements to ensure policy and budget alignment, and establish a unified performance indicator-based monitoring and evaluation system.

It is considered appropriate to study and evaluate how governance culture, collaboration, and accountability systems are affecting results-based budgeting and performance.

References:

- Artikov, B. (2025). The implementation practices of performance-based budgeting systems in foreign countries. *International journal of social science & interdisciplinary research* 14(12), 55-61.
- Bonomi, S. A., Costumato, L., & Marchese, B. (2019). .Performance budgeting in context: An analysis of Italian central administrations), 79. *Administrative Sciences*, 9(40), 79.
- Department of the Prime Minister and Cabinet. (2026, January 06). *Ministers and the public service*. Retrieved from Department of the Prime minister and Cabinet: <https://www.dPMC.govt.nz/our-business-units/cabinet-office/supporting-work-cabinet/cabinet-manual/3-ministers-crown-and-public-sector/ministers-and-public-service>
- EU-funded project “Supporting labor market reforms through budget planning aligned with the Sustainable Development Goals in Mongolia.”. (2024). *A Methodological Guide to Outcome-Based Budgeting*. Ulaanbaatar.
- Gharib, N., Saleh, Z., & Isa, C. R. (2024). A Thematic Review on Performance-Based Budgeting in the Public Sector Organisation. *IPN Journal of Research and Practice in Public Sector Accounting and Management* 14(2), 1-31.
- Hoque, Z. (2022). Outcome budgets in government entities: rhetoric or a reality! *Accounting and Management Review/ Revista de Contabilidade e Gestão*, 26(1)., 155-173.
- Ministry of Land, Infrastructure, Transport and Tourism. (2026, January 06). *Ministry of Land, Infrastructure, Transport and Tourism*. Retrieved from Ministry of Land, Infrastructure, Transport and Tourism: <https://www.mlit.go.jp/en/index.html>
- State Audit Institution. (2025). *Audit Report*. Ulaanbaatar: State Audit Institution.
- The Treasury. (2026, January 06). *Better Public Services Result Area One Refresh*. Retrieved from The Treasury: <https://www.treasury.govt.nz/sites/default/files/2017-11/oia-20150465.pdf>