

MOVING AFRICA'S PUBLIC SECTOR TO THE EFFICIENCY FRONTIER: Lessons from the private sector

From the African Community of Practice on Managing for Development Results at the African Capacity Building Foundation



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SYNOPSIS

The need to improve efficiency and service delivery in Africa's national public sectors and to raise accountability has become more important in recent years given rising poverty numbers, growing insecurity, poor governance, widespread corruption—and a consensus recognizing that these improvements are needed to achieve the Sustainable Development Goals (SDGs) by 2030. The private sector is more efficient largely due to its profit-making nature and the need to remain competitive. It is against this background that this guide was conceived to offer a “Six Efficiency Activity Framework” (SEAF) for improving the performance of the public sector in Africa based on lessons and indicators from 15 countries across Africa.

Among the key findings: Africa's private sectors have seen fast gains in performance and service delivery, but most of its public sectors have impeded development activities. Public sectors will now have to be more efficient in spending scarce national resources, reflecting, for example, foreign aid reduction and revenue shocks due to sharp declines in commodity export prices.

The main conclusions: Most of Africa's public sectors lack efficient service delivery. Although most activities they handle are anchored on the managerial concepts of planning, budgeting, implementation, and M&E. The drive to prioritize the stages of execution efficiently, in order to reduce wastage and redundancy, is absent, requiring a framework for addressing these deficiencies.

The key lessons: The “transformation envelope” is essential to successfully implementing public sector activities. It includes the planning and selection stages. This involves documenting decisions made by planning committees, the selection group, and disbursement officers who make the payment and allocation of resources at each phase of the activity. An efficient distribution chain among the core attributes coupled with a means to prioritize activities in the annual work plan of each parastatal will help ensure success of the transformation envelope.

The main recommendation: The SEAF, if appropriately applied, will be a useful tool for according the public sector the same benefits of efficiency-driven service delivery that the private sector already has.

Introduction

At the United Nations Heads of State Summit on the SDGs held in September 2015 in New York, 17 SDGs were approved. To achieve them by 2030, African governments have to be more efficient in the delivery of public utilities and their mandates and provide a conducive environment for private sector-led growth.

Africa's private sectors have seen fast gains in performance and service delivery, but most of its public sectors have impeded development activities. Rises in recurrent (mainly public) expenditure, at the cost of (mainly private) capital spending, has become a feature of most African countries' budgets. The growth-driving impetus of the public sector has been curtailed by corruption and weak linkage among planning, policy, and budgeting.

Public sectors will now have to be more efficient in spending scarce national resources, reflecting, for example, less foreign aid and revenue shocks due to sharp declines in commodity export prices. This is one motivating factor in including the private sector in Africa's development agenda.

The World Bank's Worldwide Governance Indicators have consistently rated African countries low. The government effectiveness indicator scores for Nigeria, Egypt, Kenya, and South Africa, between 2010 and 2014, were -1.19, -0.81, -0.30, and 0.32.¹ Among them only South Africa saw a gain on that score.

Citizens in recent years have been more vocal in demanding efficient goods and services from their government. They want good infrastructure and security, among other things, to support entrepreneurship and to improve their living standards. Private companies want better financing systems to reduce overheads, working capital requirements, and investment risks. Both constituencies drive demand for quality and quantity.

In the near term, citizens' demand for accountability from government is also expected to increase, largely due to the high chance of tax increases to bridge revenue shortfalls from tumbling commodity export prices. Another reason to cut down on public spending is to mitigate rising corrupt practices among public office holders. This requires a more solid framework to reduce these menaces.

The main focus of this paper, this activity-based framework—the SEAF—seeks to provide a guide to public sector actors on how to tackle inefficiencies, poor quality, and insipid performance in Africa's public sectors. We assessed the performance of 15 countries' budgets against a set of indicators and offered a SEAF to improve public sector performance in Africa.

Defining public and private sectors—conceptual issues

Before we look at the SEAF in more detail, we consider conceptual issues of defining the two sectors. The central idea behind the dominance of either is the political and economic ideology practiced in a country. In a centrally planned economy, the public sector dominates economic and political decisions. The state determines “what to produce,” “how much to produce,” and “the classes of people to produce for.” In a capitalist economy, the activities of the state are limited to strategic issues such as the military, while economic decisions are left to market forces.

The public sector is an institutional unit that provides (or is expected to provide) public utilities/goods to its citizens using taxpayers' money and the country's resources. These public goods are provided at a zero marginal cost (the cost of providing the good to an additional person is zero), are non-excludable, and non-rivalrous. The public sector is closely defined and shaped by political factors. The private sector in contrast is often associated with market mechanisms. It has sometimes been argued that as

¹ The indicator is on a scale of -2.5 to 2.5. Values below 0 represent poor governance. It measures the quality of public services, policy formulation, implementation, and credibility of government on such

policies (<http://data.worldbank.org/data-catalog/worldwide-governance-indicators>).

the two sectors operate in different environments, decision making would differ. For example, Nutt (2006) found that private sector managers are more inclined to support budget decisions that are analysis-based and less likely to support those decisions when bargaining is applied; the converse applies to public sector managers.

Another line of demarcation between the public and private sectors is that, while the former is often a “non-profit institution” and strives to improve the welfare of citizens, the latter is profit oriented (IFAC and CIPFA 2013). Other distinguishing features are governance, transparency, and efficiency in delivering goods and services, with the private sector generally the more efficient (Madhani 2014). One of the reasons offered for the better performance in the private sector is the competitive environment in which its companies operate (Armstrong and others 2005).

Some researchers contend that applying the tenets of private sector governance to the public sector is inappropriate (Wettenhall 2004). Be that as it may, the elements of governance in both sectors cover similar areas such as the governance structure of an organization, values and ethics, underlying principles, relevant laws, and mechanisms for good governance (Armstrong and others 2005). Table 1 highlights the main governance differences between the sectors.

Private sector efficiency framework

The underlying framework of private sector efficiency covers the planning process through evaluation (figure 1). Inefficiencies in Africa’s public sector are identified in box 1, which draws on four managerial concepts (listed just below).

Development of the SEAF in a country perspective

Most of Africa’s public sectors lack efficient service delivery (Ayee 2005). Although most activities they

handle are anchored on the managerial concepts of planning, budgeting, implementation, and M&E; the drive to prioritize the stages of execution efficiently, in order to reduce wastage and redundancy, is wholly absent, requiring a framework for addressing these deficiencies. The SEAF stems from these managerial concepts as applied to execution of task(s).

The framework updates the managerial ideology to include outputs and outcomes that have reliable time lags and that can be evaluated with their impact on desired target(s). The six concepts (or core attributes) are therefore (figure 2):

- *Activity planning.* This requires close analysis of projects to be embarked on. Each of these tasks must be screened to ensure that they are part of the activity diary of the ministry/department or agency and are worth being carried out at that particular time.² There should be flexibility and planning must be able to have an impact on the ministry/department or agency. The activity planning stage will consist of the budget envelope, project targets, and identified indicators (to promote efficient M&E processes).
- *Activity budgeting.* This requires preparation of the funding needed to carry out a project or task approved in the activity diary. What is currently obtainable in African countries is that the budget estimate for an activity is repeated several times and without proper execution of task, often duplicating the total project amount. This is a critical phase in the activity chain and must be closely examined.
- *Activity implementation.* The implementation process provides for the execution of projects in an effective and efficient manner. It includes efficient resource coordination, minimizing the deviation between targeted and actual, and quality delivery of each of the project phases. This stage is a key component of project execution as it contains change period and process.

² An integrated work plan of all activities the ministry/department or agency will engage in during the year. Projects can go beyond one

year, but the phases of the projects that have these characteristics should be tracked annually to enable scrutiny and evaluation.

- *Activity M&E.* Project monitoring simply requires parties to be responsible for continuously inspecting activity performance and comparing it with the indicators specified in the activity planning stage using agreed and defined methodologies for the assessment—data garnering and field observation, analysis, and activity reporting. The evaluation element is the process by which stakeholders assess the achievement of the activity targets stated in the activity planning and budgeting documents.
- *Activity output.* This output should be able to meet its objective(s). Each public sector activity should meet the needs of citizens, either to enhance their living standards or protect lives and properties.
- *Activity outcome.* This is the end result of each activity. This is the stage that assesses the impact of the public sector activity on the target(s). It reveals what and how the activity has influenced their well-being.

Evaluation of the core attributes in 15 African countries

The “transformation envelope” (figure 3) is essential to successfully implementing public sector activities. It includes the planning and selection stages. It documents decisions made by planning committees, the selection group, and disbursement officers who make the payment and allocation of resources at each phase of the activity. An efficient distribution chain among the core attributes coupled with a means to prioritize activities in the annual work plan of each parastatal will help ensure success of the transformation envelope.

Based on recursive evaluation, this study selected 15 countries based on availability of data on public sector activities.³ It adopted the fiscal budget components of these countries for fiscal year 2014 and the 2015 Open Budget Index as provided by the International Budget Partnership. It also considered empirical studies on the determinants of public sector activity and public sector service delivery for

the country selection and ranking of selected subindicators for each activity phase. (Humphreys 1998; Anwar and Andrews 2005; Hammami and others 2006; Besley and Ghatak 2007; and Mandl and others 2008.) The means of carrying out their activities were also used for the assessments.

Average assessments of each subindicator were used to estimate the score for each core attribute and its overall assessment (table 2). The following gives some reasoning behind the scores for the core attributes.

Activity planning score: 2.6 (weak). Improving and maintaining activity planning is limited in Africa’s public sector, contributing to increased inefficiencies in execution of activities. In most planning phases, the fiscal year purpose and activities do not meet the needs of citizens because the activities are not demand-based. Most governments rely very heavily on their own input for their fiscal work plans, thus focusing on activities very different from the needs of their citizens and generating weak scores.

Activity budgeting score: 2.4 (very weak). The assessment was on the adequacy and availability of the five subindicators and whether the data in these documents were comprehensive, timely, and useful. It also assessed the extent of effective oversight provided by legislatures and Supreme Audit Institutions, and the opportunities available to the public to enter in activity budgeting and expenditure-making processes.

Activity implementation score: 2.6 (weak). The activity implementation has remained weak over the years. It may be attributed to increases in corrupt practices among public officials and inappropriate planning and budgetary processes.

Activity M&E score: 2.3 (very weak). Good M&E standards require that all public sector activities undergo a review of plans and objectives, verify performance indicators, track progress and impact of the activity, document reasons for non-

³ The 15 countries in the evaluation are Algeria, Burkina Faso, Cameroon, Egypt, Kenya, Malawi, Morocco, Mozambique, Niger, Nigeria, Rwanda, Sierra Leone, Tanzania, Uganda, and Zambia.

Although Malawi is classified as a Central African country, the study grouped it with East Africa because of its close geographical tie.

achievement, and confirm achievements, among other matters (Freeman 2003; Frankel and Gage 2007).

Activity output: 2.7 (weak). Activity output of the public sector remains weak. Although timeliness and regularity of accounts reconciliation of the activity shows an impressive score of 3, this may be partly due to adoption of International Financial Reporting Standards and improved financial handling and professional ethics of most African countries. But efforts should be stepped up in the other three subindicator areas.

Activity outcome: 1.3 (very poor). The activity outcome of the public sector is poorly managed, reflecting poorly supervised impact assessments of service delivery and weak response of citizens to the service delivered by most activities, which may be attributed to poor oversight functions of government officials such as the Auditor-General (as seen in the Open Budget Index) and weak legislative oversight. The oversight of activity budgeting and implementation, which is a key function in the activity execution cycle, is also still developing. The line budgeting system practiced in most African countries makes oversight functions challenging.

Overall assessment: 2.3. The overall assessment is disappointing, underlining the need for such a framework as the SEAF.

Integrated approach to SEAF using referral diagram and logic model

The SEAF is not dogmatic; rather it draws on what is obtainable in developed countries. The framework consists of six efficiency attributes that correct the deficiencies observed in public sector activity delivery (figures 4a and 4b). These efficiency attributes are:

- Efficient selection. The process of selecting public sector activity is not demand-driven, but opinion-based. Many governments provide only activities of interest to themselves, without consulting the public. The selection process must be efficient for

the output obtained from the activity to have a meaningful impact on end users.

- Efficient bureaucratic process. This must be efficient to minimize the time and corruption associated with the disbursement of funds and procurement of resources (figure 4a).
- Efficient procurement. Procurement methods in Africa are very poor. Government procurement is either overestimated or not related to the materials needed for the activity. In an efficient procurement system, materials are procured after justification.
- Efficient M&E. This is somewhat like a side mirror, showing the true picture of events in phases and showcasing performance variance (figures 4a and 4b).
- Efficient impact assessment. Efficient impact assessments are pre- or post-activity, and should be carried out alongside the execution of each phase of activity. A post assessment should be done at the end of the activity.
- Efficient time lag. Each activity undertaken by public offices and organizations should be time bound. The time lag should meet citizens' expectations according to public supplies available.

Applying the SEAF to public sector activities: Moving to sustainable efficiency

The outcomes of the assessments indicate that the six stages of public sector activity are weak (see table 2). This therefore necessitates the phased application of the framework to provide efficient ways of making output available to end users. Each phase represents each stage of activity (tables 3 to 8).

Conclusions and lessons learned

Commitment to efficient service delivery to citizens is one of the key functions of government in any country. But over the years, African citizens have been deprived of this right due to inefficiencies in public sector activities.

This paper has identified the stages of providing services in the public and private sectors and ranked them by performance indicators. Most are very weak compared with what is obtainable in private sector operations. To plug the gaps, we suggested applying private sector approaches through the SEAF.

Public sector activities, especially the budgeting process, is still weak in Africa. Areas related to public participation, comprehensiveness of stakeholder participation, and oversight require immediate and sustained efforts. Further, public sectors seem to lack commitment to their citizens, and indeed, have often failed to understand the demands of their citizens.

We hope that the SEAF, if appropriately applied, will be a useful tool for according the public sector the same benefits of efficiency-driven service delivery that the private sector already has.

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Tables and figures

Table 1. Governance structure in the private and public sectors

Governance	Private sector	Public sector
<i>Organization structure</i>	Enterprise: outsider and insider models	a) Department b) Statutory authority c) State-owned enterprise d) Public-private partnership, build-operate-transfer, design-build-operate, build transfer
<i>Regulation</i>	Corporation Act Regulated	a) State-owned Enterprises Acts b) Statutory legislation c) Regulator and regulated
<i>Agents</i>	Shareholders	Public
<i>Objectives</i>	Profit making	Provision of public good to improve citizens' welfare
<i>Origin of governance model</i>	International Financial Reporting Standards	a) Auditor general b) Public service commission
<i>Authority</i>	Board of trustees	a) Government b) Ministries and departments board
<i>Responsibility</i>	Legal responsibility of board	Responsibility is diffused
<i>Independence</i>	Legal independence of board Selection and appointment of members	Ministerial control
<i>Accountability</i>	To shareholders	Mainly to the public
<i>Reporting</i>	Annual report to shareholders	Ministers, parliament, auditor general, ministry/department or agency heads and the treasury

Source: Armstrong and others (2005).

Table 2. Public sector activity scores for subindicators, core attributes, and overall assessment

		Score
Activity planning	Country's fiscal year purpose and activities meet the needs of citizens	2
	Government frequently evaluates, by soliciting community input, whether its mission and activities provide benefit to the citizens or not	2
	Activity was planned based on researching the internal and external environment	3
	The activity identifies the changing needs of the citizens	2
	Activity matches the set goals and measurable objectives that address the critical issues of the economy	2
	The plan integrates all the activities around the mission/targets for the fiscal year	4
	The plan prioritizes activities and develops timeliness for the accomplishments	3
	The plan establishes an evaluation process and performance indicators to measure the progress toward the achievement of objectives	4
	The plan is communicated to the general public	2
	Core attribute score	2.6
Activity implementation	Classification of the activity	4
	Comprehensiveness of information included on resource procurements	4
	Extent of reported disbursement	2
	Transparency of inter-phase activity relations	2
	Aggregate fiscal risk from other public sector entities	3
	Public access to key fiscal information on work in progress and execution	1
	Core attribute score	2.6
Activity budgeting	Classification of the activity budget	4
	Comprehensiveness of information included in activity budget documentation	4
	Oversight of aggregate fiscal risk from other public sector entities	1
	Orderliness and participation in the activity budget process	2
	Multi-year perspective in fiscal planning, expenditure policy, and budgeting	1
	Core attribute score	2.4
Activity monitoring & evaluation	Reviewing plans and objectives of the activity	3
	Verification of set performance indicators	3
	Tracking of progress and impacts of the activity in phases and at completion	2
	Documents reasons for non-achievements of activity in phases and at completion	2
	Monitor and evaluate responsibilities and responsible	2
	Plan for future activities using the present as a basis	2
	Competition, value for money, and controls in procurement	2
	Validate achievements: go beyond what was documented; actual visit and see it	2
	Assess benefits and costs of participation	3
Core attribute score	2.3	
Activity efficient output	Timeliness and regularity of accounts reconciliation of the activity	3
	Availability of information on resources procurement by units	2
	Quality and timeliness of completion of activity	2
	Quality and timeliness of activity's service delivery	2
	Core attribute score	2.7
Activity efficient outcome	Scope, nature, and follow-up on activity's service delivery	2
	Impact of service delivery on citizens	1
	Assess the response of the citizens to the service delivered by the activity	1
	Core attribute score	1.3
	Overall assessment	2.3

Source: authors' assessment.

Note: Indicator rankings: 1 – Poor; 2 – Very Weak; 3 – Weak; 4 – Strong; 5 – Very Strong. In arriving at the scores we consider 15 African countries, which consist of five West African countries, two Southern African countries, three North African countries, and five East African countries.

Table 3. Activity planning

Inefficiencies	Appropriate efficiency tool(s)	Application and lessons from private sector	Expected outcome(s)
<p><i>Planning.</i> The planning phase of public sector activity is relatively weak due to a lack of transparency and misalignments between activity selection and countries' policy goals.</p>	<ul style="list-style-type: none"> • <i>Efficient selection.</i> • <i>Efficient bureaucratic process.</i> 	<p>The planning phase of activity in the private sector considers openness and comprehensive shareholder engagement. Activity selection is focused and directly linked to the firm's goals and vision. Public service should inculcate this process to enhance planning for efficient activity selection. Again, there is a need to define a clear division between stated policies and the targets who benefit from the outcome of each activity. This will drastically reduce the bureaucratic process involved in the planning phase of public sector activities.</p>	<p>With an efficient selection and bureaucratic process in place, public sector activities will be more goal focused. This is ultimately expected to drive national productivity and growth.</p>

Table 4. Activity budgeting

Inefficiencies	Appropriate efficiency tool(s)	Application and lessons from private sector	Expected outcome(s)
<p><i>Budgeting.</i> Budgeting and budgetary disbursement are very weak. The major issues are inflating the budget to cover unethical use; lack of public participation in the budget process; lack of multiyear perspectives; and weak oversight of aggregate fiscal risk.</p>	<ul style="list-style-type: none"> • <i>Efficient procurement.</i> • <i>Efficient monitoring.</i> • <i>Efficient bureaucratic process.</i> 	<p>In the private sector, realizable targets and goals are well defined, such that budget disbursements are target based. Each fund amount disbursed is to achieve a pillar that strengthens the realization of each of the activity targets and goals. This can be attained when there is an efficient procurement procedure. For instance, funds released to obtain an item at a particular amount is judiciously used for the purpose—amount, quantity, and quality and not trading off any of the characteristics. Efficient monitoring and bureaucratic processes are in place to check excessive workings of procurement offices.</p>	<p>Efficient procurement, monitoring, and bureaucratic process will reduce the threat of budget failure. Scrutinized procurement processes, reduction in the long bureaucratic chain, and resourceful monitoring of processes result in improved and results-based budgeting. This means that spending on the activity will be highly purposive and will yield the required results.</p>

Table 5. Activity implementation

Inefficiencies	Appropriate efficiency tool(s)	Application and lessons from private sector	Expected outcome(s)
<p><i>Implementation.</i> Activity implementation in Africa is very weak. A poor score on main indicators such as comprehensiveness of information on resource procurement and classification of activity indicate that there is not much to be done on documentation. Much work is also needed in the extent of reporting disbursed funds, transparency in operations of each phase, aggregate fiscal risk, and public consumption of information on work in progress and execution of activity phases.</p>	<ul style="list-style-type: none"> • <i>Efficient M&E.</i> • <i>Efficient time lag.</i> • <i>Efficient bureaucratic process.</i> 	<p>There is absolute absence of a bureaucratic process when it comes to implementation of activity phases in the private sector. It would be excellent if the public sector can embrace this approach. But because of the way the public sector is structured, zero bureaucracy may be daunting. Nonetheless, an efficient one should be advocated. Efficient M&E of activity phases will allow quality and results-oriented activity delivery alongside prompt interventions (that is, change process) so that the activity will be optimized on standards and meeting goals.</p>	<p>Improved implementation of activity and timeliness of program delivery. As implementation of program phases are results-based, it is expected that the outcome should not deviate from the stated objectives and targeted population.</p>

Table 6. Activity M&E

Inefficiencies	Appropriate efficiency tool(s)	Application and lessons from private sector	Expected outcome(s)
<p><i>M&E.</i> Several subindicators (table 2) are very weak. The main M&E tasks are poorly rated, indicating lack of capacity and increasing unethical practices in Africa.</p>	<ul style="list-style-type: none"> • <i>Efficient impact assessment.</i> • <i>Efficient time lag.</i> • <i>Efficient bureaucratic process.</i> 	<p>In private sector settings, the competitive environment, accountability for each activity to shareholders, and strong internal and external audit processes serve as a check on service delivery. If public sector activities were based on an efficient impact assessment such that each phase were executed to meet goals, the M&E processes in each phase would be more efficient than now. More so, the tools of efficient time lag and bureaucratic process will help foster the importance of the activity and align deliverables with citizens' demands.</p>	<p>Efficient M&E and enhanced activity outputs and outcomes.</p>

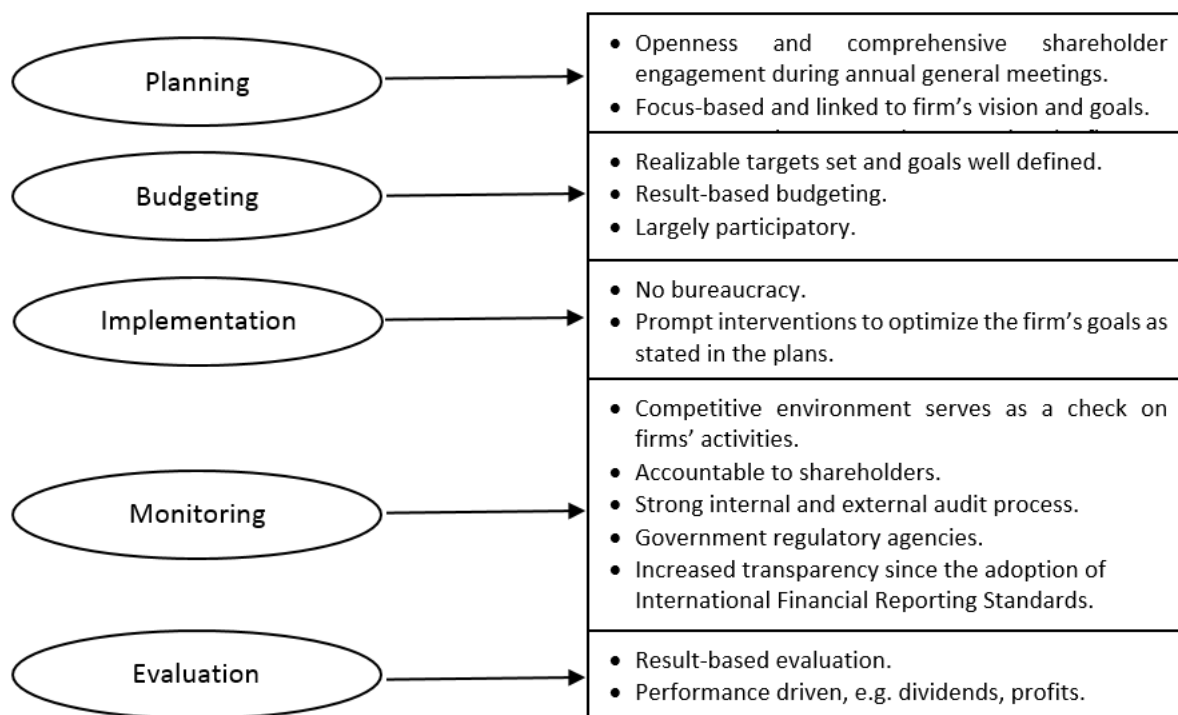
Table 7. Activity output

Inefficiencies	Appropriate efficiency tool(s)	Application and lessons from private sector	Expected outcome(s)
<i>Public sector output.</i> Assessed relatively weak.	<ul style="list-style-type: none"> • <i>Efficient impact assessment.</i> • <i>Efficient time lag.</i> 	Output of public sector activities did not meet citizens' requirements. With an efficient impact assessment and an appropriate production time frame, the government will be able to examine the output and make changes accordingly.	With an efficient impact assessment and time lag, it is expected that public sector output will be more useful to recipients as it meets their demands.

Table 8. Activity outcome

Inefficiencies	Appropriate efficiency tool(s)	Application and lessons from private sector	Expected outcome(s)
<i>Public sector activity outcome.</i> Assessed very poor.	<ul style="list-style-type: none"> • <i>Efficient impact assessment.</i> 	The private sector insists on an efficient impact assessment to obtain feedback from clients. With an efficient impact assessment in public sector activities, governments tend to better understand the demands of end users.	It is expected that this should improve a lot with a stable and focused planning stage for an activity, followed by results-based budgeting, which ensures that funds are efficiently used. Again, in light of effective implementation of activity phases and strong M&E of program milestones, it is expected that output obtainable in that process will be results-based and will address the need for which it is initiated. There is a real need to complement these changes with an efficient impact assessment of all M&E processes and assess whether the output from the activity satisfies its goals and objectives.

Figure 1. Private sector framework



Source: Authors.

Figure 2. Activity components

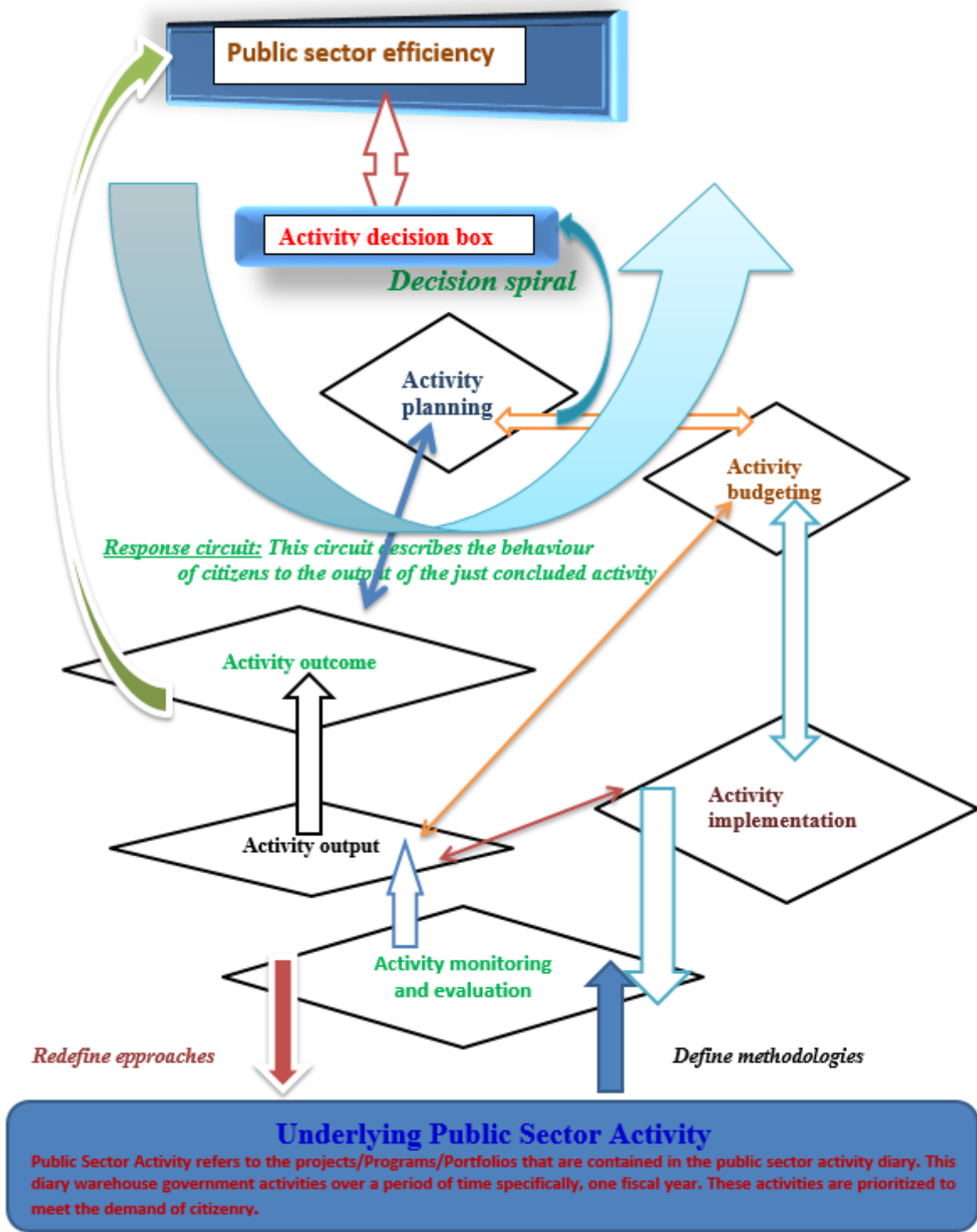
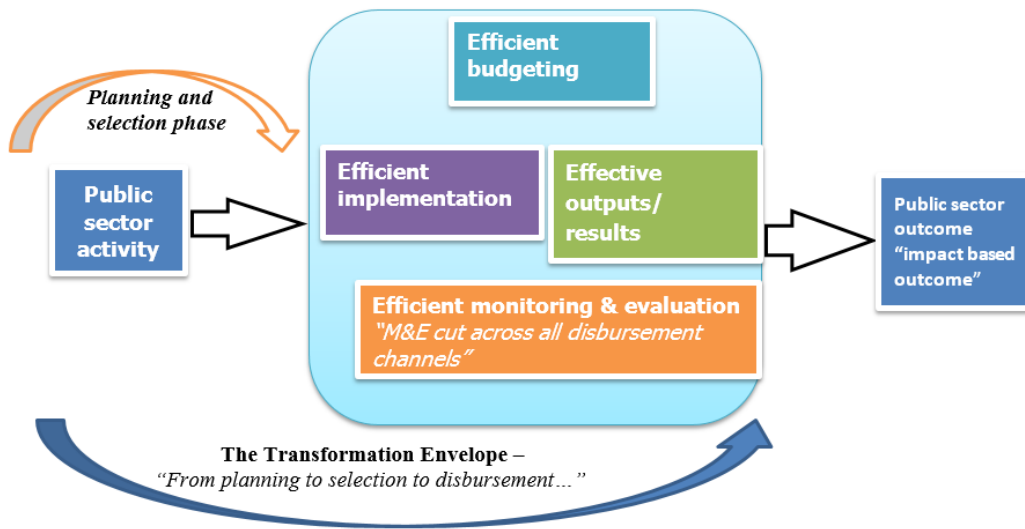
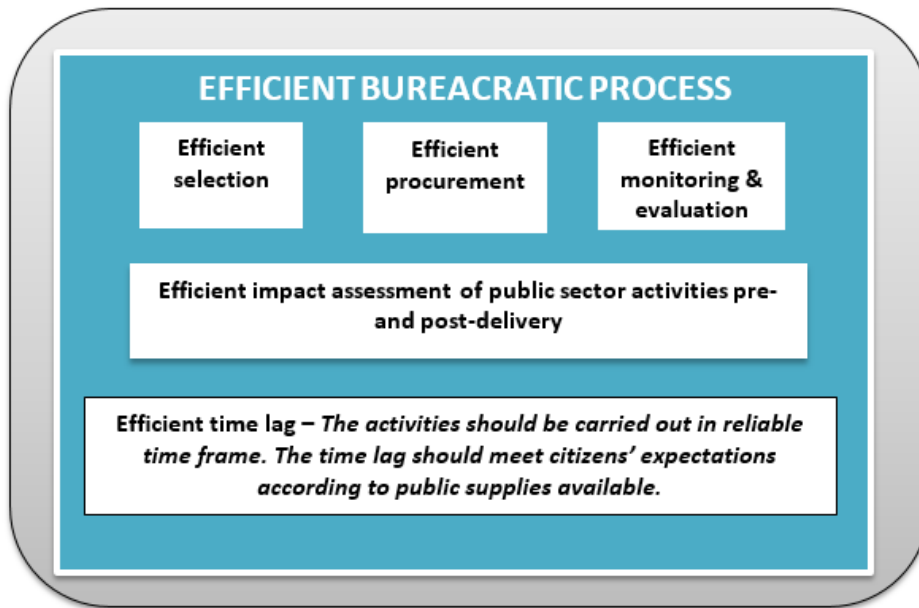


Figure 3. Linkage among the core attributes of public sector activity



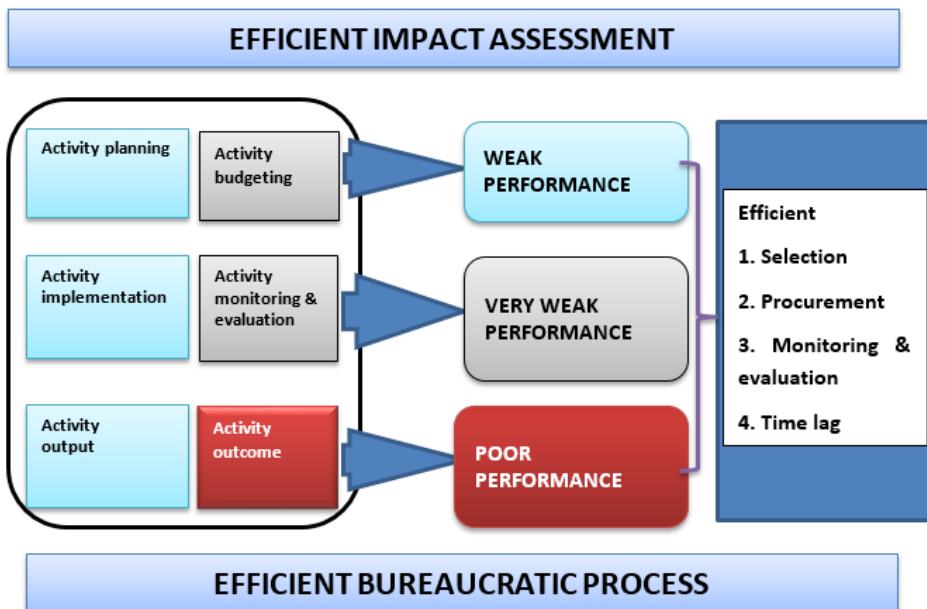
Source: Authors.

Figure 4a. Referral diagram of the "Six Efficiency Activity Framework"



Source: Authors.

Figure 4b. Logic model of the "Six Efficiency Activity Framework"



Source: Authors.



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