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Evaluation of PEFA Programme 2004 – 2010 & Development of Recommendations beyond 2011

Final Evaluation Report

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Final Report Submitted by Fiscus and Mokoro to the PEFA Steering Committee

July 2011

Abbreviations

AAP	(HIPC) Annual Assessment & Action Plan
AfDB	African Development Bank
AusAID	Australian Agency for International Development
CABRI	Collaborative African Budget Reform Initiative
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Review
CIDA	Canadian International Development Agency
CPIA	Country Policy & Institutional Assessment
CSOs	Civil Society Organisations
DAC	Development Assistance Committee (of the OECD)
DANIDA	Danish International Development Assistance
DC	Developing Country
DFID	Department for International Development of the UK
DP	Development Partner
DPL	Development Policy Lending
EC	European Commission
GBS	General Budget Support
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Countries
IEG	Independent Evaluation Group (World Bank)
IFMS	Integrated Financial Management System
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
LGA	Local Government Authority
MDAs	Ministries, Departments and Agencies
MoF	Ministry of Finance
MPs	Members of Parliament
MTEF	Medium Term Expenditure Framework
NAO	National Audit Office
NPM	New Public Management
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation & Development
PEFA	Public Expenditure & Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PRSC	Poverty Reduction Strategy Credit
PRS(P)	Poverty Reduction Strategy (Paper)
ROSC	Report on the Observation of Standards & Codes
SBS	Sector Budget Support
Sida	Swedish International Development Cooperation Agency
TSA	Treasury Single Account
WB	World Bank

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Executive Summary

The PEFA Programme was launched in December 2001 and is now in its third phase, covering the period up to December 2011. In line with the requirements of the project document, an independent evaluation of the programme, including an updated assessment of the Programme's institutional development impact, was undertaken over January – April 2011. Following two rounds of discussions of draft observations and recommendations by video-conference with the PEFA steering committee and the incorporation of written comments, the present Final Evaluation Report was submitted in July 2011.

Main Findings

The overall evaluation of the performance of the PEFA programme is a resoundingly positive one. Across the world 90 per cent of low income, 75 per cent of middle income and 8 per cent of high income countries had been assessed, were in the process of assessment or were going to be assessed by October 2010.

The PEFA Programme has succeeded in creating a credible framework for the assessment of PFM functionality, which manages to be comprehensive in its coverage and yet sufficiently simple for the non-technical user to understand. The framework is comparable over time and, subject to certain caveats, also comparable across countries. It has been applied in countries of different geographical regions, different income levels and different administrative traditions and in a sufficiently large number of countries to constitute a credible, common information pool on PFM performance.

The PEFA assessment framework is now used by all major development agencies working with PFM systems, either as a tool to support the design and monitoring of PFM reforms or as a key element of fiduciary risk assessment processes. It has been adopted by many governments to inform the design of PFM reforms, to help monitor the progress of PFM reforms over time and to assess the quality of PFM at sub-national levels. **The PEFA assessment framework has thus been established as a viable and useful brand.**

Yet the brand remains vulnerable until a more systematic method to guarantee quality can be established. The Secretariat's data suggest that there has been a significant improvement in quality over time. Yet, a number of stakeholders did identify occasional problems with quality, particularly for assessments not passing through the Secretariat's QA process.

These concerns related only to a small minority of the assessments undertaken to date, but confidence in the quality of the PEFA instrument as a whole may be undermined by the continued presence of this small minority. Steps to move as closely as possible to a full guarantee of quality are therefore recommended.

A second point of concern is that until recently the PEFA Programme has had less impact on its global objectives than had been expected. There was good progress in creating a common pool of information on PFM systems but not in respect of enhanced country ownership of reforms, and improved alignment and coordination of donor support to PFM reform.

Over 2009 and 2010, the picture has changed: amongst the country case studies undertaken for the evaluation, 9 out of 11 countries showed evidence of governments using the PEFA framework to take control of their PFM reform agendas. In 4 out of 5 of the Low Income Countries in the sample, as well as in others on which information was received, the PEFA framework had been adopted as a tool for periodic benchmarking of the status of PFM systems, and thus as a centrepiece in dialogue with Budget Support donors. In the Middle Income Countries, the PEFA framework had been used either to inform national level PFM reform processes or as an assessment tool to guide PFM reform at subnational levels of government. Thus, at least within the sample of countries assessed, progress is being made in the use of the PEFA framework to enhance country ownership of reforms, and to improve alignment of donor support to PFM reform.

Yet, during most of Phase III of the PEFA Programme, a lack of awareness of the scope and potential of the PEFA assessment framework was an issue for many governments – and we believe it remains so in North Africa & the Middle East, in Asia and, to a lesser extent in Latin America. Even in the recent PEFA assessments undertaken in MICs, the agencies leading PEFA assessments have had to expend inordinate efforts to "sensitise' partner governments to the virtues of the framework. Moreover, even where awareness of the framework is high, its potential as a benchmarking tool around which to organise dialogue with donors, or with sub-national governments, or with civil society, is not everywhere fully appreciated, in part because it is perceived by some stakeholders as a tool of fiduciary risk assessment, rather than a more developmental, diagnostic tool.

In the next Phase, the PEFA Programme should do more to promote improvements in these areas, maximising the potential that the PEFA programme has now demonstrated. Specifically, we recommend that networking, communication and dissemination programmes should be devised aimed at:

- Giving Governments the confidence to build a common, harmonized dialogue on PFM reform on the basis of PEFA assessments; and
- Giving donors, and CSOs engaged in accountability work, the confidence to make greater use of the PEFA framework, reducing reliance on competing diagnostic frameworks and increasing harmonisation in support of PFM reforms.

Finally, with the PEFA brand well established and with the numbers of repeat assessments increasing rapidly, the information pool which the PEFA Programme has created is becoming a unique, and an increasingly valuable, source of comparative data on PFM performance. Governments, development agencies and researchers need to be encouraged to use the PEFA common information pool to better understand how PFM systems are changing in different countries and how PFM reforms are impacting on those systems.

Recommendations

Chapter 3 of the report provides a comprehensive set of recommendations to address the challenges now faced in Phase IV of the programme. These aim to protect against the Programme's remaining vulnerabilities and risks and to maximise its potential impact in the future.

In the category of risks, there are two main ones: a) the continued problem of variable quality of PEFA assessments and the reputational risk associated with this; and b) the issue of the representativeness of the current PEFA Partners as guardians of an increasingly international product, which is in many ways in the nature of a public good.

Regarding quality assurance, it is clear that quality assessment by the PEFA Secretariat of concept notes and draft reports is a major determinant of the quality of assessments. Yet, not all draft PEFA assessment reports are reviewed and only a minority of concept notes/TORs. In addition, there is at present no standard requirement to submit final reports back to the Secretariat to confirm that QA comments have been duly addressed.

In a framework where PEFA assessments are independently sponsored and managed and there is no formal ownership by the Secretariat, a mandatory QA process would be difficult to impose. We therefore recommend as an alternative the introduction of a standard "statement of quality assurance" to be included in all reports submitted to the Secretariat. This would verify the application and quality of a 3 step QA process (Concept Note/ Draft Report/ Final Report), creating a clear market differentiation between PEFA assessments with a certified QA process and those without, thus generating incentives for use of the Secretariat's QA services.

On the issue of the representativeness of the PEFA Steering Committee, it should be stressed that existing governance arrangements have proven an efficient framework for decision-making, guiding the PEFA from inception through consolidation and into large-scale use. However, the limitations of the current structure may create constraints to further progress. The choice of a relatively small number of PEFA Partners allows for efficiency but it only permits a limited number of stakeholder voices, excluding many key development agencies, professional bodies, non-OECD governments and NGOs. The OECD-DAC Task Force has been a useful alternative consultative framework but it is also limited in its ability to give voice to non-OECD governments and to civil society bodies.

In Phase IV, the creation of a second consultative body – a reference group – to support the Steering Committee could be an effective way to address the need for a wider and more inclusive governance framework. In addition, a method for periodic renewal in the membership of the Steering Committee should be considered.

Operationalisation of these recommendations will require a detailed analysis of governance arrangements and the preparation of more precise proposals. The main text presents a set of specific proposals as a starting point in this process. They key ones are as follows:

- In order to facilitate changes in the membership of the Steering Committee, there should be an increase from 7 to 9 members.
- This would permit a structure with 3 permanent members and 6 rotating members, with the rotating members remaining for 4 years with a staggered rotation period, thus providing a balance between continuity and space for new voices.
- The Steering Committee should be supported by a formally defined Reference Group, which would comprise an equal balance of three groups:
    - Representatives of governments who use the PEFA framework;
    - Representatives of professional accounting and auditing bodies and CSOs

  - engaged in budget advocacy work; and
  - Development Agencies not currently represented within the Steering Committee.
- A structure of 6 representatives from each of these groups is proposed, making a Reference Group of 18 members.
- In order to facilitate their participation, it is recommended that the participation of the 6 Government representatives should be sponsored by the Secretariat. Other members would be expected to finance their own participation.
- The Reference Group would act as a consultative body, meeting once a year in Washington DC to review progress with the PEFA Programme and prepare advice for the Secretariat and resolutions for consideration by the Steering Committee.
- The rotating members of the Steering Committee (on 4 year placements) would be nominated by and probably drawn from the Reference Group.

There are other arrangements, which might raise the number of stakeholders involved in the PEFA process, without requiring changes to governance arrangements. These arrangements have their merits but they do not strengthen the representativeness of the PEFA Steering Committee itself. Secondly, all consultation arrangements, which fall short of providing voting power, are open to the charge of being piece-meal. In order to establish reliable methods of consultation and engagement and put to rest any concerns about representativeness, such arrangements do not provide a solution. A more formalised Reference Group with clear links to the Steering Committee seems to be necessary.

A third, but in the medium term less fundamental, risk relates to the need to update the overall PEFA framework and methodology. It is important to ensure over time that all of the PEFA indicators remain relevant, useful and measureable. The current framework has proven relevant and useful across a wide range of contexts. We do not therefore perceive an urgent need for updating. Yet, some indicators are seen as less relevant than others and some do present measurement problems. A periodic updating of the framework is therefore proposed – limited to a minority of the indicators (a maximum of 4 is the recommendation) and to only one update in each five-year period, so as to protect comparability over time, a key attribute of the PEFA framework.

In terms of maximising the potential future impact, the key requirement is for a more substantial outreach function. By this, we mean more than simply communication. The main requirement is to build networks so that more of the key stakeholders (especially governments) engage with the PEFA framework and engage with each other in promoting good uses of the framework. The Reference Group is a key tool for doing this.

The other aspect of outreach is an active communication and networking strategy, which might be managed by the PEFA partners, through a separate project arrangement, or through the PEFA Secretariat. This would entail support to the PEFA communications policy as well as a programme of networking activities, such as regional seminars, bringing together governments and other PEFA users to promote peer-to-peer learning.

In order to maximise future impact, it is also necessary to ensure that the PEFA data-base on PFM starts to be used more actively in research. This is less of a priority in the short-term but by late 2012, the size of the data-base and the numbers of repeat assessments will make it a very useful research tool.

Implications for staffing and funding

In line with the above recommendations, the report provides proposals on the scope of activities for Phase IV of the PEFA Programme. These seek to maximise the potential of the Programme to achieve its stated high level objectives, whilst also protecting it against the risks, which threaten its sustainability.

Within this overall scope of activities, there are decisions to be taken over a) how soon new activities should be initiated and b) which of these activities should be undertaken within the PEFA Secretariat and which should be "mainstreamed" within the work programmes of the PEFA Partners.

Regarding the phasing in of new activities, the main considerations relate to the time at which benefits from the new activity are likely to be sufficient to justify their initiation, and the lead time which is likely to be necessary to ensure such activities are well planned and designed. Thus, initiation of research promotion activities might reasonably be delayed until late 2012, when the expanded numbers of repeat assessments would be greater and the potential value of research on the PEFA data-base more substantial. The establishment of the proposed PEFA Reference Group might also reasonably be delayed so as to allow time for careful consideration of the different institutional options available and to ensure an optimum set of arrangements. On the other hand, strengthening of QA functions should not be delayed.

Regarding the choice of placing functions within the Secretariat as opposed to mainstreaming them amongst PEFA partners and other users, there are two principal considerations. Firstly, it is necessary to assess whether there exist organisational and administrative structures within the PEFA Partners' institutions, which can take up responsibilities for these functions and execute them on a timely and effective basis, or alternatively whether such structures can be relatively quickly created. Secondly, one must consider the extent to which such functions can be added to the administrative responsibilities of the PEFA secretariat, without excessively increasing the management burdens, which would prevail within a Trust Fund arrangement.

In relation to the former criterion, it is clear that structures already exist both to manage PEFA assessments and to deliver training on the use of the PEFA framework. Indeed, these activities have been successfully mainstreamed. For the core 'maintenance' and quality assurance functions, including QA support to training, the comparative advantage of the PEFA Secretariat is extremely strong. The QA recommendations above imply an expansion of this QA function. In relation to dissemination and networking and maintenance of the PEFA Data-base and promotion of Research, the arguments for and against "mainstreaming" are more balanced.

Taking these arguments together, three broad options for staffing are proposed. These would imply an increase in the permanent staff of the Secretariat from 6 (in June 2011) to 8, 9 or 11 by end 2012, depending upon the particular choices made by the Steering Committee. Taking account of the requirements for the servicing of the Reference Group and the expansion of outreach functions, the highest staffing option would imply approximately a doubling of the current level of spending (which has been 80% of budget). Clearly, such a substantial increase requires careful consideration, as well as a gradual, structured process of implementation.

A first point to be made is that whilst a percentage increase of 60-70% in the current budget is significant, the proposed maximum annual increment of some US $ 700,000 per year is not substantial, in relation to the scope of the work of the PEFA Programme and the extent of its influence. Indeed, we have no doubt that the additional benefits from this spending would more than justify these costs.

Secondly, this increment is not envisaged as simply the first in a series of budget increases. We have attempted to assess the long-term requirements to service the PEFA framework on a sustainable basis and to ensure a maximisation of impact. Whilst continued funding beyond the planned 5-year Phase IV will almost certainly be needed, we can see no reason why annual outlays should again need to increase.

Thirdly, it is not anticipated that Steering Committee decisions on these recommendations would be taken all at once. What is anticipated is a set of cumulative decisions taken over the course of the next 18 months, which would allow for certain recruitment processes to be initiated soon and others to be deferred to June 2012 to be reconsidered in the light of new evidence on the demand for services.

1 Introduction and Overview

1. The PEFA Programme was launched in December 2001 and is now in its third phase, covering the period from October 2008 to December 2011. The project document for the third phase required an independent evaluation of the programme, as well as an updated assessment of the impact of the Programme. Accordingly, during November 2010, the PEFA Steering Committee contracted an Evaluation team comprising Andrew Lawson, of Fiscus Limited, UK (as Team Leader) and Alta Folscher of Mokoro, UK. Andrew Mackie, Giovanni Caprio and Bruno Giussani were subsequently contracted to undertake a selection of country visits aimed at assessing the impact of the PEFA process in different countries and regions. The Evaluation process has been jointly managed by Monica Rubiolo of the Swiss State Secretariat for Economic Affairs (SECO) and Michel Lazare of the Fiscal Affairs Department (FAD) of the IMF.

2. Following acceptance of the Inception Report by the PEFA Steering Committee in December 2010, the evaluation of the PEFA Programme was undertaken over January – April 2011, comprising document analysis, interviews with key stakeholders and country visits. A Draft Report was tabled in April, on which comments were received from the Steering Committee and the PEFA Secretariat, which were discussed at a video conference on 28th, April 2011.

3. During April, the country visits undertaken as part of the evaluation process were completed. The evaluation report was thus amended to incorporate the results of these country visits and to introduce refinements made in the light of the comments received. A further discussion on the revised text took place with the Steering Committee by video conference on 31st, May 2011. Written comments were later provided by the Steering Committee. Following this, a final set of amendments was made to produce the present document, the Final Evaluation Report.

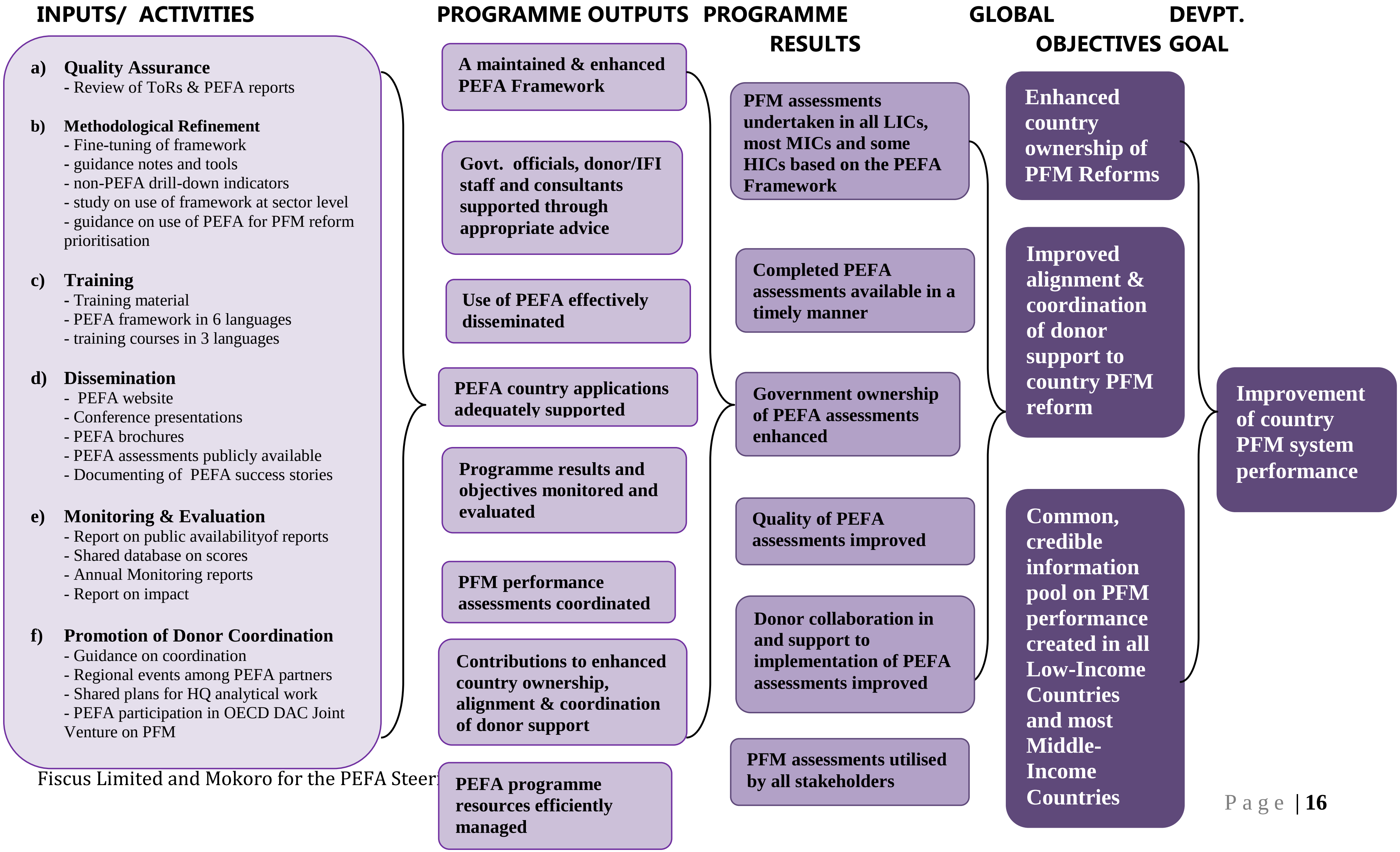
1.1 The Evaluation Objectives, Framework & Evaluation Questions

4. The objectives of the evaluation, as presented in the terms of reference are two-fold:

- To assess the PEFA Programme against seven core evaluation questions, as well as against the objectives and targets established for each Programme Phase.
- To develop options for the future of the PEFA programme beyond 2011.

5. The global objectives and programme results, set out in the project document for Phase III and reproduced in Figure 1 below, provided our point of reference for the first part of the evaluation involving the assessment of the PEFA Programme against seven core evaluation questions. In addition, we have considered the significant exogenous and contextual factors, which may have affected implementation of the Programme.

Figure 1: Overview of PEFA Phase III Programme Performance Framework



6. The evaluation has sought to answer the following seven core evaluation questions[1]:

(i) **Effectiveness** – To what extent have the outputs delivered by the Programme met the overall Programme objectives articulated at approval, including the extent to which the Programme has made a difference?

(ii) **Relevance** – To what extent has the Programme been consistent with the overall development strategy and policy priorities of the principal stakeholders, including the Programme's comparative advantage in addressing this agenda, taking into account the broader donor harmonization environment and aid effectiveness agenda?

(iii) **Efficiency** – To what extent have the Programme's outputs and impact been commensurate with the inputs and resources provided?

(iv) **Sustainability** – To what extent is the Programme technically and financially sustainable, including the likelihood that Programme benefits and results will be maintained and mainstreamed within the partner institutions and other donor agencies?

(v) **Institutional Development Impact** - To what extent has the Programme contributed to improvements in approaches to PFM work that enable partner countries to more effectively manage available financial resources?

(vi) **Governance of the Programme** - How effective have the arrangements employed for implementation been, including the role of the Steering Committee and the Secretariat as well as the relationship with the OECD-DAC Joint Venture/Task Force on PFM, the Public Expenditure Working Group, other donor agencies individually and partner governments?

(vii) **Process and Implementation** – To what extent has the Programme worked as planned, or, if not, what barriers were encountered and how were they overcome, including the extent to which the Trust Fund covenants have been met?

7. The second part of the terms of reference, requiring the development of options for the future of the PEFA programme beyond 2011, has been addressed by considering three further evaluation questions:

1 These evaluation questions are exactly those included in the terms of reference, with the minor difference that effectiveness is considered as the first question, before the assessment of relevance. This is simply because this question also serves to present the basic facts of what has and has not happened, which is a more natural starting point than the consideration of relevance.

(viii) **Future Scope of activities of the PEFA Programme** – Does the current range of activities provide an adequate basis for achieving the Programme's Global Objectives in the future? Is that range of activities feasible and sustainable technically, financially and in terms of managerial and administrative capabilities? What does this imply for the future scope of activities?

(ix) **Potential needs with regard to technical innovation and development of the PEFA Performance Measurement Framework** – Is there a need for further development of the PEFA Performance Measurement Framework and the related guidance material?

(x) **Appropriate management model for the future** – considering the different options which present themselves what would be the most efficient, effective and sustainable model for managing the future PEFA Programme?

8. The table below presents these ten evaluation questions together with a summary of the judgement criteria and indicators, which have been used to answer them.

Table 1: The Evaluation Questions and Proposed Judgement Criteria

Evaluation Question	Judgement Criteria / Possible Indicators
1) How has the PEFA Programme performed?	
Effectiveness	✓ Extent to which Programme Outputs have contributed to planned Programme Results. ✓ Existence of significant external factors contributing to or hindering achievement of Programme Results. ✓ Value Added of the Programme: its specific contribution to results attained
Relevance	✓ Consistency of Programme with the overall development strategy & policy priorities of the principal stakeholders. ✓ Consistency of Programme with broader donor harmonization and aid effectiveness agenda ✓ Consistency of Programme with country level demands. ✓ Comparative advantage of the Programme in addressing its Global Objectives ✓ Flexibility in Programme design and existence of adequate feed-back/ learning mechanisms to ensure continuing relevance.
Efficiency	✓ Consistency of Programme Outputs produced with planned

Evaluation Question	Judgement Criteria / Possible Indicators
	programme (quantity and timing) ✓ Relative cost of Outputs in relation to budgeted costs. ✓ Extent of coordination between Outputs/ internal coherence ✓ Factors hindering/ facilitating production of Outputs and nature of response by Programme managers.
Sustainability	✓ Technical capability to sustain Programme gains: o Within existing structures? o Within PEFA Partners/ other donor agencies? o At country level? ✓ Financial capability to sustain Programme gains at these 3 levels. ✓ Commitment by existing PEFA Partners to consider appropriate range of options for the future? ✓ Framework in place to manage, if necessary, a transition to a structure sustainable over the long term.
Institutional Development Impact	✓ - Contribution of Programme to improvements in approaches to PFM work that enable partner countries to more effectively manage available financial resources: o Enhanced country ownership o Aligned & coordinated donor support to PFM reform o Common, credible information pool on PFM performance ✓ Factors helping/ hindering progress towards Global Objectives and ability of PEFA Programme to respond to these factors.
Governance of the Program	✓ - Effectiveness of implementation arrangements: o Role of the Steering Committee; o Role of the PEFA Secretariat; o Relationship with the OECD-DAC Joint Venture/Task Force on PFM, the Public Expenditure Working Group, other donor agencies individually and partner governments. ✓ Counterfactual: would different governance arrangements have facilitated higher Impact? For what risks? ✓ Sustainability of the governance arrangements in the longer term.
Process and Implementation	✓ Consistency of actual Programme with initial plans. ✓ Nature of constraints encountered and the response. ✓ Extent to which the Trust Fund covenants have been met
2) How should the PEFA Programme develop beyond 2011?	
Scope of Activities	✓ Adequacy of current range of activities for achieving the Programme's Global Objectives in the future. ✓ Sustainability of the required range of activities, technically,

Evaluation Question	Judgement Criteria / Possible Indicators
	financially and in terms of managerial and administrative capabilities.
Nature of Technical Innovation/ Development	✓ Potential need for further development of the PEFA framework and related guidance materials. ✓ Nature of development needed: ○ minor refinement and updating? ○ development of simple complementary diagnostic tools (“drill-down indicators”)? ○ Development of full complementary frameworks, such as a second PEFA framework of some kind?
Management Model	✓ Most sustainable, efficient and effective model for managing the scope of activities and the degree of technical innovation required : ○ Something similar to the current model with a relatively strong Secretariat, and a small but active Steering Committee made up of PEFA partners with primary responsibility for funding PEFA assessments and for certain ancillary functions such as training? ○ A reduced role for the Secretariat and a concomitant mainstreaming of the PEFA programme activities within the work programmes of the PEFA Partners? Perhaps combined with a widening of the numbers of PEFA Partners? ○ An increased role for the Secretariat, with a wider range of activities under their direct responsibility and a more limited, more arms’ length role for the PEFA Partners and the Steering Committee? ✓ Implications of each of these models for the management of risks and consequent governance arrangements for the PEFA Programme.

1.2 The Approach to the Evaluation

9. In line with the considerations laid out in the Inception Report, the evaluation team chose an overall approach, which put emphasis on a) making maximum use of existing documentation and data; b) undertaking selective carefully structured interviews on the more sensitive issues – as a complement to the documentary analysis; and c) an interactive process of synthesis and development of future options. The work has been structured in four broad phases as follows:

(i) Desk-based analysis of Documentation and Data, aimed at obtaining preliminary answers to each of the Evaluation Questions and developing hypotheses for subsequent testing in interviews.

(ii) Semi-structured interviews at Headquarters Level, including interviews with each of the PEFA partners, with a selection of other OECD DAC members and with the PEFA Secretariat.

(iii) Semi-structured interviews at Country Level to evaluate the impact of PEFA assessments, and identify the main concerns and interests raised at the country level.

(iv) Synthesis and Preparation of Options for the future, including structured interactions with the PEFA Partners and the PEFA Secretariat.

10. The desk-based analysis of documentation and data was focussed predominantly on the extensive documentation, which was made available by the PEFA Secretariat. A small number of additional reports brought to the attention of the team by PEFA Partners were also analysed.

11. The desk-based phase was complemented by a phase of semi-structured interviews with PEFA partners, with the PEFA Secretariat and with a selection of other OECD-DAC members. Interviews served to complement the preliminary findings from the desk phase, to test some early hypotheses and to discuss in a preliminary manner the future options for the programme. Table 2 shows the stakeholders who have been interviewed.

Table 2: Semi-structured interviews completed up to end April 2011

Stakeholder	Interviews Completed
PEFA Secretariat	Detailed one-to-one interview with Frans Ronsholt at PEMPAL conference. All Secretariat members interviewed individually in Washington DC (except one who was absent on mission – Phil Sinnett). Group discussion on future options held with Secretariat.
PEFA Partners	The Evaluation Team Leader participated in the December 2010 Steering Committee in Bern, where initial contact was made with each of the PEFA Partners. Bi-lateral interviews were held in Washington with the IMF & the World Bank, and in Bern, Brussels and Paris with SECO, EU and France. A tele-conference interview was held with DFID. Norway was not directly interviewed on a bi-lateral basis but views have been exchanged at the December 2010 Steering Committee and through video conference discussion on Draft Report.
Other OECD-	Interviews held in Washington with IDB and USAID and with the Asian Development Bank in Manila.

Stakeholder	Interviews Completed
DAC members	Interview held in Paris with Brenda Killen, Head OECD-DAC Aid Effectiveness Unit.
CSOs & PFM professionals	International Budget Project interviewed in Washington. OECD SIGMA team and Jon Blöndal of OECD Senior Budget Officials network interviewed in Paris.

12. A mix of structured country visits and telephone interviews at the country level were undertaken to complement the findings of the desk phase, regarding the institutional development impact of the PEFA programme. These covered two target groups of countries:

- Low Income Countries, which have undertaken PEFA repeat assessments, or have repeat assessments planned. The objective here was to understand more clearly the factors determining the demand for repeat assessments and the factors most critical to active use of the results of those assessments by donors and governments.

- Middle and High Income Countries, which have undertaken PEFA assessments, the purpose being to understand the factors determining their perceived usefulness in these countries.

1.3 Structure of the Report

13. Following this introductory chapter, this Final Report is structured as follows:

- Chapter Two assesses past performance, with respect to the evaluation questions and the specific results areas, identified in the Phase III Programme Document.
- Chapter Three summarises the overall conclusions and considers their implications for the future of the Programme, addressing the three forward-looking questions in the evaluation framework.
- Supplementary material is presented in annex, including notably Annex 2, which summarises the origins and evolution of the PEFA programme and Annex 3, which contains the country visit reports.

2. Assessment of Programme Performance

14. This chapter presents the detailed assessment of Programme performance against the seven evaluation questions. The primary focus has been on performance during Phase III. The chapter is structured according to each evaluation question, with each sub-section in turn divided in line with the judgement criteria identified in the Evaluation framework presented in Chapter 1 Chapter 3 provides a more synthetic presentation of overall conclusions.

2.1Effectiveness of the PEFA Programme in relation to planned results

15. We consider first the question of effectiveness, which is judged in relation to three criteria:

- The results actually achieved in relation to the Phase III Programme framework;
- The external factors which might have helped or hindered performance against planned results;
- The specific contribution – value added – of the Programme itself.

Results achieved in relation to Phase III Programme framework

16. Here, we present a summary of performance against the PEFA Programme's six target results:

- Result 1: PFM assessments undertaken in all LICs, most MICs and some HICs based on the PEFA Framework
- Result 2: Completed PEFA assessments available in a timely manner
- Result 3: Government ownership of PEFA assessments enhanced
- Result 4: Quality of PEFA assessments improved
- Result 5: Donor collaboration in and support to implementation of PEFA assessments improved
- Result 6: PEFA assessments utilized by all stakeholders

RESULT ONE: PFM assessments undertaken in all LICs, most MICs and some HICs, based on the PEFA framework

17. Based on available data the PEFA programme has performed well in respect of the first result. Altogether 120 countries had been assessed, were in the process of being assessed or were going to be assessed at the national level by October 2010, while an additional 3 have had assessments at the sub-national but not the national level (Nigeria, Argentina

and Switzerland). A further 9 overseas territories of OECD states (France, the Netherlenads and the UK) have also been assessed.

18. Across the world 90 per cent of low income, 75 per cent of middle income and 8 per cent of high income countries had been assessed, were in the process of assessment or were going to be assessed by October 2010. This is in keeping with the result targets and represents a major achievement, after only 5 and ¼ years of application of the PEFA assessment framework.

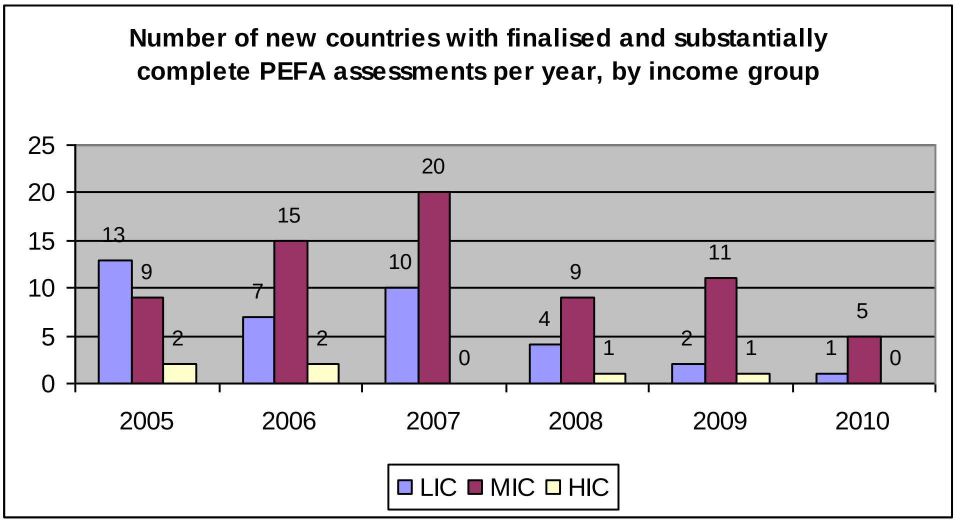
Table 3: PEFA assessments by region and income (October 2010)

	HIC		MIC		LIC	
	PEFA Assessed	Not PEFA Assessed	PEFA Assessed	Not PEFA Assessed	PEFA Assessed	Not PEFA Assessed
East Asia and the Pacific	0	2	12	7	3	2
Europe and Central Asia	0	7	14	6	2	0
Latin America	2	2	22	7	1	0
Middle East and North Africa	1	6	9	3	1	0
South Asia	0	0	4	1	3	0
Sub-Saharan Africa	0	1	16	2	27	2
OECD	1	30	0	0	0	0
TOTAL	**4**	**48**	**77**	**26**	**37**	**4**

Source: PEFA Assessments Database, October 2010

19. Of the 157 PEFA assessments at the national level that had been finalised or substantially completed by October 2010, 45 were undertaken in the 2009 and 2010 calendar. This translates into 20 new countries for which PEFA reports exist in the third phase of the programme, with a further 7 new countries, for which assessments were being planned. The graph below shows the composition of new countries by income groups.

Figure 2: Evolution of new countries undertaking assessments by income group



Source: PEFA Assessments Database, October 2010

Repeat assessments

20. Repeat assessments are seen as a positive indicator of PEFA effectiveness. Table 4 reflects all repeat assessments completed, substantially completed, underway or planned. Of the 120 countries for which national PEFA assessments were planned, commenced or finalised by October 210, 49 were assessed more than once, of which 6 were assessed three times and 2 four times (adding up to 59 repeat assessments)[2]. Over the years, higher proportions of assessments have been repeat assessments. For example, of the 26 countries for which assessments were finalised, substantially complete, underway or planning in 2010, 18 were undergoing repeat assessments. In low income countries, where most countries had been assessed at least once by 2008, repeat assessments are the norm from 2010 onwards.

21. Of the 77 countries that had undertaken assessments by the end of 2007, 60% had had repeat assessments by October 2010. As it is normally recommended that repeat assessments should be undertaken within a time scale of 3-5 years, the frequency of repeat assessments can thus be said to be ahead of target, which represents in our judgement a strong indicator of country level demand for the use of the framework.

Table 4: Repeat assessments compared to first assessments per year[3]

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[2] The 2010 Monitoring Report (PEFA Secretariat, 2011) considers 12 repeat assessments not to be true comparative assessments, as the first assessments could not be considered PEFA assessments due to incomplete or erroneous application of the PEFA methodology. An additional 14 countries are included in the repeat assessments count in this report, none of which were considered for the Monitoring Report because their assessments were not fully complete by October 2010.

[3] Assessments are counted in the year in which the main visit for the assessment took place.

		2005	2006	2007	2008	2009	2010	2011	2012	Total
LIC	First assessments	13	7	10	4	2	1	1	0	38
	Repeat assessments	0	3	3	8	3	7	4	1	29
MIC	First assessments	9	15	20	12	11	7	3	1	78
	Repeat assessments	0	0	1	3	9	10	5	0	28
HIC	First assessments	0	2	1	0	1	0	0	0	4
	Repeat assessments	0	0	0	1	0	1	0	0	2
Total	First assessments	22	24	31	16	14	8	4	1	120
	Repeat assessments	0	3	4	12	12	18	9	1	59

PEFA Assessments database (October 2010)

22. Of the 59 repeat assessments planned, commenced or done by October 2010, 28 were in Sub-Saharan Africa, 14 in Latin America and the Caribbean, 7 in East Asia and the Pacific, 7 in Europe and Central Asia and three in South Asia. No repeat assessments have been done in the Middle East and North Africa or in OECD countries. Of the 31 countries in Sub-Saharan Africa that had been assessed by the end of 2007, 20 had had repeat assessments by October 2010, of which 12 were Anglophone, 3 Lusophone and, interestingly, only 5 Francophone. Thus, of the 14 Francophone countries that had undergone first assessments by the end of 2007, 9 had no registered plans for second assessments by October 2010.

RESULT 2: COMPLETED PEFA ASSESSMENTS AVAILABLE IN A TIMELY MANNER

23. For the most part, PEFA assessments were available within a year of the main mission. According to the PEFA assessment database, where national PEFA assessments have led to finalised reports, on average the reports took 7 months after the date of the main mission to complete[4]. Four months to finalisation was the most common. Altogether 60 per cent of finalised reports are available within six months after the main mission, while 86% are available within a year. By October 2010 there were 17 assessments – of which 10 were in the third phase – for which reports had not been finalised within six months of the draft report date.

24. On average of the 10 donors that acted as lead agencies for PEFA assessments, the World Bank takes the longest to finalise an assessment, on average 10 months. It also had 5 assessments, which were substantially complete but not finalised (in other words at draft report stage) for longer than its own average time to finalise a report. The EC, which leads

[4] For the 124 finalised assessments for which data was available.

on the most assessments (55 altogether), took on average five months to finalise an assessment, and had by October 2010, 4 assignments, which had been substantially complete for longer than its average finalisation time.

Table 5: Lead donor record on report finalisation (2005 to October 2010)

	Number of finalised assessments	Average period to finalise assessment	No of draft reports not finalised within donor's average period to complete assessment
AsDB	1	6	0
Ausaid	2	2	1
DFID	4	3	2
EC	55	5	4
France	1	9	
Government led	7	6	1
IADB			1
IMF	2	6	
NORAD	1	4	0
SECO	1	4	0
WB	49	10	5

PEFA Assessment Database October 2010

25. For the 13 sub-national assessments (excluding the EC assessments of the overseas territories of EU member states) that produced final reports, 5 were completed within three months of the main mission date, while 10 were completed within a year.

Result 3: Government ownership of PEFA assessments enhanced

26. The available information on PEFA assessments does not provide a direct assessment of the degree to which government ownership of PEFA has been enhanced. However, it contains two potential proxies: (i) the change in proportion of assessments over time in which government is listed as a partner in the *Report on the Status on applications of PEFA Performance Measurement Framework* (available on the PEFA website) and (ii) the number of repeat assessments in which government is listed as a partner where it had not been a partner in the first assessment.

27. These proxy indicators show slow progress in government as an active partner in the assessments. While for the first 18 months of assessments (2005 and 2006), no national assessments were done in partnership with government, by 2010 altogether 5 national assessments were in partnership with government, or 20 per cent of assessments. What is

perhaps more significant is that all five were repeat assessments, adding up to 28 per cent of repeat assessments.

Table 6: Growth in PEFA assessments with Government as registered partner

	2005	2006	2007	2008	2009	2010
Total assessments	22	27	34	29	26	26
Govt. recorded as partner	0	0	3	2	2	5
Of which repeat assessments	0		1	2	1	5
Percentage of total assessments	0.0%	0.0%	8.8%	6.9%	7.7%	19.2%

Source: PEFA Assessment database October 2010; PEFA Secretariat, 2010: ***Status on applications of PEFA Performance Measurement Framework***

28. However, our judgement is that this available quantitative data, although suggestive of some progress, does not provide a reasonable reflection of the degree to which government ownership of PEFA assessments has been enhanced. In the first place, all PEFA assessments require the consent of government in order to proceed, thus government must by definition always be a "partner" in PEFA assessments. We understand that they are registered as partners when government staff are formally recorded as members of the management team or the assessment team. Yet, data on this issue does not seem to be comprehensive; moreover, a direct involvement of this kind raises the potential of conflicts of interest and may quite deliberately be avoided by a government preferring a more fully independent process. Similarly, governments worried about the transactions costs of managing assessments may, for good reasons, prefer to leave management and administration functions to their development partners.

29. Ownership needs to be judged in relation to the extent to which governments are committed to make use of PEFA assessments, either as a tool for benchmarking progress in PFM reforms, or as a source of information to improve the design of PFM reforms, or as a tool for judging the PFM reform needs of sub-national governments. Up to the end of the second phase of the Programme in December 2008 when the application of the PEFA assessment framework was in its early years, it is clear that for the majority of countries the primary motivating factor for undertaking an assessment was to satisfy the fiduciary risk assessment criteria of donors – particularly in relation to Budget Support – and secondarily as part of the diagnostic basis for PFM reform projects. To the extent that this

situation can be seen to have changed, we would judge that some improvement in ownership has occurred. What evidence is there of such change?

30. Our country visits suggest that it continues to be the case that donors are the main initiators of PEFA assessments but since the Impact Report of 2008, there has been a substantial accumulation of evidence of governments using the results for their own purposes. The evidence of the country visits is included in Annex 3 and its results are discussed in Section 2.5 in relation to Institutional Development Impact. It suggests that the overall trend on government ownership of PEFA assessment results is strongly positive: more governments –at different income levels and in different regions - are committed to make use of PEFA assessments, as a tool for benchmarking progress in PFM reforms, as a source of information to improve the design of PFM reforms, and in some cases as a tool for judging the PFM reform needs of sub-national governments.

31. However, the country visits also show that government ownership will continue to present challenges, so long as the primary advocates for the use of the PEFA assessment framework continue to be donors. Government-initiated PEFA assessments continue to be a rarity. Moreover, within the present governance framework of the PEFA programme, the opportunities for governments to influence the evolution of the framework or its wider dissemination and use remain limited. These are significant constraints to increased government ownership, which should ideally be addressed in future phases of the Programme.

Result 4: Quality of PEFA assessments improved

32. The PEFA Monitoring Reports (2006, 2007 and 2009) provide a picture of improving quality of PEFA assessments. Over this period, compliance with the PEFA methodology improved from 48% to 91% across all indicators. At the same time, fewer indicators were not used. The quality of the summary assessment also improved (PEFA, 2010).

33. However, most stakeholders raised quality as a major issue in the interviews undertaken by the team. Whilst the general view was that most PEFA assessments are of an adequate quality, many stakeholders were aware of assessments, which had not been completed in line with PEFA requirements and were therefore not considered to provide a reliable indication of the status of PFM systems. Due to the reputational risks generated even by isolated cases of poor quality PEFA assessments, this is a very serious observation.

34. Several reasons were provided for low quality. All of these, in some sense, reflect the fact that the PEFA Secretariat is not the "owner' of PEFA assessments. It is rather the institution that has financed the PEFA assessment, which is the owner. Sometimes this may be the country being assessed but, as we have noted above, the majority of PEFA assessments undertaken to date have been financed by donor agencies, and predominantly by the agencies, who are PEFA Partners. (See Table 5.) The PEFA Secretariat acts as an adviser to the "owners" of the PEFA assessments, in recommending specific approaches to the management of assessments and in providing a quality assurance service. Amongst the sources of quality shortcomings identified in interviews and in past PEFA monitoring reports, the following are the most prominent:

- Inexperience or inappropriate experience of the team and/or the team leader undertaking the PEFA assessment, although over time this was seen as less of a problem as more consultants with experience became available. However, not all lead agencies necessarily follow Secretariat guidelines for team size, structure and composition.
- Undertaking the assessment as a compliance exercise for fiduciary risk assessment, resulting often in careless team composition and selection, a rushed exercise and poor utilisation of the PEFA Secretariat capacity[5].
- Use of incomplete or inappropriate data at the country level to reach judgements on PEFA scores: while the PEFA Secretariat peruses PEFA reports for compliance with definitions and scoring methodologies and internal consistency, it has no access or means of ensuring that the source data used is adequate or reliable. At the same time, not all PEFA assessments are quality checked by the Secretariat, as the Secretariat review is voluntary. In combination, these factors result in reports where findings are not adequately substantiated by reliable and complete data.

5 This was reported specifically in relation to a number of PEFA assessments undertaken under the leadership of the EU in Caribbean countries and, to a lesser extent, in Eastern Europe and Central Asia, where EU staff at delegations within these regions were led to believe that the completion of a PEFA assessment was a necessary requirement for Sector Budget Support operations. This is not in fact stated as a requirement in the EU guidelines on Budget Support, and the impression is that a better understanding of the appropriate use of PEFA assessments has since developed throughout the EU delegations, probably as a consequence of training on Budget Support, on PFM and on PEFA itself, and as a consequence of the dissemination of clearer directives. For example, the country notes on Barbados and Trinidad & Tobago included in the 2010 Impact Assessment identified important improvements in procedures between the first and second PEFA assessments (better ToRs, 2 rather than 1 assessor, more time, more effort at donor coordination.)

35. All respondents considered that whether or not the PEFA Secretariat reviewed PEFA concept notes and draft assessment reports was a major determinant of the quality of reports. In this respect, by October 2010, of all the assessments (national and subnational) on the database, which were finalised or substantially complete, the reports of 71% had been reviewed by the Secretariat. Of the donors who led more than 5 assessments, DFID had 75% of reports reviewed, the EC 78%, and the World Bank 65%. However, where governments had led assignments, only 53% of reports had been reviewed.

36. Across all donors 34% of concept notes/TORs were reviewed. The donor with the lowest proportion of concept notes/TORs sent for review (having done five or more assessments) is DFID, with only 13% reviewed. The EC has had 28% of concept notes/TORs reviewed and the World Bank 38%. The lead agency with the highest proportion of concept notes reviewed is Government, with 39%. This may simply reflect an increasing familiarity with the PEFA approach amongst the principal lead agencies but given the continuing relevance of this factor to final quality, it is nevertheless a matter of concern.

37. If assessments for which both the report and the concept note were reviewed are scored at 100%, where either were reviewed at 50% and if neither were reviewed at 0%, across all assessments the average score is 52%[6]. Notwithstanding the quality improvements achieved under Phase III, this indicates an area with substantial potential for improvement in the PEFA Programme, which would almost certainly have a significant effect in correcting the remaining quality problems.

Result 5: Donor Collaboration in and support to Implementation of PEFA assessments improved

38. In the first three years of PEFA assessments (2005 to 2007), the data-base suggests that on average more agencies collaborated in the assessments than in the second three years (2008 to 2010, see graph below). At the same time in the second set of three years, more assessments were undertaken in which the lead agency acted on its own. This assessment is based on the PEFA Secretariat Report *Status on applications of PEFA Performance Measurement Framework* (available at www.pefa.org) listing of collaborating agencies for

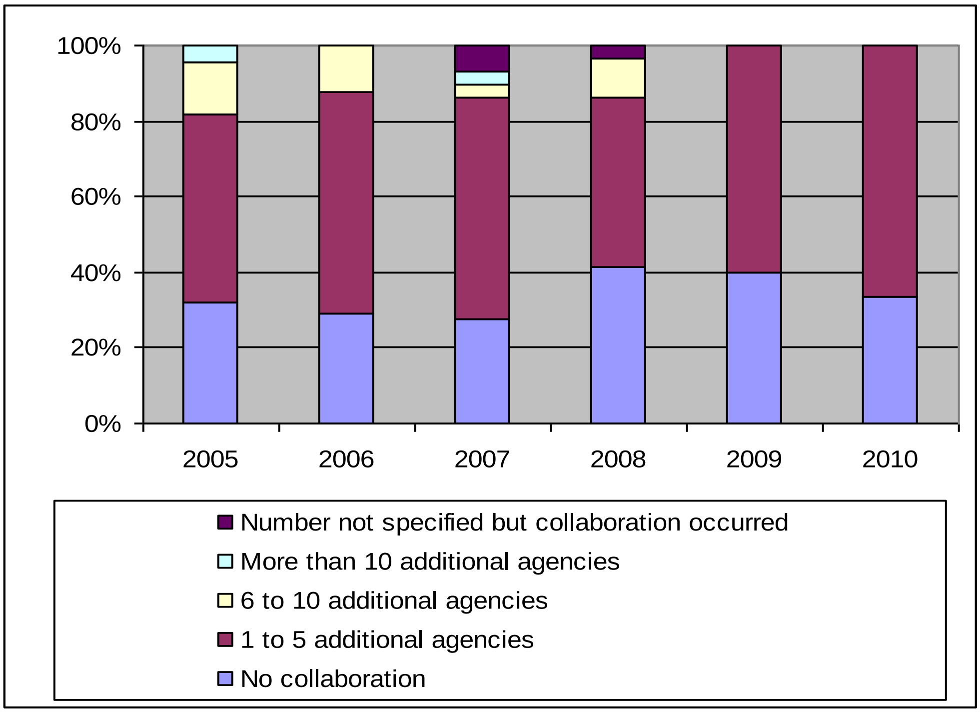
[6] One could reasonably argue that the review of draft reports would generally be more important than the review of Concept Notes/ ToR, implying that a greater weighting should be given to report reviews in this type of calculation. The calculation is purely illustrative and shows clearly that there is a long way to go before reviews of both Concept Notes and Draft Reports can be considered the norm for PEFA assessments.

each assessment. While the data cannot be seen as comprehensive, it can be seen as indicative.

39. Of the agencies that acted as the lead agency for four and more assessments, DFID was the least likely to act entirely on its own (no assignments undertaken without collaboration), while the EU was the most likely (45 per cent of assignments undertaken without any collaboration). The World Bank undertook 28 per cent of its assignments on its own. Where government took the lead, in 75 per cent of the cases, it acted in collaboration with one or more donors.

40. At face value, these data are disconcerting and suggest that there is some way to go to reach full harmonisation around the PEFA as a tool to strengthen Government-led PFM reform. However, the notion of "collaboration" perhaps requires more careful examination. For example, the PEFA Secretariat's review of Quality Assurance processes (November, 2010) considered 21 PEFA assessment reports received by the Secretariat over 1st, April 2009 to 30th, March 2010. This review showed that the average number of organisations involved in the QA process was 4.1, with an average number of third party reviewers (including the PEFA secretariat) of 2. Thus, it would appear that at least for the assessments, which are subject to review by the Secretariat, the collaborative process is substantive and generally sufficient to involve a suitable number and balance of agencies in the QA process. Our judgement is that for those assessments, which pass through the Secretariat's QA process, there has probably been a tendency towards a smaller but more substantively engaged group of collaborators. However, it also seems likely that there are sharp differences in practice between those assessments inside and outside of the Secretariat's QA process, with the latter more likely to be managed by single agencies.

Figure 3: Collaboration on PEFA assessments, by number of agencies collaborating



Source: PEFA Secretariat: ***Status on applications of PEFA Performance Measurement Framework*** **(www.pefa.org)**

Result 6: PFM assessments utilised by all stakeholders

41. The assessment database does not provide direct evidence of the utilisation of PFM assessments by all stakeholders. The most obvious proxy indicator is the publication of final reports: if the report is published it is possible for all stakeholders to utilise it; if it is not published, it is less likely to be used widely. However, the performance on final publication is poor. Fewer final reports were published for all types of assessments (see graph below) in the third phase of the programme than previously. In both 2009 and 2010, well over 60% of reports were not published, compared to approximately 40% in each of the previous three years[7].

42. Where repeat assessments were done and a final report is available, repeat assessments were published more frequently than the first assessments (19 compared to 12). Of the 31 repeat assessments on the database, in one third of the cases subsequent reports were published when first reports were not, while in 19% of the cases publication of a first report was not repeated for the second report.

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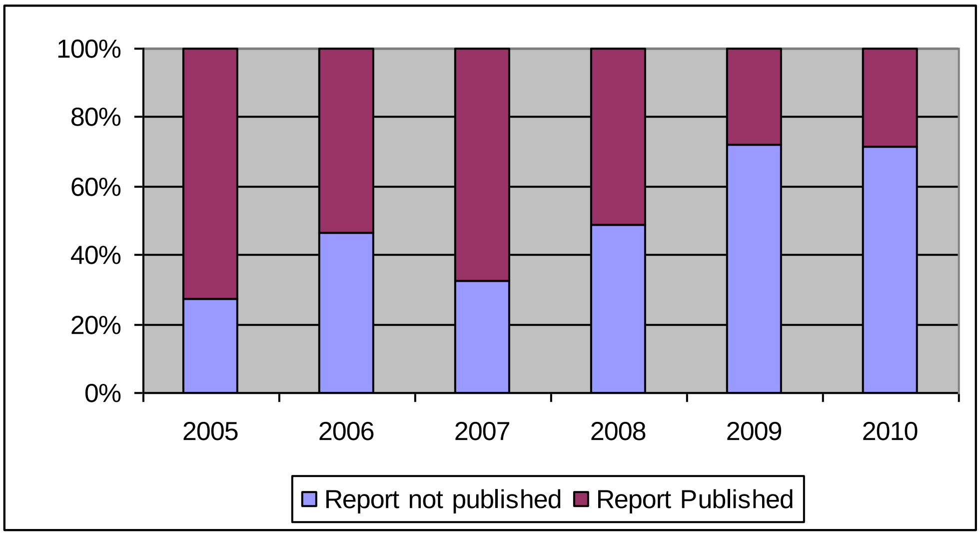
7 Of the four agencies that had taken the lead in 4 and more assessments, DFID published reports more often (with 80 per cent of reports published). When government led an assessment, they were the least likely to be published (with only 40% of reports published), followed by the EC (with 51% of reports published) and the World Bank (with 59% of reports published).

Figure 4: Proportion of final reports published by year



43. The apparent decline, from what was already an unsatisfactory performance on the publication of reports is a matter of some concern. Yet, the lack of formal publication does not appear to significantly restrict access to the Development Partners, who wish to use the PEFA reports for internal purposes. Indeed, we found significant evidence of extensive use of PEFA assessments by different donor agencies:

- The PEFA partners, themselves, who enjoy direct access to PEFA assessments regardless of whether they are formally published or not, reported extensive use of assessments for the preparation of fiduciary risk assessments of different kinds, for the appraisal of budget support operations and, in the case of the World Bank, for the preparation of CPIA rankings[8]. Moreover, the PEFA Partners reported that the use of PEFA assessments was a long-standing practise (since 2005), which was becoming increasingly formalised in internal processes and requirements.
- In interviews, with other agencies, IDB and USAID both confirmed their regular use of PEFA assessments as part of the information pool for assessment of use of country systems. IDB also advised that PEFAs had been used as part of the monitoring framework of PFM reform programmes within their region.
- The Asian Development Bank also advised of their regular use of PEFA assessments as part of the monitoring of PFM reforms, notably in the Pacific islands. They also informed the Evaluation team that they were aware of AusAid also using it for this purpose and as a part of their fiduciary risk assessment

8 PEFA Secretariat, (August, 2010), *Survey of PEFA Partners' use of Internal Assessments for internal processes.*

process. (The Country Impact Note for Vanuatu in the 2010 Impact Assessment also confirms this.)

44. These are promising developments and suggest good progress against this result indicator, despite the disadvantage of low formal publication rates. However, with other stakeholder groups – notably with governments and CSOs – lack of access does appear to be a constraint:

- The International Budget Project, who were interviewed in Washington, reported that probably the majority of the country-based "PFM watchdog NGOs" with whom they work would scarcely even know what the PEFA was and they were not aware of any of them using it in the context of their advocacy work. (This was confirmed in the country visits to Kenya and Uganda, where interviews with the NGOs involved in compiling information for the Open budget Index revealed their very limited awareness of PEFA.)

- The 2010 Impact Assessment Study (Mackie & Caprio, January 2011) reported that, 'the Study provided little evidence of any impact of PEFA assessments beyond central finance/ planning ministries.'

45. At the international level, the PEFA database has been used for three significant pieces of research (De Renzio & Dorotinsky, 2007; Andrews, 2009 and De Renzio et al, 2010).

Box 1 Summary of Evaluation Conclusions regarding Effectiveness

The assessment of performance against results is broadly positive but not uniformly so.[9] While the coverage of assessments in LICs, MICs and HICs has been in excess of targets, and donor collaboration in PEFA assessments was judged to be on target, the signs of success that can be identified against each of the other result areas are tempered by the presence of negative trends. Where there are weaknesses in performance, limitations on the ability of the Secretariat or the PEFA Programme as a whole to impose specific standards are the common factor. Within the limits of these arrangements, the specific contributions of the Programme have been important

[9] In the assessment below, performance against each result area has been judged against a five point scale: "very weak". "weak". "positive trend", "good" and "very good".

and have generated a real value added:

- **Result 1: PFM assessments undertaken in all LICs, most MICs and some HICs based on the PEFA Framework**: ***Very Good Performance**:* Across the world 90 per cent of low income, 75 per cent of middle income and 8 per cent of high income countries had been assessed, were in the process of assessment or were going to be assessed by October 2010. More than half of the countries assessed by the end of 2007 had had repeat assessments by October 2010: thus a majority of the countries with knowledge and understanding of the framework from a first assessment, had opted to undertake a repeat assessment within the recommended period of 3-5 years.
- **Result 2: Completed PEFA assessments available in a timely manner**: ***Good Performance*** For the most part, PEFA assessments were available within a year of the main mission, with a median of 4 months and a mean of seven months to completion after the date of the main mission. Trend performance is also improving: of the 85 assessments initiated in 2009 and 2010 (roughly coinciding with the completed years of Phase III), only 10 took longer than 6 months to complete.
- **Result 3: Government ownership of PEFA assessments enhanced**: ***Positive Trend***. The proxy indicators used to measure government ownership of PEFA assessments (the proportion of assessments in which government was listed as an active partner and the proportion of repeat assessments that have government as a partner in the second but not the first assessment) have shown progress. Country studies showed increased use by governments of PEFA assessments for their own purposes since the 2008 Impact report. However, the country visits also showed that government ownership will continue to present challenges, so long as the primary advocates for the use of the PEFA assessment framework continue to be donors.
- **Result 4: Quality of PEFA assessments improved: *Weak Performance*** While the PEFA Monitoring Reports provide a picture of improving quality of PEFA assessments, most stakeholders raised quality as a major issue during the evaluation research. Due to the reputational risks generated even by isolated cases of poor quality PEFA assessments, this is a very serious observation. Quality assessment by the PEFA Secretariat of concept notes and draft reports was seen as a major determinant of the quality of assessments. Yet, only 71% of draft PEFA assessment reports and 34% of concept notes/TORs had been reviewed by October 2010.
- **Result 5: Donor collaboration in and support to Implementation of PEFA assessments improved: *Good Performance***. Donor collaboration on assessments is substantive and generally sufficient to involve a suitable number and balance of agencies in the quality

assessment process, even if fewer agencies are recorded as formal partners in assessments over 2009-2010 compared to 2005-2008. For the assessments that pass through the Secretariat's quality assurance process there has probably been a tendency towards a smaller but more substantively engaged group of collaborators.

- **Result 6: PEFA assessments utilised by all stakeholders:** ***Weak Performance***. Stakeholders ability to utilise PEFA assessments was more constrained in the third phase of the programme than previously; in 2009 and 2010 over 60% of reports were not published, compared to approximately 40% in each of the previous three years. The apparent decline, from what was already an unsatisfactory performance on the publication of reports is a matter of concern. The lack of formal publication does not appear to significantly restrict access to development partners, who wish to use the PEFA reports for internal purposes. Indeed, there is evidence of extensive use of PEFA assessments by different donor agencies, particularly the PEFA partners themselves. However, with other stakeholder groups – notably with governments and CSOs – lack of access does appear to be a constraint. The 2010 Impact Assessment Study (Mackie & Caprio, January 2011) reported: 'little evidence of any impact of PEFA assessments beyond central finance/ planning ministries.'

2.2 Relevance of the PEFA Programme

46. The question of relevance is judged in relation to five criteria:
    - The consistency of the Programme with the overall development strategies and policy priorities of the principal stakeholders;
    - The consistency of the Programme with the broader donor harmonisation and aid effectiveness agenda;
    - The consistency of the Programme with country level demands;
    - The comparative advantage of the Programme in addressing its global objectives;
    - The degree of flexibility in Programme design and existence of adequate feedback & learning mechanisms to ensure continuing relevance.

Consistency with development strategies and priorities of Stakeholders

47. The principal stakeholders of the PEFA Programme can probably be grouped into four: a) the PEFA Partners themselves (Steering Committee members); b) other Development Agencies with an interest in the status of PFM systems in partner countries; c) the

Governments and PFM institutions of partner countries and d) Civil Society Organisations, at the national and international levels, working as advocacy bodies to improve the quality of PFM systems. For each of these stakeholders, the PEFA Programme will continue to be a priority so long as the PEFA assessment framework remains relevant and so long as the Programme remains able to support, in an effective way, its development and use.

48. For the PEFA Partners themselves, the relevance of the PEFA Assessment Framework rests on three inter-dependent functions:

a) **As a development tool**: the use of the PEFA Framework as a PFM diagnostic tool which contributes to their ability to improve public financial management in partner countries as an input into the countries' growth and equitable development;

b) **As a tool to achieve aid effectiveness:** the use of the Framework as a mechanism both for harmonising different donor approaches to the support of PFM reform and to the monitoring of budget support conditions related to fiduciary risk assessment, and as a mechanism to align support for PFM reform to country-led strategies.

c) **As an operational tool to measure fiduciary risk** in the delivery of aid programmes, particularly through country systems: the PEFA framework provides access to a reliable tool of fiduciary risk assessment, even if it is applied in conjunction with various donor-specific criteria and may not be the only diagnostic tool utilised.

49. Our interviews made it clear that these three functions are relevant not only for the PEFA partners themselves but also for other development agencies engaging with these agendas, notably USAID, the IDB, the ADB and AusAID. Not all these development agencies place equal emphasis on all three aspects: for those less engaged in the provision of Budget Support and in the reform of PFM systems – such as USAID, and GAVI[10] amongst others - the utility of the PEFA Framework as a labour-saving first fiduciary risk assessment (and the role of the Secretariat in ensuring that that assessment is reliable) is the primary driver of relevance. For the PEFA Partners themselves and certain

10 The evaluators were not able to interview GAVI, the Global Alliance for Vaccines & Immunization, but we are aware that their financial management assessments for cash-based programmes (as opposed to in-kind programmes) make extensive use of PEFA assessments when available.

other development agencies, this is balanced or outweighed by its role in harmonising donor engagement with public financial management reforms and providing the potential for a regular, consistent, evidence-based dialogue on PFM to inform reform strategies, and the related decisions on Budget Support. Nevertheless, it is clear that for development agencies as a whole, all three functions of the PEFA Framework combine to make the Programme highly relevant to their development objectives and policy priorities.

50. For many Governments, a lack of full awareness of the scope and potential of the PEFA assessment framework remains an issue, which in part explains the modest progress on ownership, which we noted above. For those Low Income Countries with more familiarity with the framework, two characteristics are especially valued – the objectivity of the PEFA assessment framework combined with its ability to allow comparisons over time, which creates a stronger basis for monitoring progress in PFM reforms and thus for evidence-informed dialogue with donors over the evolving quality of PFM systems; and secondly, the potential of the framework to reduce the number of competing, and occasionally contradictory diagnostic exercises, which used to be undertaken by donors wanting to support PFM reform.[11] Clearly, these agendas are of stronger relevance to countries actively engaged in PFM reform, and in particular for aid dependent countries.

51. The country studies which provided the basis for assessing institutional development impact (see below) showed that the PEFA framework had proven highly relevant for MICs undertaking extensive national PFM reforms and for those promoting PFM reforms at sub-national levels. By contrast, the experience with HICs suggests PEFA assessments are more relevant as one-off exercises to benchmark national (or sub-national) systems against international norms but, with less extensive weaknesses and greater capacity to address weaknesses quickly, there is less call for repeat assessments. (Indeed, no HIC has yet undertaken a repeat assessment and there would appear to be no demand for repeat assessments.)

52. For CSOs, the awareness gap is still larger and we would judge that the relevance of the PEFA Programme to this group of stakeholders remains a question of potential future relevance, rather than current relevance. The International Budget Project expressed a strong interest in working with the Secretariat to promote the use of PEFA assessments by

[11] The interlocutors from the Rwanda Government were especially clear on these two points but the country visits as a whole confirmed the general applicability of these concerns.

CSOs working on budget advocacy issues. However, they expressed the view that an additional, more simplified, “citizen-friendly” format of PEFA Summary Assessments would need to be developed if it was to achieve widespread relevance for this group.

Consistency with donor harmonisation & aid effectiveness agenda

53. The PEFA Framework has made a significant contribution to harmonisation and aid effectiveness through its role as an instrument of harmonised engagement on PFM issues with partner countries. Since 2004, the PEFA Programme has devoted the bulk of its efforts into establishing the PEFA Framework as the standard diagnostic instrument to be used in assessing PFM functionality and into producing, as a consequence, a shared pool of information on the evolution over time of PFM capabilities in different countries.

54. The evaluation has found that to a large degree the programme has been successful in establishing the validity of the PEFA Framework, and its use as a common instrument of first choice for PFM diagnostics. The impressive coverage of PEFA assessments across countries in different geographical regions, with different income levels and with different administrative traditions and the increasing number of repeat assessments represent the most powerful evidence for this. Certainly, no other PFM diagnostic tool – past or present – has enjoyed this degree of coverage.

55. There is also evidence of the decreased use of competing instruments after the introduction of the PEFA, notably of the World Bank’s CFAA and the IMF’s Fiscal ROSC. The reduced numbers of Fiscal ROSCs in recent years - now 5-6 per year (Mackie, October 2010), can be partly explained by resource constraints within the IMF (and as an instrument focused on fiscal transparency rather than on PFM functionality it should not be considered a direct competitor[12]), but it seems highly likely that there would have been greater demand for Fiscal ROSCs in the absence of the PEFA Framework. Since 2005, the CFAA has no longer been a mandatory diagnostic of the World Bank, although it is retained as an optional diagnostic tool, it being considered that its more extensive coverage of accounting and auditing issues and its inclusion of specific recommendations

[12] There is an interesting internal note by Mario Pessoa (IMF Fiscal Affairs Department), which was presented as an attachment to a post in the IMF PFM Blog of 25th, May, 2010. This concludes that more than 60 % of the good practices assessed in the Fiscal ROSC are reported fully or partially in a PEFA assessment and that three quarters of the indicators in a PEFA assessment could be derived from the material assembled for a Fiscal ROSC. Yet, the note argues that despite overlapping coverage each instrument has its own purpose and responds to specific and different needs, a position with which we would agree.

may occasionally be useful. In practise, only 2-3 CFAAs per year are now undertaken, as compared with 18 per year over 2003 -2005. (Mackie, October 2010.)

56. Notwithstanding the reduced numbers of CFAAs and Fiscal ROSCs undertaken over 2008 – 2010, it is clear that overall the number of diagnostic instruments has increased. This includes both an increase in the number of "drill-down" tools focused on specific aspects of the PFM system (such as the Debt Management Performance Assessment tool – DeMPA; the Methodology for Assessment of National Procurement Systems - MAPS, and others) and system-wide tools, such as the Commonwealth Secretariat's PFM Self Assessment Tool (CPFM-SAT), and the annual assessments of PFM systems undertaken for the EU candidate countries by the SIGMA team. The stocktaking study of PFM diagnostic instruments undertaken for OECD-DAC Task Force on PFM (Mackie, October 2010) provided an inventory of these tools, concluding that there is without doubt an increased number and that 'their development has been poorly co-ordinated by development partners, international agencies and professional bodies.' We would agree with both of these findings.

57. The stocktaking study also concludes that 'despite some evidence that the PEFA framework is being used as a common pool of information, this does not appear to be translating into significant net reductions in the amount of PFM diagnostic work being undertaken.' Stated in these terms, this statement is probably true but there are two important observations to make on this finding. In the first place, the stocktaking study does not conclude that there are more PFM assessments per country. Indeed, its data sources are not adequate to reach conclusions on this matter. The 2008 SPA survey of budget support provision in 11 African countries, which did explicitly examine this question, concluded that the average number of PFM reviews remained broadly stable; it also found an increased level of collaboration on assessments, and reported that 6 out of the 11 countries had a multi-annual plan of PFM diagnostics in place.[13] Similar survey work would need to be undertaken in a wider range of countries in order to reach judgements on the scope and frequency of PFM assessments per country.

[13] The results of the 2008 SPA survey are quoted on p.63 of the Stocktaking Study. In the absence of similar data for other countries, the Stocktaking study does not draw any specific lessons from these findings.

58. Secondly, it is not clear that a 'significant net reduction in the amount of PFM diagnostic work' is the objective of harmonisation. For example, the increased use of drill-down tools, alongside the PEFA, may simply reflect a desire by governments and their donor partners to have a deeper understanding of the status of specific areas of the PFM system, so as to improve the design of PFM reforms. If these tools are genuinely creating new knowledge and that knowledge is utilised effectively, their use is a positive development and not an unnecessary transaction cost. Similarly, even with diagnostic processes, which ostensibly cover the same ground – such as the PEFA assessments and the annual assessments of PFM status in candidate countries undertaken by the SIGMA team, the differing objectives and approaches of such exercises may mean that they can be used in complementary ways. Indeed, our interviews revealed that the SIGMA team used available PEFA assessments as an input into their annual assessments and did not see them as a duplication. Their concern related more to the need to ensure consistency in the quality of PEFA assessments, and they made mention of two Government-led PEFA assessments in the region which had produced excessively positive assessments of the quality of PFM systems, which they then found they had to contradict.

59. Similarly, all interviewees from development agencies stressed that PEFA assessments provided highly useful information for fiduciary risk purposes. Some stated that this had reduced the time and resources, which needed to be dedicated to fiduciary risk assessments. However, no agency perceived the PEFA assessment as a substitute for internal processes, rather it was a helpful complement, providing a common platform from which more detailed work could proceed. It did not provide in itself a sufficient basis to judge fiduciary risk and would always need to be supplemented by donors' own additional processes.

60. To conclude, we do not interpret the increasing number of PFM diagnostic tools and the continuation of donor-led fiduciary risk assessments as signs of a lack of relevance or a lack of impact of the PEFA framework on the process of harmonisation. These developments may, on the contrary, indicate that the overall quality and depth of PFM diagnostics has improved. The questions to pose are:

a) Whether these diagnostics are being undertaken in a collaborative manner?
b) Whether the results of these diagnostics are being shared as much as they could be?

c) Whether the transaction costs of such diagnostics are justified by the improved information being generated?

d) And whether the benefit: cost ratios of these diagnostics could be further improved by reducing the transaction costs they generate, particularly for partner governments?

61. Without more detailed country-level survey work, no robust judgements on these questions can be reached. Whether or not such survey work is warranted is a decision which should be taken in a broader forum than that of the PEFA Programme itself – for example, in the context of the OECD-DAC Task force on PFM. Available information suggests strongly that greater efforts should be made to improve collaboration in diagnostic work and to enhance common access to results. It is precisely the role of the OECD-DAC Task Force on PFM to promote such efforts.

62. We repeat, however, our positive evaluation of the relevance of the PEFA Programme's core mission to the harmonisation and aid effectiveness agenda. We have found that the programme has been successful in establishing the validity of the PEFA Framework, and its use as a common instrument of first choice for the diagnosis of overall PFM functionality. This is a fundamentally important achievement. If the Programme can achieve greater progress in its current direction, then its impact on harmonisation and aid effectiveness will be greater. This entails further efforts: a) to improve the quality of PEFA assessments, including the quality of the collaborative processes recommended for their management; b) to enhance the timely completion of PEFA assessments and, more importantly, their timely publication; and c) to improve the quality and accessibility of the common data-base of PEFA assessments.

The consistency of the Programme with country level demands;

63. The PEFA Programme has three global objectives, as presented in Figure 1: enhanced ownership of PFM reform programmes, improved alignment and coordination of donor support to country-led PFM reform and the establishment of a common, credible pool of information on PFM created in all LICs and most MICs. The first two of these global objectives are right in line with country level demands for PFM reform programmes which respect country priorities, and for reduced transaction costs of engagement with donors on PFM issues.

64. Drilling down to the related Programme results and outputs in the PEFA programme, it becomes apparent that the number of Programme interventions explicitly targeted at these objectives is limited. Unfortunately, the 2008 Programme Document is not clear on precisely which activities and outputs are associated with each of the global objectives. Programme Output 7: "Contributions to enhanced country ownership and improved alignment and coordination of donor support", would appear to be the most closely connected but the Programme Document only indicates that the Secretariat will support activities in this arena led by the PEFA partners. During Phase IIII, this programme component has consistently under-spent and the activities in this area by the PEFA partners have been limited to the advocacy work conducted through participation in the OECD-DAC Task Force on PFM and in international events on PFM issues, and more recently (in financial year 2010/11) to the funding of work a) to examine how to strengthen the sectoral dimension of PEFA assessments, b) to develop a drill-down tool on revenue management and c) to develop guidance on sequencing of PFM reforms.

65. Clearly, the Programme does support ownership and alignment in indirect ways. The guidance material on the PEFA framework, the training and the Secretariat's QA process all aim to enhance Government ownership of the PEFA assessments themselves. Enhanced ownership of a credible, consistent diagnostic assessment process should help governments to take stronger leadership of PFM reforms and to demand alignment by donors to those reforms. Yet, this is a tenuous chain of causality, which is dependent on a number of assumptions – most notably a high level of awareness by governments of the potential uses of the PEFA assessment framework, and a high level of sensitivity to the ownership issue by Development agencies leading PEFA assessments.

66. To conclude, the PEFA Programme's global objectives are consistent with concerns expressed by many governments for greater ownership of PFM reforms and stronger alignment of donors to partner governments' reform priorities. Yet, the activities and outputs undertaken by the Programme have only been loosely related to these global objectives. If the relevance of the Programme is to be improved, activities and outputs targeted to these objectives will need to be identified and implemented – most notably activities related to out-reach functions to deepen awareness of the successes of the PEFA framework, when correctly utilised.

The comparative advantage of the Programme in addressing its global objectives

67. Of the PEFA Programme's three global objectives, the PEFA Programme's obvious comparative advantage lies in the establishment of a common, credible pool of information. PEFA assessments proceed from a standard set of indicators, with an explicitly defined measurement methodology, backed by standardised procedures for management and quality assurance. This provides a very sound basis for generating a common pool of information on PFM performance. Indeed, notwithstanding certain concerns about the quality of PEFA assessments and their accessibility, this global objective has largely been achieved during Phase III.

68. In respect of the first two global objectives, the programme has less of a comparative advantage. Both of these relate to in-country processes that are driven by stakeholders – governments and development agencies, over which the PEFA Programme has only an arm's length influence. PEFA, as a global programme, can contribute to these country-level processes by providing a common pool of credible information, and by providing guidance on the mechanisms through which the PEFA Assessment Framework might contribute to country ownership of a harmonised, aligned reform programme. But it is not in a position to actually drive the achievement of these objectives, unless it fundamentally adjusts its activities in order to extend its reach.

Flexibility in Programme design and existence of adequate feedback & learning mechanisms

69. The PEFA programme is well documented and continuously undertakes monitoring and evaluation work as key mechanisms to ensure that it stays relevant and picks up significant issues early. The 2010 Monitoring Report for example used repeat assessments not only to reflect on the progress made on PFM reform, but also to assess the degree to which each indicator (in the way in which it is applied in practise) is able to track progress over time. In addition the Programme uses the assessment review process, its training activities, its interactions with PEFA partners and its participation in various events to keep track of changes in PFM theory and practice. These various feedback streams have led to the issuance and updating of guidance notes and clarifications, and even to the updating of indicators within the framework itself.

70. However, the programme does face two major risks in terms of remaining relevant. One relates to the quality of information channels and the other to its ability to respond

quickly and appropriately to the changing demands of its environment. With regard to information channels, the current programme design limits participation in PEFA governance to the PEFA Partners, all of whom were involved since the first phase of the programme. The direction of the programme is therefore determined by the perspectives and needs of the PEFA Partners, despite its objectives being far more global. If the governance arrangements of the programme do not open up to allow for more dialogue with key stakeholders – for example other major donors, country governments, civil society organisations, parliaments and so forth –, there is a risk that the Programme may not hear voices of concern early enough and/ or that it may be ineffective in communicating the benefits of the PEFA framework. This might potentially lead to a reduced demand for PEFA assessments and possibly to the development of additional and overlapping instruments that might compete with PEFA.

71. Secondly, the Secretariat operates with limited capacity, which is largely focused on the assessment of concept notes and report reviews, training, and the production of the key reports for which the Secretariat takes responsibility. This leaves limited time for updating guidance material, for engaging with concurrent processes and for responding to demands for further development of the Framework and its applications. If the balance between maintaining a standard in PFM diagnostics and adjusting to the environment for which the standard is required is not maintained, the programme runs the risk of becoming irrelevant.

Box 2 Summary of Evaluation Conclusions regarding Relevance

The question of relevance was judged in relation to five criteria, as shown below. The overall assessment was positive. However, the programme faces two major risks in terms of remaining relevant: (i) the current programme design limits participation in PEFA governance to the PEFA Partners, all of whom were involved since the first phase of the programme. (ii) The limited capacity of the Secretariat makes it difficult to maintain PEFA standards while allowing staff enough time firstly to extend awareness of the PEFA amongst other stakeholders and secondly to undertake the development work required to adjust to the changing environment for the PEFA.

- **The consistency of the Programme with the overall development strategies and policy priorities of the principal stakeholders:** ***Good Performance.*** For the PEFA partners and some other development agencies the role of the PEFA Programme as a PFM diagnostic tool is the primary driver of relevance. However, for most agencies the utility of the PEFA Framework as a labour-saving first fiduciary risk assessment is an important driver of relevance. For many Governments, a lack of full awareness of the scope and potential of the PEFA assessment framework remains an issue. For CSOs, the awareness gap is still larger and we would judge that the relevance of the PEFA Programme to this group of stakeholders remains a question of potential future relevance, rather than current relevance.

- **The consistency of the Programme with the broader donor harmonisation and aid effectiveness agenda**: ***Good Performance.*** The evaluation has found that to a large degree the programme has been successful in establishing the validity of the PEFA Framework, and its use as a common instrument of first choice for PFM diagnostics. There is also evidence of the decreased use of competing instruments after the introduction of the PEFA. It is clear that the overall number of diagnostic instruments has increased, including drill-down tools and system-wide tools. Yet, we do not interpret the increasing number of PFM diagnostic tools and the continuation of donor-led fiduciary risk assessments as signs of a lack of relevance or a lack of impact of the PEFA framework on the process of harmonisation. These developments may, on the contrary, indicate that the overall quality and depth of PFM diagnostics has improved.
- **The consistency of the Programme with country level demands**: ***Weak Performance.*** Two of the PEFA Programme's global objectives (enhanced ownership of PFM reform programmes and improved alignment and coordination of donor support to country-led PFM reform) are consistent with concerns expressed by many governments for greater ownership of PFM reforms and stronger alignment of donors to partner governments' reform priorities. Yet, Programme activities have been only loosely related to these global objectives. If the relevance of the Programme is to be improved, activities more directly targeted to these objectives need to be identified and implemented – notably, dissemination and outreach activities.
- **The comparative advantage of the Programme in addressing its global objectives**; ***Weak Performance.*** Of the Programme's three global objectives, its comparative advantage lies in the establishment of a common, credible pool of information. With the PEFA brand well established and with the numbers of repeat assessments increasing rapidly, the information pool on PFM performance is becoming a unique, and an increasingly valuable, source of comparative data. In respect of the first two global objectives (enhanced ownership of PFM reform programmes and improved alignment and

coordination of donor support to country-led PFM reform) the Programme has less comparative advantage. It can contribute by providing a common pool of credible information, and by providing guidance on the mechanisms through which the PEFA Framework might support country ownership of a harmonised, aligned reform programme, but increased impact in these areas requires greater dissemination of successful experiences and more outreach to new stakeholders.

- **The degree of flexibility in Programme design and existence of adequate feedback & learning mechanisms to ensure continuing relevance**: ***Good Performance***. The PEFA programme is well documented and continuously undertakes monitoring and evaluation work as key mechanisms to ensure that it stays relevant and picks up significant issues early.

2.3 Efficiency of the PEFA Programme

72. The efficiency of the Programme is judged in relation to four criteria. We consider the first three of these together, before addressing the fourth one separately:
    - The consistency of the outputs produced with the planned programme;
    - The relative cost of outputs in relation to budgeted costs;
    - The internal coherence of outputs and the quality of coordination
    - The factors hindering/ facilitating production of outputs and the nature of response by Programme managers.

Consistency of actual and planned Outputs and of actual and budgeted costs, and quality of coordination

73. In the first two years of the Third Phase (2008/9 and 2009/10) for which reports are available, the programme undertook most of the activities planned while spending only 81% of the funds budgeted. This is a long-term trend. Between 2006/7 and 2009/10, budget execution was never more than 81% of the planned budget. Significantly, in all four years the contingency amount was not touched, while under-spending on goods and services was in the region of 25%. Human Resource costs were approximately on budget.

Table 7: Under-spending by Main Input, 2006/7 to 2009/10

	2006/7	2007/8	2008/9	2009/10
Human Resource Cost	6.2%	10.4%	0.6%	4.7%
Goods and Services	25.7%	24.4%	27.8%	25.0%
Contingency	92.9%	100%	100.0%	100%
Total Programme	19.5%	19.2%	19.4%	19.4%

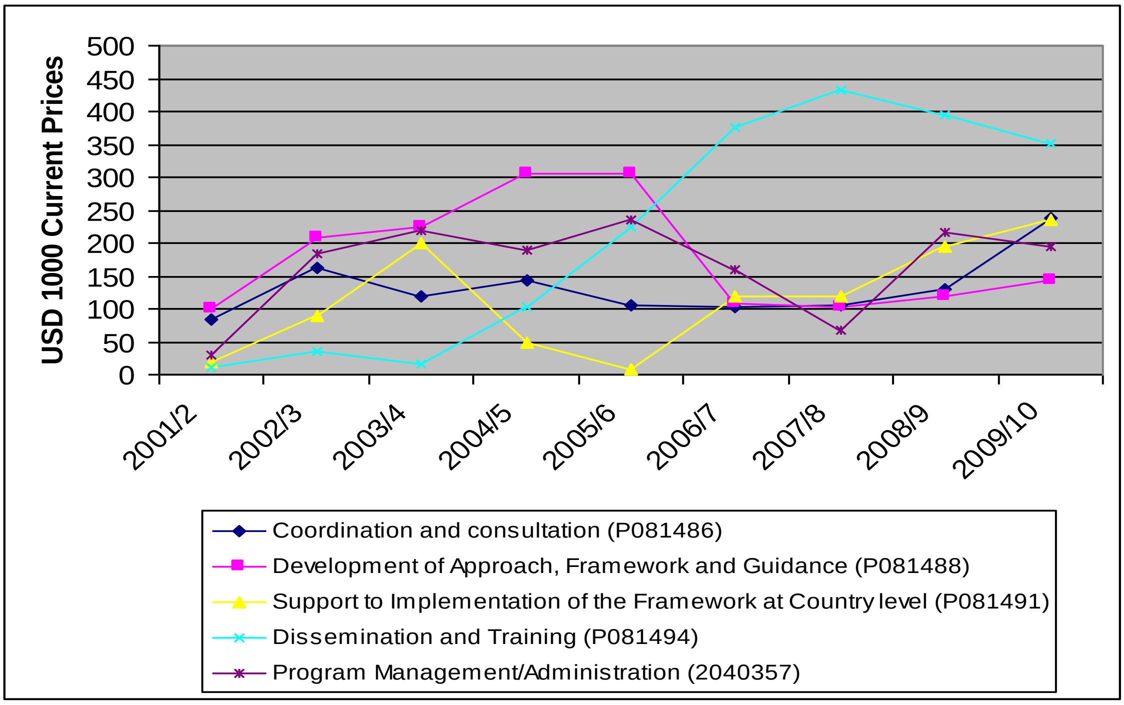
Source: PEFA Annual Programme Reports

74. Towards the later years of the PEFA programme spending on human resources have increased, while spending on other goods and services decreased. During Phase IIII, the training (Output 2) and PFM Assessments support (Output 4) areas both overspent their allocated budgets. There was significant underutilisation of the budgets for monitoring and evaluation, dissemination (output 3) and, most especially, contributions to enhanced ownership and alignment (output 7).

Table 8: Budget Execution by programme output area in 2008/9 and 2009/10

	'2008/9		2009/10		Average
USD Current prices	**Budgeted**	**Actual**	**Budgeted**	**Actual**	**Variance**
(1) Technical maintenance and enhancement of the PEFA Framework (Guidance notes, clarification, framework improvement)	156 745	118 714	122 000	142 983	3.53%
(2) Support to govt. officials donor/IFI staff and consultants in applying the Framework (Training activities)	255 137	333 459	290 800	262 364	-10.46%
(3) Disseminate the use of the Framework (Website, brochures, translation, publications)	157 637	61 020	91 500	88 908	32.06%
(4) Support on request to PEFA country application (Assessment review work)	144 337	194 415	282 500	234 871	-8.92%
(5) Monitor and evaluate the achievement of program results and objectives (PEFA assessment database, monitoring reports etc)	147 168	77 793	209 500	130 271	42.48%
(6) Coordination of PFM performance assessments (Guidance, regional activities etc)	95 252	52 266	91 000	107 620	13.43%
(7) Contribute to enhanced country ownership and improved alignment and coordination of donor support (Support to activities of PEFA partners)	100 000	0	100 000	0	100.00%
(8) Manage PEFA programme resources on behalf of the Steering Committee (Administration, evaluation of programme, etc.)	250 056	215 825	264 903	195 365	19.97%

Figure 5: PEFA Programme spending by main area of activity, 2001/2 to 2009/10



75. These cost trends are reflected in the traceable output trends per year. In 2009/10 altogether 50 reviews were undertaken. By the time of the evaluation 39 reviews had already been done for 2010/11, with a quarter of the year left. The table below reflects the number of reviews of PFM assessment reports, and of concept notes that had been done by the end of March 2011. If the 2010/11 numbers are adjusted proportionately, 52 report reviews and 23 concept note reviews would have been done by the end of the financial year, 75 reviews in total.

Table 9: Numbers of PEFA reports and Concept Notes reviewed per year

Units of work	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11 (9 months)
Reports						
First reviews	4	23	26	42	38	32
Second reviews	0	1	3	7	11	6
Third reviews	0	0	0	0	1	1
Concept Notes						
First reviews	5	24	13	11	19	14
Second reviews	0	4	0	0	3	3
Total	**9**	**52**	**42**	**60**	**72**	**56**

Source: PEFA Programme and Budget Execution Report, 2006/7, 2007/8, 2008/9 and 2009/10. Correspondence with PEFA Secretariat.

76. Table 10 reflects training activity, measured by outputs. It shows an increase in training activity up to 2008/9, with a drop in 2009/10. This is consistent with the implementation

of the training strategy, which required a shift to training of trainers and quality assurance work and less direct training.

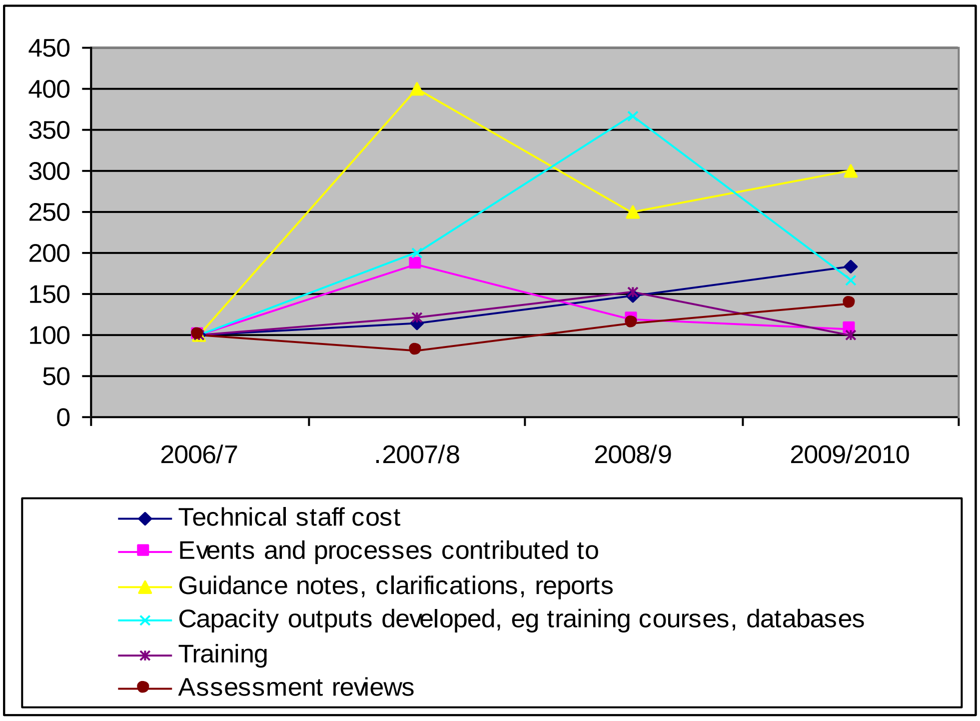
Table 10: Training outputs 2005/6 to 2009/10

	2006/7	2007/8	2008/9	2009/10
No of persons trained	770	Not reported	750	638
Training days reported	29	35	44	29

Source: PEFA Programme and Budget Execution Report, 2006/7, 2007/8, 2008/9 and 2009/10.

77. Given the limited staff, the programme has achieved significant efficiency. According to the PEFA Annual Progress Reports to the Steering Committee the Secretariat had access to approximately 6.5 full time equivalent staff in 2008/9 and 7.5 in 2009/10 (excluding short term support for specific commissioned reports). With these resources respectively 44 and 29 training events were organised or supported, 60 and 72 reports and concept notes reviewed and several other outputs, such as guidance notes and revisions to indicators produced. Figure 7 presents an index of key outputs to technical staff cost, with 2005 as the base year. It shows that the programme has maintained efficiency throughout the period, with staff costs rising in tandem with training and quality support outputs.

Figure 6: Technical staff cost and outputs, 2006/7 to 2009/10



78. In relation to the internal coherence of the Programme, we would judge that most Programme activities and their associated outputs are well integrated. Training of assessors, donors and government officials is backed by clarifications and guidance notes and direct support where requested in the field, with these two sets of activities in turn reinforced by quality reviews of concept notes and reports. In addition, participation by PEFA Secretariat members in various international processes provides backing for the instrument and its use.

79. The one set of activities, which is clearly less coherent is the one which is least well-defined and, perhaps as a consequence, dramatically under-spent, namely Output 7: "Contributions to enhanced country ownership and improved alignment and coordination of donor support". The intention was that, through this set of activities, the PEFA Secretariat would provide support to the PEFA Partners in their actions to enhance country ownership and promote alignment. Our understanding is that no concrete activities were initially planned and that very few have been identified during Phase III. This is by no means surprising, especially given the limited influence of the Secretariat in respect of what occurs at country level – an issue identified above in relation to the relevance of the Programme. In addressing this issue in the future, the PEFA partners will need to analyse much more precisely how the PEFA Programme can influence ownership and alignment in order to devise a concrete programme of outreach activities in this area.

Factors hindering or facilitating production of Outputs

80. Human resource capacity is perhaps the key constraint on the production of outputs. The Programme has compensated for difficulties in establishing and maintaining full permanent capacity in the Secretariat by appointing short-term support from a qualified pool of consultants. This is a sensible approach, which should be continued. However, an increase in the number of permanent technical staff would be desirable for a number of reasons:

- Firstly, it would reduce the vulnerability of the Secretariat to sudden departures and/or illnesses on the part of the technical staff engaged in preparation of guidance materials, training and quality assurance, which effectively represent the core functions of the Programme.
- Secondly, it would free up time for improved dissemination activities, including regular interaction with a wider network of users of the Framework – the

function, which unfortunately has to be treated as the "residual function" at present in the event of time pressures from the "core functions".

- Thirdly, it would make it possible for technical staff to undertake a wider range of monitoring, developmental and representational activities, in particular at country level.

81. The Secretariat has encountered some operational constraints on account of its placement within the World Bank. As much as it has been of great assistance to the establishment of the programme, constraints due to cumbersome procedures and the limitations placed on the use of Trust Funds have slowed or constrained programme implementation at times[14]. The possibility of increasing operational autonomy, whilst retaining a placement within the World Bank, deserves to be explored by the PEFA Secretariat.

Box 3 Summary of Evaluation Conclusions regarding Efficiency

Efficiency in the Production of outputs: ***Very Good Performance***. Given the limited staff, the programme has achieved significant efficiency. According to the PEFA Annual Progress Reports to the Steering Committee the Secretariat had access to approximately 6.5 full time equivalent staff in 2008/9 and 7.5 in 2009/10 (excluding short term support for specific commissioned reports). With these resources respectively 44 and 29 training events were organised or supported, 60 and 72 reports and concept notes reviewed and several other outputs, such as guidance notes and revisions to indicators produced. In the first two years of the Third Phase (2008/9 and 2009/10) for which reports are available, the programme undertook most of the activities planned while spending only 81% of the funds budgeted.

Internal coherence of the Programme. ***Good Performance***. Most Programme activities and their associated outputs are well integrated. Training of assessors, donors and government officials is backed by clarifications and guidance notes and direct support where requested in the field, with these two sets of activities in turn reinforced by quality reviews of concept notes and reports. In addition, participation by PEFA Secretariat members in various international

[14] Three examples of such constraints: (i) the data security requirements of the World Bank created an usually lengthy approval process to contract an IT company to assist with the development of the new web-site; (ii) the current Head of the Secretariat, Frans Ronsholt, will be forced to retire from his position on reaching 62 at the end of the year, when operationally an extension of his contract might well be desirable; (iii) Bruno Giussani, a PFM specialist with PEFA experience, could not be contracted through the Trust Fund to undertake Country Visits because his brother works for the IFC, which constitutes a potential conflict of interest under World Bank rules.

processes provides backing for the instrument and its use. The one set of activities, which is less coherent is the one which is least well-defined and, perhaps as a consequence, dramatically under-spent, namely Output 7: "Contributions to enhanced country ownership and improved alignment and coordination of donor support". In addressing this issue in the future, the PEFA partners will need to analyse more precisely how the PEFA Programme can influence ownership and alignment in order to devise a concrete programme of dissemination and outreach activities in this area.

Factors constraining/facilitating outputs: ***Human resource capacity is the key constraint on the production of outputs***. The Programme has compensated for difficulties in establishing and maintaining full permanent capacity in the Secretariat by appointing short-term support from a qualified pool of consultants. This is a sensible approach, which should be continued. However, an increase in the number of permanent technical staff would reduce the vulnerability of the Secretariat to sudden departments/illnesses and would free up time for improved dissemination activities and a wider range of monitoring, developmental and representational activities, in particular at country level. Also, the Secretariat has encountered some operational constraints on account of its placement within the World Bank, as much as it has been of great assistance to the establishment of the programme. The possibility of increasing operational autonomy, whilst retaining a placement within the World Bank, deserves to be explored by the PEFA Secretariat.

2.4 Sustainability of the PEFA Programme

82. The sustainability of the Programme is judged in relation to four criteria, which we consider together :

- The technical capability to sustain Programme gains;
- The financial capability to sustain Programme gains;
- The readiness of existing PEFA partners to consider an appropriate range of options for the future;
- The existence of a framework to manage, if necessary, a transition to a structure sustainable over the long term.

83. With regard to the technical sustainability of the Programme, we have identified the following functions as critical to the maintenance of the Programme :

- Continuing to improve the quality of PEFA assessments by keeping guidance materials up to date, building and maintaining a pool of trained and experienced assessors and stepping up the coverage of concept note and report reviews.
- Ensuring that the PEFA instrument remains useful and relevant by regularly reviewing the functionality of indicators in respect of their correct use, their ability to measure performance over time and their continuing relevance with regard to changes in the PFM field.
- Continuing to engage in relevant processes of the development and PFM community to promote the instrument, ensure its correct usage and alignment with other related instruments.
- Continuing to monitor the use of the PEFA instrument (its application and its use) to distil lessons learnt by users for application in future assessments.
- Supporting the development of new applications of the PEFA to ensure that the instrument remains relevant and credible.

84. In order to assess whether the technical capacity is in place to sustain gains through the activities above, it is necessary to take a view on the likely future burden on the Programme in terms of demands for these activities. Two key factors present themselves: the growth in the use of the Framework, which will increase the burden on the Programme; and the likelihood of high demand for inputs by the Programme into related processes.

85. It is likely that the number of PEFA assessments will continue to increase year on year for some time yet. While the number of national assessments will stabilise at some point (only 4 LICs out of 42 and 11 LMICs out of 58 were not yet assessed by October 2010), the potential for growth in the number of subnational assessments is significant. For example, while the number of national reports reviewed by the Secretariat per year is on a declining trend from 2008/9 (41 in 2008/9 to 38 in 2009/10 to 21 so far in 2010/11) the number of subnational reviews is increasing (from 8 in 2008/9 to 18 so far in 2010/11). This coupled with the identified need for better coverage and even more robust procedures to quality assure the assessments, coupled furthermore with a continued need for training just to maintain the pool of qualified and experienced assessors (and potentially increased training of government officials to promote the instrument and support its use at sub-national level where central government is often the lead agency), points to the capacity

of the Secretariat being a major factor in sustaining the gains made since 2004. The possibility of mainstreaming Secretariat functions within the activities of the PEFA Partners is an alternative option, which should be considered, and we present a review of this option in Chapter 3 below. However, it is clear that a broadening of the scope of the activities of the PEFA Programme is likely to be needed and that the least risky option would involve a continuation of the current model, in which quality assurance, dissemination and development functions for the framework are invested in the Secretariat.

86. As we have noted above in the discussion of efficiency, the Secretariat is already running at the extreme of its human resource capacity, which makes it vulnerable to illnesses or sudden departures of staff. Thus, if demand for its services increases or if it is asked to perform additional functions the Secretariat will need to grow. The clear need is for an increase in permanent technical PFM capacity, supplemented by an increased pool of short-term support on which the Secretariat can call with confidence.

87. One emerging and important area of work is data-management. This is key to providing a common pool of information on PFM at the global level, and to support the overall PFM Framework maintenance tasks of the Secretariat. Currently the Programme has only one staff member dedicated to this area of work who undertakes all the tasks from data-entry to data-analysis: additional technical capacity in this area would manage risk and ensure continuity, while enabling better support.

88. In summary, then, our judgement is that the level of staffing of the Secretariat is not sufficient to provide a sustainable basis for the performance of its current functions, taking account of the likely growth in the dimensions of these functions and allowing for the need to allow a margin of manoeuvre in the event of potential illnesses or unexpected staff turnover.

89. Financially, the PEFA Partners have generally shown themselves willing to provide the necessary resources for the planned work of the Programme. To date, the Programme has executed approximately 80 % of its budget per year, so financial sustainability has not proven a problem.

90. In order to consider the sustainability of the Programme going forward, it will be important to lay out the options for the functional scope of the Programme. This question is considered in detail in the subsequent chapter, which thus permits a more careful assessment of the sustainability question. What does seem clear is that there is a willingness of the Partners to consider whatever options may be necessary for the long-term sustainability of the Programme, including potentially options which would reduce their own influence over its future development.

91. There is a potential short-term risk to sustainability arising out of the fact that Phase III funding is only expected to last until the end of 2011, or shortly after. For the moment, there is no contractual basis for taking on staff beyond that period and yet, the position of the Head of the Secretariat may need to be advertised before funding for Phase IV is in place. Subject to the speed at which the content of Phase IV can be agreed and funding arrangements established, it may prove necessary to put in place some sort of "Stand By" arrangement, in order not to delay the recruitment process for the new Head of the Secretariat.

Box 4 Summary of Evaluation Conclusions regarding Sustainability

Sustainability refers to technical, financial and strategic sustainability and the existence of a framework to manage the transition to a structure that is sustainable over the long term. In order to assess whether the technical capacity is in place to sustain gains through the activities above, it is necessary to take a view on the likely future burden on the Programme in terms of demands for these activities. Two key factors are the growth in the use of the Framework, which will increase the burden on the Programme; and the likelihood of high demand for inputs by the Programme into related processes. As is noted in the discussion of efficiency, the Secretariat is already running at the extreme of its human resource capacity, which makes it vulnerable to illnesses or sudden departures of staff. Thus, if demand for its services increases or if it is asked to perform additional functions the Secretariat will need to grow.

Financially, the PEFA Partners have generally shown themselves willing to provide the necessary resources for the planned work of the Programme. To date, the Programme has executed approximately 80 % of its budget per year, so financial sustainability has not proven a problem. At the same time there is a willingness of the Partners to consider whatever options may be necessary for the long-term sustainability of the Programme, including potentially options which would reduce their own influence over its future development.

Our conclusion is therefore that the PEFA Programme is sustainable, so long as swift provision can be made for its continued funding and so long as provision is made to meet the increasing demand for PEFA Secretariat services.

2.5 Institutional Development Impact

92. This section considers the institutional development impact of the PEFA Programme, with a focus on the country level. Specifically, it asks to what extent there is evidence: (i) that the PEFA Programme has helped countries to develop viable, country-led programmes of PFM reform; (ii) to coordinate donor support for those programmes in a manner aligned with country-level priorities; and (iii) to develop a body of information on the evolution of the PFM system? It draws in particular on the evidence presented in the country visit reports, included in Annex 3.

Table 11: Summary of Country Visits and Reports

	Low Income Countries with Repeat Assessments	Middle & High Income Countries
2-3 day Country Visits	Benin, Burkina Faso, Kenya, Uganda	Costa Rica, Peru, Tunisia
Reports from telephone interviews & more limited discussions	Rwanda	Brazil, Switzerland, South Africa
Total Country Observations	5	6

93. The coverage of country visits and interviews has been more limited than initially planned, due to time constraints and the logistical difficulties of setting up appropriate arrangements. Thus, 11 countries have been covered through the programme of country visits and reports, as compared to 14 initially planned[15] (See Table 11.) However, the insights obtained were supplemented by observations made through participation in the PEMPAL conference in January 2011, where 16 countries from Eastern Europe and Central Asia participated, in the annual CABRI conference in February 2011, involving Budget Directors from virtually all Sub-Saharan African countries, and in the African Development Bank's recent conference on evaluation of PFM reform, where 12 African countries were represented. Together with information obtained from the 2008 and 2010 Impact Reports,

[15] It was initially planned that in addition to these 11 countries, either country visits or detailed telephone interviews would be made in relation to India, the Philippines and Zambia.

and from interviews with PEFA partners and Secretariat staff, we believe we have developed a coherent and consistent picture of the nature of the institutional development impacts, which the PEFA programme is having at the country level.

The contribution of the Programme to improved approaches to PFM reform

94. The Impact assessment undertaken in 2007 (Betley, 2008) provided some evidence of PEFA having had an impact on governments and donors, but its conclusions were tentative, as befitted the rather limited evidence then available. It highlighted the interest in PEFA assessments prompted by the evidence-based approach of the assessments but it stressed that this positive interest had not yet translated into a proportionate impact on the alignment of PFM reform programmes with PEFA assessments. It also noted that significant capacity constraints impaired the ability of governments to undertake the strategic analysis necessary to translate the PEFA assessment into coordinated action plans.

95. Three years later, the feedback from the country visits and from interviews with Governments who have adopted the PEFA assessment framework is significantly more conclusive and decisive. This can be seen in particular from the summary of the Country Reports presented in Table 12.

Table 12: Impact of Latest PEFA Assessments in Case Study Countries

Criteria (to assess quality of adoption of PEFA assessment framework at country level)	Low Income Countries (Benin, Burkina Faso, Kenya, Rwanda, Uganda)	Middle & High Income Countries (Brazil, Costa Rica, Peru, South Africa, Switzerland, Tunisia)
Extent of Government engagement in PEFA Management process	In Burkina Faso and Uganda, Government directly managed most recent PEFA assessments. In Benin and Rwanda, very actively involved. In Kenya, perceived as a donor-led process	Strong lead by Donors in all countries, sometimes based on extensive lobbying of Govt over 1-2 years prior to PEFA, but Governments actively involved once decision taken to proceed. (less so in South Africa)
Quality of Donor Collaboration within PEFA	Active Donor collaboration with all agencies involved in PFM work and budget Support	In Costa Rica, Peru, Tunisia strong collaboration across 3 lead donors (EU, WB and IDB/ AfDB). In Brazil WB lead, in SA EU lead.
Quality of the Assessment process	PEFA assessments all considered to be of high	Quality of PEFA Assessments was a major factor in gaining

	quality	confidence of Governments, after initial scepticism.
Quality of the Dissemination process	All processes involved "in" and "out" workshops and all reports published within 9 months.	In Peru, Switzerland & Tunisia active dissemination, discussion and publication (although in Tunisia only with post-revolution Govt). In SA & Brazil, publication but no active dissemination. In Costa Rica, publication is planned but has yet to occur.
Current / planned use of the PEFA by Government	In Benin, BF, Rwanda and Uganda used directly as input into update of PFM reform plan, and PEFA now established as periodic monitoring framework for PFM. In BF, municipal level PEFA undertaken; LG PEFAs planned in Rwanda. Follow-up in Kenya less clear but SN PEFA for 2011 under discussion.	In Brazil, PEFAs were basis of WB project support to provincial level PFM. Implications for PFM reform considered and acted upon in Peru, Tunisia, Switzerland. In SA and Peru will be used for provincial level PEFAs. No explicit follow up in Costa Rica.
Current/ planned use of PEFA by Donors	In every country, used by all relevant agencies as basis of decision making on Budget Support and support to PFM reform.	Provided basis for follow-up work by EU & other donors in Peru, for WB in Brazil, for EU in South Africa and for EU/ WB/ AfDB in Tunisia. Follow-up by IDB expected in Costa Rica.
Current/ planned use of PEFA by CSOs and/ or Parliaments	Generally limited but in BF, *Centre d'Information & d'Etudes sur le Budget* has disseminated PEFA on its Website. In Kenya, presentation to Parliament has been proposed by the Parliamentary budget office.	Engagement of CSOs and Parliament limited, except in Switzerland where presentation made to Cantonal Assembly and Peru where support to Parliamentary Budget Commission planned as follow-up.

96. While the country visits do suggest that donors continue to be the main initiators of PEFA assessments, there is strong evidence of governments using the PEFA assessments for their own purposes, in particular within the middle and high income countries. Indeed, in 9 out of 11 case study countries, as a consequence of the PEFA assessments, governments initiated concrete follow up actions to strengthen PFM.

97. The two exceptions were Costa Rica and Kenya. In Costa Rica, small-scale changes to procedures were reported to have been introduced, based on ideas shared with

technicians during the assessment process but more substantial reforms are hampered by the chronic legislative impasse created by the lack of cooperation between the Executive and the Legislature. In Kenya, the timing of the assessment was inopportune, coming only 6 months after the establishment of the coalition government in the wake of the violently disputed December 2007 elections. Unfortunately, the PEFA exercise here was perceived as a donor–imposed process and there was limited buy-in by government officials or politicians. Yet, amongst the Low Income Countries in the sample, Kenya is very much the exception: in Uganda and Burkina Faso, Government issued the terms of reference for the latest PEFA assessments and led the respective steering committees. In Rwanda and Benin, too, government engagement was high.

98. With the exception of Kenya, in each of the LICs in the sample the periodic undertaking of repeat assessments is now an established practice to which Governments are willingly committed. Discussions in other fora[16] suggest that this is now the case for the majority of Budget Support receiving countries.

99. For these and other Low Income Countries, two attributes are especially valued – the objectivity of the PEFA assessment framework combined with its ability to allow comparisons over time, which creates a stronger basis for monitoring progress in PFM reforms and thus for evidence-informed dialogue with donors over the evolving quality of PFM systems; and secondly, the potential of the framework to reduce the number of competing, and occasionally contradictory diagnostic exercises, which used to be undertaken by donors wanting to support PFM reform.[17] Clearly, these agendas are of stronger relevance to countries actively engaged in PFM reform, and in particular for aid dependent countries.

100. For High Income Countries, PFM reform is not, for the most part a continuing and system-wide process, in which periodic assessments of progress are needed. The PEFA exercises undertaken in Norway and in the canton of Luzern in Switzerland were found useful in drawing attention to weaknesses, which had not been fully perceived because

[16] 10 of the 12 participant countries at a recent AfDB seminar on the evaluation of PFM reform (May 2011) were large-scale Budget Support recipient countries for whom the periodic use of the PEFA is now effectively institutionalized. All the representatives there spoke positively of the use of the PEFA as a tool for monitoring the impact of PFM reforms.

[17] The interlocutors from the Rwanda Government were especially clear on these two points but the country visits as a whole confirmed the general applicability of these concerns.

systematic efforts at international benchmarking had not previously been undertaken[18]. However, corrections to these weaknesses were put in place relatively quickly and did not demand system-wide PFM reform. Thus, the PEFA framework was helpful as a diagnostic process but was not seen to have a continuing relevance in either of these countries as a periodic method of monitoring of PFM reforms. This seems likely to be the case in a majority of HICs.

101. In Middle Income Countries, on-going and larger scale PFM reforms are more common and in Peru and Tunisia – from amongst the case study countries, the PEFA framework has been taken up both as a diagnostic tool to assist the design of PFM reform programmes and as a system-wide monitoring and benchmarking process. Several of the PEMPAL participant countries report that they use the PEFA assessment framework in these ways. We also understand from interviews with the IMF that these were precisely the purposes foreseen by the government of Mauritius in their recent assessment, and from interviews with the World Bank that this was also the case in Indonesia and Russia, although in the latter case, the non-publication of results was established as a condition before proceeding. There is also a growing trend for MIC governments to use the PEFA framework to assess sub-national governments. Amongst the case study countries, this has happened in Brazil and is planned in Peru and South Africa – as well as in India.

102. Thus, there is widespread evidence across Middle and Low Income Countries that the PEFA assessment framework is being used to help develop country-led programmes of PFM reform, to coordinate donor support for those programmes in a manner aligned with country-level priorities; and to establish a basis for benchmarking progress in the PFM system over time. In short, the PEFA Programme is beginning to achieve the institutional development impacts targeted by its global objectives.

What are the factors helping or hindering the institutional development impact of the PEFA Programme?

103. An important question to address is exactly why the PEFA Programme appears to be achieving more significant institutional development impacts now than at the time of the 2008 Impact assessment? What are the factors helping this outcome?

18 Specifically, the Norwegian Government noted some unperceived weaknesses in procurement processes and the canton of Luzern in the monitoring of fiscal risks. In both of these areas, corrective measures were put in place. Other apparent “weaknesses” highlighted by the PEFA assessments in internal and external auditing were seen to derive more from differences in local practices in relation to more standard international approaches.

104. A careful comparison with the 2008 Impact Assessment is instructive. Although it stressed the importance of contextual factors such as openness of government to reform and the existence of a framework for on-going Government-DP dialogue, the 2008 assessment also highlighted the importance of a number of "process factors" linked to the management of the PEFA assessment process, in particular:

- The level of government engagement in the assessment;
- The nature of the perceptions at the country level of the objectives of the PEFA assessment; and
- The quality of the consultation and dissemination processes.

105. Of the case studies analysed in 2011, nearly all scored well against these criteria; indeed in some cases there was an extraordinary level of attention paid to the details of these process factors:

- In most cases, significant efforts were made to ensure active engagement of government, through structured, formalised processes often involving political leaders and senior officials in addition to technicians. Where engagement was more partial or at a lower level – such as in South Africa or Kenya, this had a direct influence on the quality of the process.
- In every one of the 11 cases, the PEFA assessments were preceded by briefing workshops on the PEFA methodology. In the case of Uganda, not only was there a two-day briefing workshop for officials, there was also a half-day event for senior decision-makers (Cabinet Members, Permanent Secretaries, Chairs of Accountability Committees of Parliament, etc)[19]. Again, a lack of adequate briefing was identified as a weakness in Kenya leading to a misunderstanding of the precise objectives of the PEFA assessment.
- Although the quality of dissemination was still weak in several of the case study countries, in others it was given very considerable attention, such as in Tunisia, where a translation into Arabic of the draft report was deliberately incorporated into the process so as to permit participation of a wider range of interlocutors.

[19] It seems that in Uganda, there was a conscious effort to learn the lessons from the first assessment in 2005, where a lack of understanding of the PEFA process by Government officials was seen as a significant problem, which undermined ownership.

106. Thus, there is substantial evidence to suggest that the conduct of the PEFA process has been considerably better in the more recent period. It seems likely that this would have been, in large part, the result of improved guidance material, stronger ToR and concept papers, and training. The 2010 Impact Assessment reaches this same conclusion.

107. In the 2008 Impact Report, in only 1 of the 8 country cases did the quality of the PEFA assessment itself feature as a key factor influencing the impact of PEFA assessments. However, we suspect that even if quality was not explicitly mentioned by those interviewed, it is likely to have been more significant than this statistic suggests. In the recent case studies, the high quality and the clarity of the analysis were remarked upon in several countries. In a number of cases, the assessment teams have also been larger, numbering 4 in most cases and in some countries 5. This allows for a higher degree of specialisation and for more time to be dedicated to each indicator. (In 2006 and 2007, teams of 3 or even 2 seem to have been the norm.) There is also evidence that the average time allowed for assessments is now longer. We have also noted in section 2.1 above, that the effectiveness of the quality assurance process has been considerably strengthened.

108. These observations show that through increased attention to factors within the control of the assessment teams, the sponsoring agencies and the PEFA Secretariat, it has proven possible to raise the quality of the assessment process and of the final product, with positive consequences in terms of institutional development impact. To a significant degree, this mitigates our earlier concern that the PEFA Programme has limited itself to activities which impact only indirectly on the quality of country ownership and the degree of alignment of donor support. Yes, the PEFA Programme must work at arm's length from the governments and donor agencies who ultimately determine the levels of ownership and alignment but attention to process and attention to quality do appear to be paying dividends in generating the confidence to use the PEFA framework as a tool to promote government-led PFM reform, and aligned and coordinated support.

Box 5 Summary of Conclusions regarding Institutional Development Impact

The PEFA Programme has performed well in respect of institutional development impact against its global objectives. The Phase III period provides widespread evidence across Middle and Low Income Countries that the PEFA assessment framework is being used to help develop country-led programmes of PFM reform, to coordinate donor support for those programmes in a manner aligned with country-level priorities; and to establish a basis for benchmarking progress in the PFM system over time.

In 9 out of 11 case study countries, as a consequence of the PEFA assessments, governments initiated concrete follow up actions to strengthen PFM. Where this did not occur, it can be related to country-specific circumstances. In many low-income countries, repeat assessments are now an established practice. For high-income countries the PEFA framework was helpful as a diagnostic process but was not seen to have a continuing relevance. In Middle Income Countries on-going and larger scale PFM reforms are more common and the framework is taken up as a diagnostic tool and a system-wide monitoring and benchmarking tool. There is also a growing trend for MIC and LIC governments to use the PEFA framework to assess sub-national governments.

There is substantial evidence that the conduct of the PEFA process has been considerably better in the post-2008 period, which seems to largely explain the difference in performance since the 2008 Impact Assessment. It seems likely that this would have been, in large part, the result of improved guidance material, stronger ToR and concept papers, and training. Thus, through increased attention to factors within the control of the assessment teams, the sponsoring agencies and the PEFA Secretariat, it has proven possible to significantly raise the quality of the assessment process and of the final product, with positive consequences in terms of institutional development impact.

2.6 Governance of the Programme

109. This section evaluates the quality of the governance of the programme. It examines the effectiveness of implementation arrangements, examining in particular the role of the Steering Committee and the relationship of the Programme to the OECD-DAC Task Force on PFM. It examines potential counterfactual arrangements: what alternative governance arrangements might have been chosen to maximise the impact of the Programme. What risks would these alternative arrangements have entailed? On this basis, it then reaches conclusions regarding the sustainability of the current governance arrangements, with regard to the Steering Committee.

110. In this section, both for reasons of brevity and coherence we do not address the question of the role of the Secretariat, postponing this discussion to the subsequent chapter where options for the future are considered and their implications for the role of the Secretariat are assessed. Looking retrospectively, the data provides strong evidence

that the Secretariat has been efficient and effective but assessing the sustainability of the current structure and its suitability going forward requires a wider consideration of future options, which we address in chapter 3 below.

Effectiveness of the implementation arrangements for the PEFA Programme: The Steering Committee

111. The PEFA Programme budget has been managed and implemented by the PEFA Secretariat under the stewardship of a 7-member Steering Committee, comprising DFID, the EU, France, the IMF, Norway, SECO and the World Bank. The staffing level of the Secretariat has been equivalent to 6.5 full time staff over 2008/09 and 7.5 over 2009/10, managing annual spending of $1.05 million in 2008/09 and $ 1.16 million in 2009/10, some $155-160, 000 per full time equivalent staff member. Overall, the arrangements have proven an efficient framework for management and decision-making, and for guiding the PEFA from its inception through its consolidation and into large-scale dissemination and use under Phase III. Two key questions arise:

- What have been the opportunity costs of adopting a lean, pared down management and operational structure? Would different frameworks have created more opportunities or had greater impact?
- How appropriate is the framework likely to be going forward into Phase IV and beyond?

112. In relation to the Steering Committee, the choice has been for a relatively small number of members to be included as PEFA Partners, sufficient to constitute a critical mass of the Development Agencies working on PFM issues but yet not too numerous to make decision-making complicated. This has allowed for efficiency and focused attention to a relatively narrow set of objectives. The fact that the PEFA Programme has been efficient and effective is the ultimate evidence of the essential wisdom of these decisions. What may have been lost in the process?

113. The most obvious disadvantage of a small steering committee is that it allows only for a limited number of stakeholders to have a voice in management. Specifically, the Steering Committee is limited to Development Agencies only: it includes no professional bodies – such as INTOSAI or IFAC – no NGOs, and perhaps most significantly no non-OECD Government representatives, who could effectively be said to represent the core

users of the PEFA framework. Moreover, it includes only a small number of Development Agencies, with none of the regional development banks included and both the USA and Japan also excluded. How might the range of views represented have been broadened without losing efficiency in decision-making?

114. Three alternative arrangements suggest themselves:

- The first would be a larger Steering Committee, comprising for example 9 or 11 members rather than just 7. It is not clear that this would really have solved the problem of representation, given the number of important voices, which have been left outside the current management. Moreover, efficiency in decision-making would probably begin to suffer with any more than 9 members.
- The second option would be to have a slightly larger Steering Committee of for example 9 members, operating on a rotating basis, based on a 2 or 3 year tenure. This is an established model for a number of international organisations but it does not dramatically change the range of representation, while introducing potentially new problems of continuity and consistency. The PEFA Steering Committee has benefited from the consistent participation of the same members, which has helped in the consistent implementation of management resolutions and in the build-up of institutional memory. These attributes have been of considerable importance in the past.
- The final option would be to have a second consultative body, additional to the Steering Committee, which could be potentially very much larger and could play a consultative role, commenting on proposals by the Steering Committee, developing resolutions of its own for consideration by the Steering Committee and interacting in more informal ways with the Secretariat. A number of options again present themselves within this broad approach, ranging from a body akin to an Annual General Meeting of shareholders with formal voting rights and authority over the Steering Committee, to a structure more like a "forum" of nominated "trustees", known to have a shared interest in the PEFA Programme and who are trusted to provide useful advice and ideas, without necessarily being given formal voting rights.

115. In recognition of the desirability of working within a wider consultative framework, the PEFA Steering Committee has chosen to work in close partnership with the OECD-DAC Task Force on PFM. With all of the Steering Committee members being OECD-DAC

members or observers and several also being active members of the Task Force, this was in a sense an open opportunity which presented itself, without the necessity for potentially complicated deliberations and decision-making. How useful has this been and how far has it provided for a more plural consultation process in relation to the interests of the PEFA Programme?

116. The evaluation team has not been able to consult as widely as would have been desirable on the role of the OECD-DAC Task Force but from the feedback which has been received, a number of observations emerge:

- Firstly, the Task Force has to a degree allowed for consultation with a wider range of stakeholders on issues of concern to the PEFA programme, in particular it has allowed for consultations with a wider range of Development Agencies. However, there are a number of important PEFA stakeholders who are not members of the Task Force either – notably the non-OECD governments who are active users of the PEFA framework, as well as the professional bodies and NGOs/ CSOs with an interest in PFM issues.
- Secondly, as a decision-making body – for example on questions related to the harmonisation of PFM diagnostic instruments – the Task Force suffers from the fact that it has to operate on the basis of consensus and has a relatively large number of members, which makes detailed agreements difficult to reach.
- Finally, the Task Force suffers from the fact that its members have quite a range of backgrounds and levels of experience in relation to PFM issues.

117. In summary, the view expressed to the team was that the OECD-DAC Task Force was a useful consultative framework but also relatively limited in its scope and influence: in short, a desirable structure for wider consultation but not really a solution to the problem of the limited representativeness of the PEFA Steering Committee members.

118. Looking retrospectively, it is not clear that the problem of representativeness of the Steering Committee has been a constraint on the success of the PEFA Programme. As we have noted, the PEFA Framework has been adopted by the majority of the international development agencies and by a great range of governments, regardless of their lack of involvement in the technical development and evolution of the framework. Moreover, through direct feedback in the application of the framework and through participation in other networks, the impression is that both the Secretariat and the Steering Committee

have been able to maintain an adequate level of contact with its primary users: there is no evidence of the Secretariat of the Steering Committee having been "out of touch". To what extent is the current structure sustainable into the future?

119. There are three significant risks which present themselves in keeping with an unaltered governance framework for the Steering Committee:

- The first, and potentially most serious risk, relates to the continuing legitimacy of the current structure. The present PEFA Partners exert control over the development of the PEFA Programme essentially by virtue of having been its initiators and its main funders. The fact of having produced a successful product, which is utilised to a good effect in a great range of countries also lends legitimacy to the current PEFA Partners. Yet, with the product largely established and with a range of potential funding sources open to the Programme, one might question why other potential PEFA partners are not considered. Simply for reasons of damage limitation, it would be helpful to have a more inclusive structure, where potential new "Partners" might have the space to join and, at the very least, to express their opinions. If not, those feeling "excluded" might promote alternative "break away" products, or undertake other types of disruptive actions.
- Secondly, there is a positive side to this argument as well: good practice for Boards of companies is to seek to have a periodic change-over in the composition of Board Members both to avoid unhealthily "cosy" relationships where accountability is compromised and to ensure that there is regular new blood and new ideas[20]. These same arguments apply to the PEFA Steering Committee: continuity has been important in the development and consolidation of the Programme but it would be wise to create an opportunity for different agencies and institutions to enter the management structure.
- Thirdly, as the Programme goes forward, the relative importance that will need to be given to the engagement of new stakeholders seems likely to increase. With the PEFA product essentially well established and consolidated, increasing efforts must now be placed on broadening the range of its use across countries, and on deepening its influence by making new stakeholders aware of PEFA and

[20] We stress that there is no evidence in the past of accountability having been compromised by the lack of change in the composition of Steering Committee members. The point we make is simply that it is not considered best practice for company boards of directors.

encouraging new applications and new learning based on PEFA. This will entail a more extensive out-reach function, both for the Secretariat and for the Steering Committee. To the extent that the governance framework can be adapted to widen opportunities for consultation and participation, without compromising the efficiency of decision making, then this would support an expanded out-reach function.

120. We draw three conclusions. Firstly, whilst the current governance framework based on a small Steering Committee of seven fixed members has not proven a constraint in the past – and has probably been an advantage in efficiency terms, there are risks associated with sustaining such a structure. There are also potential advantages in widening the governance framework, as the Programme moves from consolidation of the PEFA framework into expansion of its use and deepening of its influence. Secondly, the creation of a second consultative body – a reference group – to support the Steering Committee would seem to be a desirable way to address this need for a wider and more inclusive governance framework. Thirdly, so as to bring in new members and avoid the possible problems of management by an unchanged "club", a method for periodic renewal in the membership of the Steering Committee seems desirable.

Box 6 Summary of Conclusions regarding Governance

Existing governance arrangements have proven an efficient framework for management and decision-making, guiding the PEFA from inception through consolidation and into large-scale use. However, the limitations of the current structure are likely to create constraints to further progress in Phase IV.

The choice of a relatively small number of PEFA Partners has allowed for efficiency and focused attention to objectives. Yet, it allows only for a limited number of stakeholder voices, excluding many key development agencies, professional bodies, non-OECD governments and NGOs. While the OECD-DAC Task Force was a useful consultative framework, it was also relatively limited in its scope and influence and not really a solution to the problem of the limited representativeness of the PEFA Steering Committee members.

The problem of representativeness of the Steering Committee has not been a constraint on the success of the PEFA Programme to date. In future this may change as the relative importance that should be given to engaging new stakeholders will certainly increase and the continued legitimacy of the current structure may be questioned.

There are advantages in widening the governance framework, as the Programme moves from consolidation of the PEFA framework into expansion of its use and deepening of its influence. The creation of a second consultative body – a reference group – to support the Steering Committee would seem to be a desirable way to address this need for a wider and more inclusive governance framework, without undermining the efficiency of decision-making. In addition, so as to bring in new members and avoid the possible problems of management by an unchanged "club", a method for periodic renewal in the membership of the Steering Committee would be desirable.

2.7 Process & Implementation of the Programme

121. This section was initially intended to address evaluation question, number 7: "To what extent has the Programme worked as planned, or if not, what barriers were encountered and how were they overcome, including the extent to which the Trust Fund covenants have been met?" The first part of this question has been amply addressed in the examination of effectiveness and efficiency in sections 2.1 and 2.3, and the implications of our conclusions are fully discussed in chapter 3. We therefore focus on the question of the Trust Fund covenants.

122. The PEFA Multi-Donor Trust Fund is currently in its third extension, aligned to the third phase of the PEFA Programme. The extension ends on 31 December 2011. The Trust Fund agreements annex a standard set of governance arrangements between the Steering Committee and the Secretariat, which frame their respective roles and responsibilities, delegation of authority and standard processes for the governance of the programme. Standard provisions apply to the contracts of all the contributing partners (the French Ministry of Foreign Affairs, SECO, DFID, NORAD and the EC) with the Bank. Notable provisions concern:

- ·The management of the Trust Fund in accordance with World Bank policies;
- ·The separation of Trust Fund resources from the resources of the World Bank;
- ·The deposit of investment income into the Trust Fund;
- ·Accounting and financial reporting, including the provision of audit reports on the regularity of the management of the Fund to contributing donors within six months of each year end and the option to request audits of the financial statements;

- ·Procurement;
- ·The identification of all activities funded by the Trust Fund as PEFA activities;
- ·Limits on the activities to be funded: only activities outlined for the 8 outputs in the Phase III document may be funded: a list of 38 activities is stipulated in an Annex;
- ·Limits on the expenditure categories that can be funded;
- ·Close consultation of and coordination with contributing donors by the World Bank;
- ·Reporting on the activities funded by the Trust Fund.

123. Within the limitations of the research scope and methodology, the evaluators found no material breaches of the Trust Fund Covenants for the period under review. None of the contributing donors expressed dissatisfaction with the World Bank management of Trust Fund resources, the regularity of financial, strategic or audit reports, the visibility of PEFA activities, the activities that have been funded, the quality of consultation and coordination, or the implementation of governance arrangements. Financial and strategic reporting against Trust Fund resources and on the PEFA programme also did not indicate any breaches in respect of the limits on the use of the Trust Fund Resources. The conclusion therefore is that the Trust Fund covenants have been met by the World Bank, in so far as an evaluation of this nature can ascertain.

Box 7 Summary of Conclusions regarding Implementation process

Conclusions on effectiveness and efficiency of the programme provide an assessment on the extent to which the Programme has worked as planned and whether barriers were overcome. In respect of meeting the Trust Fund covenants, the evaluators found no material breaches for the period under review. None of the contributing donors expressed dissatisfaction with the World Bank management of Trust Fund resources, the regularity of financial, strategic or audit reports, the visibility of PEFA activities, the activities that have been funded, the quality of consultation and coordination, or the implementation of governance arrangements. Reporting against Trust Fund resources and on the PEFA programme did not indicate any breaches in respect of the limits on the use of the Trust Fund Resources. ***The conclusion therefore is that the Trust Fund covenants have been met by the World Bank, in so far as an evaluation of this nature can ascertain.***

3 Overview of Conclusions and their Implications for the Future Development of the Programme

124. This chapter presents an overview of our conclusions and their implications in terms of the immediate and future challenges. It considers the implications for the future development of the PEFA Programme, addressing the three forward-looking evaluation questions related to the scope of activities, the potential need for technical developments and innovations and the implications for the future management model.

3.1 Overall Conclusions

125. Our overall evaluation of the performance of the PEFA programme is a resoundingly positive one. The PEFA Programme has succeeded in creating a credible framework for the assessment of PFM functionality, which manages to be comprehensive in its coverage and yet sufficiently simple for the non-technical user to understand. The framework is comparable over time and, to a significant extent, comparable across countries. It has been applied in countries of different geographical regions, different income levels and different administrative traditions and in a sufficiently large number of countries to constitute a credible, common information pool on PFM performance. The PEFA assessment framework is now used by all major development agencies working with PFM systems, either as a tool to support the design and monitoring of PFM reforms or as a key element of fiduciary risk assessment processes. It has been adopted by many governments for similar purposes – that is to inform the design of PFM reforms, to help monitor the progress of PFM reforms over time and to assess the quality of PFM at sub-national levels. **In short, the PEFA assessment framework has been established as a viable and useful brand, only slightly more than five years after its launch.**

126. Yet the brand remains vulnerable until more systematic and reliable methods to guarantee quality can be established. **Without a doubt, the most serious criticism made of the PEFA Programme by the various stakeholders who were interviewed was that it remains unable to guarantee the quality of the PEFA assessments undertaken.**

127. The Secretariat's data suggest that there has been a significant improvement in quality – at least for those assessments, which pass through the Secretariat's QA process[21]. Moreover, interviewees were quick to point out that concerns over quality related only to a minority of the assessments undertaken to date. Yet, the problem is that **confidence in the quality of the PEFA instrument as a whole is undermined by the continued presence of this minority of poor quality assessments.** Similarly, its usefulness as a mechanism to assess the evolution of PFM systems over time is dramatically compromised where there are doubts over the validity of specific indicators, or indeed over whole assessments. The seriousness of this problem cannot be overstated:

- Every one of the PEFA partners interviewed raised quality of PEFA assessments as a concern.
- The three other Development Agencies interviewed – ADB, IDB and USAID also raised quality as a concern, as did the SIGMA team working in the EU accession countries and neighbourhood countries.
- The 2010 Monitoring Report based on repeat assessments had to discard 12 out of 45 repeat assessments because they could not be systematically compared to earlier assessments. 30 % of the indicators reviewed in the comparative assessments retained could not be compared, often due to "no scores" or mistakes in earlier scoring.

128. A second point of concern is that **until recently the PEFA Programme had had less impact on its global objectives than had been expected**. There was good progress in creating a common pool of information on PFM systems but not in respect of enhanced country ownership of reforms, and improved alignment of donor support to PFM reform.

129. Over 2009 and 2010, the picture has changed: amongst the country case studies undertaken for the evaluation, 9 out of 11 countries showed evidence of governments using the PEFA framework to take control of their PFM reform agendas. In 4 out of 5 of the Low Income Countries in the sample, as well as in others on which information was received, the PEFA framework had been adopted as a tool for periodic benchmarking of

[21] As noted above, amongst assessments passing through the Secretariat's QA process, the compliance with PEFA Guidelines from 2006 to 2009 improved from 48% to 91% across all indicators. Apart from the fact that this still means nearly 1 in 10 of indicators scored are non-compliant, one should remember that 29 % of PEFA assessments undertaken have not been assessed by the Secretariat.

the status of PFM systems, and thus as a centrepiece in dialogue with Budget Support donors. In Middle Income Countries, the PEFA framework had been used either to inform national level PFM reform processes or as an assessment tool to guide PFM reform at subnational levels of government. Thus, at least within the sample of countries covered, progress is being made in the use of the PEFA framework to enhance country ownership of reforms, and to improve alignment and coordination of donor support to PFM reform.

130. Yet, there is a sense that there is insufficient knowledge of these successes. Even in recent PEFA assessments, the agencies leading PEFA assessments have often had to expend inordinate efforts to "sensitise' partner governments to the virtues of the framework[22]. For many Governments, notably in North Africa & the Middle East, in Asia and to a lesser extent in Latin America, a lack of full awareness of the scope and potential of the PEFA assessment framework remains an issue. Even in regions where there is more familiarity with the framework, such as in Sub-Saharan Africa, its potential as a benchmarking tool around which to organise dialogue with donors, or with sub-national governments, or with civil society, is not everywhere fully appreciated.

131. We noted in discussing the efficiency of the PEFA Programme that neither in 2008/09 nor in 2009/10 were any activities executed under Component 7, whose objective was to "contribute to enhanced country ownership and improved alignment & coordination of donor support to PFM." While there may have been legitimate reasons for considering that this was not a priority at that time, we believe that the failure to take proactive measures to promote country ownership, and improved alignment and coordination of donor support to PFM contributed to the slow progress in these areas. In the next Phase, the PEFA Programme should do more to promote improvements in these areas, maximising the potential that the PEFA programme has now demonstrated. Specifically, we would recommend that networking, communication and dissemination programmes should be devised aimed at:

- Giving Governments the confidence to build a common, harmonized dialogue on PFM reform on the basis of PEFA assessments; and
- Giving donors (and potentially CSOs engaged in accountability work) the confidence to make greater use of the PEFA framework, reducing reliance on

[22] For example, this was true in each of the 6 MICs within the sample of 11 country studies.

competing diagnostic frameworks and increasing the harmonisation of donor efforts in support of Government-led PFM reforms.

132. Finally, **with the PEFA brand well established and with the numbers of repeat assessments increasing rapidly, the information pool on PFM performance which the PEFA Programme has created is becoming a unique, and an increasingly valuable, source of comparative data on PFM performance.** Governments, development agencies and researchers need to be encouraged to use the PEFA common information pool to better understand how PFM systems are changing in different countries and how PFM reforms are impacting on those systems. Over the next five years, the common information pool can become a resource of tremendous value in understanding where and how PFM reforms work. The PEFA Programme needs to gear itself up to maximise the value of this resource.

133. In summary, much has been achieved to date: **the Programme as a whole has performed efficiently and effectively. But the PEFA Programme needs to gear itself up for a new era**, developing appropriate structures and delivery mechanisms to meet the challenges with which it is now faced. Below, we examine what it might mean for the scope of activities, for technical innovation and for the PEFA management model to address three key challenges for the future, namely:

- Establishing a reliable framework by which to guarantee a consistent standard of quality of PEFA assessments;
- Creating widespread knowledge of the PEFA assessment framework and how it is being used to enhance country ownership of PFM reforms, to improve their effectiveness and to strengthen alignment and coordination of donor support to PFM reform; and
- Expanding access to the common data-base, as well to individual country assessments, so as to facilitate research and evaluation on PFM reform.

3.2 Four Options for the Management Model of the PEFA Programme

134. Before considering the more detailed operational implications of the challenges identified above, it is important to evaluate what is the right overall management model to deliver the objectives of the PEFA Programme. Firstly, it should be stated that, beyond

minor refinements in their wording, we assume that the PEFA Partners would expect the Programme to continue to pursue the same overall goal - to improve country PFM system performance - and the same broad objectives, namely:

- To enhance country ownership of PFM reforms;
- To improve alignment and coordination of donor support to country-led PFM reform;
- To develop and maintain a common, credible information pool on PFM performance for all Low-Income Countries and most Middle-Income Countries

135. This goal and these objectives remain highly relevant, of crucial importance to the social and economic development of the different countries of the world, and, notwithstanding the progress made during Phase III, they remain unfulfilled. So the question is what is the most appropriate management model to fulfil these objectives?

136. Before answering this question, it is worth reflecting that the current model, that of the PEFA Secretariat, is in many ways a rather unusual model through which to ensure the effective development and application of the PEFA assessment framework. The Secretariat does not directly undertake nor finance PEFA assessments and has no "ownership" rights over the PEFA framework or over assessments themselves. Nor does it have a licensing type arrangement, in which users of the assessment framework are required to fulfil the Secretariat's quality assurance requirements. Rather, it provides guidelines, advice and training on application of the framework, as well as offering a free (to the user) quality assurance service.

137. The apparently unfunded activities of the PEFA Programme, namely the actual financing of PEFA assessments themselves are essential to the achievement of the Programme objectives. These are, of course, funded by the governments and development agencies leading the PEFA assessments. In Phases I-III of the Programme, the lion's share of this funding has come from the PEFA Partners, who have also financed other complementary activities such as training in the use of the Framework[23] and certain dissemination activities. Thus, within the current model the bulk of the aggregate funding

[23] The EU directly finances the delivery of regular courses in the use of the PEFA framework through its "Aid Delivery Methods" team. Most other PEFA Partners have financed occasional 'ad hoc' courses in the past but currently efforts are being made to deliver these on a regular basis through the Training4Dev framework, which is a consortium of several development agencies.

of the PEFA initiative is in fact "mainstreamed' within the country and programme funding frameworks of the PEFA Partners, as well as certain other Development agencies and a small number of governments. What is labelled the "PEFA Programme" in fact comprises a minority of the funding, covering development of the PEFA framework, support to quality assurance, support to training, maintenance of the data-base and a modest volume of communications and dissemination activities.

138. Thus, if one were to conceive of the funding of PEFA assessments, of PEFA training and all related dissemination activities as falling within the wider PEFA Programme, then four broad options for the management and delivery of this wider programme suggest themselves:

- **The "fully mainstreamed" option**, in which there would be no PEFA Secretariat, and PEFA Partners, other Development Agencies and governments would directly finance and undertake all activities associated with the PEFA Programme:
    - The funding and undertaking of PEFA assessments;
    - The quality assurance for those assessments;
    - Training in the use of the PEFA framework;
    - Dissemination of PEFA results and experiences;
    - Development of the PEFA framework;
    - Maintenance of the PEFA data-base..

- **The "largely mainstreamed" option**, in which there would be a small PEFA Secretariat, financed on a fee for service basis to undertake a small set of core 'maintenance' and quality assurance functions on the PEFA framework, through a fee charged to the Development Agencies and governments financing PEFA assessments. The division of functional responsibilities would then be as follows:
    - The undertaking of PEFA assessments, training in the use of the PEFA framework, and dissemination of PEFA results and experiences would be financed directly by Development Agencies and governments;
    - Quality assurance for assessments; development of the PEFA framework, and maintenance of the PEFA data-base would be undertaken by the PEFA Secretariat, financed through a fee levied on each PEFA assessment undertaken.

- **The current, "hybrid" option**, in which there would be a moderately sized PEFA Secretariat, with a relatively broad range of 'maintenance', quality assurance, training support, and dissemination functions on the PEFA framework, financed directly by the PEFA Partners, with Development Agencies and governments financing PEFA assessments and training activities. This prevailing division of functional responsibilities could be categorised as follows:
    - The undertaking of PEFA assessments, training in the use of the PEFA framework, and some of the dissemination of PEFA results and experiences would be financed directly by Development Agencies and governments, with the PEFA Partners probably continuing to comprise the majority;
    - Quality assurance for assessments; development of the PEFA framework, maintenance of the PEFA data-base and some of the dissemination of PEFA results and experiences would be undertaken by the PEFA Secretariat, financed directly by the PEFA Partners through a Trust Fund arrangement.

- **The "Project" option**, in which there would be a large PEFA Secretariat, taking full responsibility for all of the functions of the PEFA Programme – including the undertaking of PEFA assessments, under a project financing arrangement provided by the PEFA Partners. This would necessarily entail an open tender process, in which companies or consortia would be invited to bid for the PEFA contract on a periodic basis.

139. We would assess the advantages and disadvantages of each of these options as follows:

- **The "fully mainstreamed" option**, has the obvious advantage of spreading the financing responsibilities for the PEFA Programme across a wider set of stakeholders than the current PEFA Partners. It also, at least at first sight, eliminates the recurrent financing and management commitments generated by the PEFA Secretariat. However, it would leave undefined the responsibilities for the 'maintenance' of the PEFA Programme – the continued development of the Framework, the updating of guidance material, the maintenance of the data-base. As these activities could not logically be managed on a decentralised basis, some sort of alternative governance framework to that of the current PEFA

Secretariat would need to be defined. One specific agency, such as the IMF, might be nominated to do this or perhaps it might be managed through a committee structure of some kind, in which a small group of Development agencies would be nominated to manage these functions. Functions such as quality assurance and dissemination could potentially be managed on a decentralised basis but their quality and effectiveness would very likely suffer as a result. In short, the apparent saving in eliminating the Secretariat would probably prove illusory, with certain core 'maintenance' functions having to be undertaken anyway and other important ancillary functions, such as quality assurance and dissemination probably declining in quality within such a framework. Moreover, depending on the nature of the governance framework established, there would be a high risk of the ownership and sense of responsibility for the PEFA assessment framework being dissipated, and its relevance and effectiveness consequently declining through a lack of attention.

- **The "largely mainstreamed" option**, would hold essentially the same advantages as the "fully mainstreamed" option but with the additional advantage of having a user fee arrangement to cover the costs of central 'maintenance' functions, as well as quality assurance and dissemination costs. The PEFA Secretariat would thus continue to exist but fully financed by this user charge. This would have obvious advantages in terms of reducing financial dependence on the PEFA Partners. However, there would still be a need for some sort of governance or regulatory framework for the Secretariat in order to agree fee levels, set budgets and define the activities to be undertaken. Moreover, the introduction of fees might act as a deterrent to assessments being undertaken and might in other ways introduce conflicts of interest and perverse incentives.

- **The current "hybrid" option** has the major advantage of being a tried and tested model, which has been demonstrated to be both effective and efficient, as this evaluation attests. The governance and management arrangements as well as the operational and procedural requirements for the current model have been developed and well established. Hence, this investment would not need to be repeated. The current option also offers a balance between a set of centralised, 'maintenance' and other functions financed through the PEFA Programme and decentralised financing of PEFA assessments and PEFA training. This structure, at least potentially, allows scope for an extremely wide range of governments and development agencies to directly finance PEFA activities, allowing for the ownership of the PEFA instrument to remain relatively broad and avoiding exclusive financial dependency on the PEFA Partners. At the same time, it invests in the PEFA Partners the clear responsibility of "guardians" of the Framework, in conjunction with the Secretariat itself. Two disadvantages of this structure have been highlighted by this evaluation: firstly, with quality assurance by the Secretariat being a voluntary rather than a mandatory process (PEFA assessments being effectively "owned" by their lead agencies), it has proven difficult to guarantee a standard level of quality; secondly, dissemination and outreach functions (to promote the Strengthened Approach) have been inadvertently underfunded as a consequence of being a shared responsibility between the Secretariat and the PEFA Partners. A third disadvantage is that the funding base for PEFA activities has in practise remained narrowly dependent on the PEFA Partners, with the sense of ownership and responsibility for the PEFA also remaining focused on the PEFA Partners. Finally, the governance requirements of Trust Fund arrangements do place a greater set of operational restrictions on the Secretariat (in comparison with a project framework) and more operational responsibilities on the World Bank as the Trust Fund manager.

- **The "project' option** holds the advantage of centralising responsibilities for quality unequivocally with the project managers. It also gives the project managers a high level of operational autonomy, within a contract framework, which could build upon existing legal and managerial procedures and pre-existing precedents[24]. But this narrow concentration of responsibilities also holds disadvantages: would it be appropriate for a private consultancy company to hold so much responsibility for a public good such as the PEFA framework? Financial and contract management responsibilities would also need to be concentrated in a narrow group of agencies, probably less numerous than the PEFA Partners, with consequent negative effects on the breadth of ownership.

[24] The "Aid Delivery Methods" contract managed by Europe Aid, within the EC would provide a good template for this type of contract. USAID have also in the past contracted specific academic consortia with developing and disseminating the use of National Health Accounts. Various Development Agencies have framework contracts for specific types of evaluation contracts.

Issues of continuity would also arise, as the requirements of competitive tendering would necessitate periodic changes in the project management team.

140. In summary, we consider that there are strong arguments for remaining with the current "hybrid option". Quite apart from being a successfully tried and tested formula, it holds the major advantage of combining opportunities for governments and development agencies to directly finance PEFA assessments and training, allowing for the ownership of the PEFA instrument to remain relatively broad and avoiding exclusive financial dependency on the PEFA Partners, while investing in the PEFA Partners the clear responsibility of "guardians" of the Framework, in conjunction with the Secretariat itself.

141. Moreover, we would judge that it is possible within the framework of this current option to largely correct the disadvantages noted to date with the existing management model – the voluntary nature of the quality assurance process, the potential for certain functions (such as outreach and dissemination) to "fall between" the PEFA Partners and the Secretariat, and the relatively limited engagement of stakeholders other than the PEFA Partners in the funding and ownership of the PEFA Framework. Each of these problems could be addressed through updating of procedures, more precise definition of functional responsibilities and adjustments to the governance framework, without departing from the existing management model.

142. There will remain important decisions to be made about exactly which functions and activities should fall within the PEFA Programme, under the responsibility of the Secretariat, and which should be taken up directly by the PEFA Partners. For the core 'maintenance' and quality assurance functions, the comparative advantage of the PEFA Secretariat is extremely strong. For other functions, the decision on their placement should depend on two factors: a) the existence of clear organisational and administrative structures within the PEFA Partners' institutions which can take up responsibilities for these functions (eg. PEFA training, PEFA dissemination and promotion of PFM research) and execute them on a timely and effective basis; and b) the extent to which such functions can be added to the administrative responsibilities of the PEFA secretariat, without excessively increasing the management burdens which would prevail within a Trust Fund arrangement. The evaluation team has limited knowledge of these factors so our recommendations below focus on the functions, which we believe must be taken up

within the PEFA Programme as a whole, leaving the precise location of responsibilities for these functions to be decided by the Steering Committee.

3.3 Implications for the future scope of Programme activities

143. In order to respond to the challenges identified in section 3.1, a different structure of activities is likely to be needed for Phase IV of the PEFA Programme. While the core business of promoting high quality PEFA assessments is likely to continue to dominate the budget – certainly in the earlier years of a new phase of funding, we believe that a more high profile and more extensive out-reach programme will be necessary, in addition to greater investment in the development and utilisation of the common data-base on PFM performance. Figure 8 shows the type of Programme Performance Framework, which this would imply for Phase IV.

144. Although the Development Goal remains the same, a slight re-casting of the Global Objectives is proposed in order to highlight more precisely the links with the Programme Results. Thus, three Global Objectives are again proposed as follows:

(i) Promotion of Structured government leadership and monitoring of PFM reforms (making the link with the structured framework for benchmarking provided by the PEFA framework)

(ii) Promotion of Harmonised donor support to PFM reforms and use of country systems (highlighting the fact that PEFA assessments are promoted as a way of facilitating fiduciary risk assessments for use of country systems, which for many Development Agencies may represent their most significant contribution to improving PFM systems); and

(iii) The promotion of more appropriate PFM reforms, which draw more effectively on PEFA and other diagnostics at the country level, as well as on a growing body of international research on PFM reforms[25].

145. For Phase IV, it is recommended to structure activities so as to focus on the achievement of three Programme Results:

[25] We believe that it is important to place more direct emphasis on the quality and appropriateness of PFM reforms than is currently the case. The Strengthened Approach places emphasis on country-led reforms and aligned and coordinated support. Logically, the third prong of such an approach should be to undertake the right reforms, which in turn implies an emphasis on monitoring, learning from mistakes and fine-tuning of reforms.

(i) The achievement of a (geographically) expanding programme of PEFA assessments[26], undertaken to a guaranteed level of quality.

(ii) The development of a shared information pool on the use of the PEFA framework at national and sub-national levels to support PFM reform; and

(iii) The maintenance of a common PEFA data-base on PFM performance.

146. Thus, we recommend moving the "common pool of information" objective from a Global Objective to a Programme Result, where it more properly belongs within the intervention logic. Secondly, we recommend supplementing attention to the common PEFA data-base with a new Programme Result, namely a shared information pool on the use of the PEFA framework at national and sub-national levels. It is our judgement that there has been insufficient attention in the past to the dissemination of the lessons of experience in the use of the PEFA, which may have reduced the rate of take-up of the PEFA framework, and perhaps more importantly the level of ownership over the PEFA framework and the extent of its institutional development impact. Establishing a clear Programme Result to give focus to out-reach, networking and dissemination activities should redress this balance in Phase IV.

147. Five sets of activities are proposed, the first three corresponding to Programme result (i). Most of the proposed activities are ongoing but some modest expansion is proposed to meet the three new programme challenges identified above (Section 3.1). Table 13 shows in more detail the proposed scope of activities. As we have noted above, there are options over the extent to which these activities are funded and managed directly by the PEFA Secretariat, as opposed to being funded directly by one of the PEFA Partners, or from other sources, as a "mainstreamed activity", in the way, which has been envisaged for many activities within the training strategy. There are also options relating to the speed at which scaling up of activities might be introduced. Table 13 overleaf indicates where these options might be applied. In preparing Table 13, we have assumed that Phase IV of the Programme would have a five year span, thus allowing for greater stability and continuity. It would be evaluated in the second half of year 4 (2015), so that consideration of future funding proposals could be made in year 5. (2016)

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[26] We envisage that the geographical coverage of the PEFA programme will continue to grow and indeed see this as an important element in maximizing the value of the PEFA assessment framework. Nevertheless, an increasing proportion of assessments should be Repeat Assessments.

Figure 7: Potential PEFA Phase IV Programme Performance Framework

ACTIVITIES/ IMMEDIATE OUTPUTS

a) Quality Assurance of PEFA assessments
- Review of ToRs/ Concept Notes
- Review of draft PEFA reports
- Review of Final PEFA reports

Methodological Refinement
- Fine-tuning of national framework
- Field manual for national framework
- Fine-tuning of SN framework
- Field Manual for SN framework
- Notes on non-PEFA drill down tools
- Guidance note on moving from assessments to reform plans

Training
- Updating of Training material
- Training of Trainers
- QA of 3rd party courses

b) Dissemination & Promotion of Networking
- PEFA website/ blog, brochures & materials
- Documenting of PEFA success stories & 'lessons learned'
- Regional experience sharing workshops
- Support to PEFA Reference Group
- Support to PEFA Steering Committee
- Conference presentations at 3rd party events
- PEFA participation in OECD DAC Task Force on PFM

c) Maintenance of PEFA Database & Promotion of Research
- Publication of PEFA Reports
- Maintenance of shared database on PEFA scores
- Enhancement of PEFA database
- Promotion of Annual Research Event on PFM reform
- Annual Monitoring reports
- 3-yearly Report on Impact

PROGRAMME RESULTS

A. Expanding Programme of PEFA assessments at National & Sub-national levels, undertaken to a guaranteed level of quality

(in line with specific targets for numbers of Repeat & New Assessments by region)

B. Shared Information Pool on uses of PEFA framework to support effective PFM reform

GLOBAL OBJECTIVES

Structured Government leadership & monitoring of PFM reforms

Harmonised donor support to country PFM reforms and to use of Country systems

PFM reforms appropriately designed (on basis of national PEFA results + other diagnostics; & drawing on international research)

DEVPT. GOAL

Improvement of country PFM system performance

C. Common PEFA Data-Base on PFM Performance

Table 13 Recommended Programme of Activities for PEFA Programme P

Proposed Phase IV Activities	Numbers of Activities Anticipated	Explanatory Comments	Potential for "Mainstreaming" or for Slower scaling Up
Quality Assurance of PEFA assessments ○ **- Review of ToRs/ Concept Notes** ○ **- Review of draft PEFA reports** ○ **- Review of Final PEFA reports**	Approximately 50 per year Approximately 50 per year Approximately 50 per year	Numbers of assessments assumed to stabilise at 50 p.a, but with increasing numbers of SN assessments. All stages should pass through QA process.	QA of SN assessments could be outsourced to Federal Govt Leads and/ or DP lead but difference in QA status should be made clear.
Methodological Refinement ○ **Fine-tuning of national framework**	1 fine-tuning in 5 year period	Fine-tuning of up to 4 indicators in 2012 or 2013.	More substantial fine-tuning might be considered but would be more disruptive to comparability over time.
○ **Field manual for national framework** ○ **Fine-tuning of SN framework**	Yearly updates 2 fine-tunings	1 immediate update (2011) & one following national level fine-tune (2013)	Outsourcing of methodological refinement not advisable.
○ **Field Manual for SN framework** ○ **Notes on non-PEFA drill down tools** ○ **Guidance note on moving from assessments to reform plans**	Yearly updates Regular Notes Guidance material issued 2011 or 2012 & updated yearly	Generic note anticipated, focused on practical steps in moving from PEFA .	
Training ○ **Updating of Training material** ○ **Training of Trainers** ○ **QA of 3rd party courses**	Yearly updates 2 events per year Ad hoc participation in 2-3	Continuing QA role over training materials is envisaged.	Training strategy already anticipates substantial outsourcing of training but some minimum contact with trainers is necessary for quality

Proposed Phase IV Activities	Numbers of Activities Anticipated	Explanatory Comments	Potential for "Mainstreaming" or for Slower scaling Up
	events per year		control.
Dissemination & Promotion of Networking			
○ **PEFA website/ blog, brochures & materials**	Monthly updates	In line with current Communication strategy, but dedicated networking & communications specialist envisaged	Direct coordination of PEFA networking & communications programme by Secretariat is strongly recommended.
○ **Documenting of PEFA success stories & 'lessons learned'**	4 notes per year	Envisaged in current communications strategy	
○ **Regional experience sharing workshops**	2 per year in different regions	New event not included in current communication strategy	Regional workshops could be run directly by PEFA Partners.
○ **Support to PEFA Reference Group**	I Annual meeting	New element of governance framework: Reference Group would be a wider stakeholder group feeding resolutions to Steering Committee.	6 sponsored places for Govt reps are envisaged but financial contributions could be sought externally. Should start from Year Two (2013).
○ **Support to PEFA Steering Committee**	2 meetings per year		
○ **Conference presentations at 3rd party events**	2 per year		
○ **PEFA participation in OECD DAC Task Force on PFM**	2 per year		
Maintenance of PEFA Database and Promotion of Research			
○ **Publication of PEFA Reports**	All 50 if possible	Should include campaigns to publish old PEFA reports as well as remaining current with new ones. SN reports might be excluded.	
○ **Maintenance of shared database on PEFA scores**	Regular data entry	As at present	
○ **Enhancement of PEFA database/ in-house research**	2 annual upgrades/ research	New activity, aimed at preparing data-	New research activities need not

Proposed Phase IV Activities	Numbers of Activities Anticipated	Explanatory Comments	Potential for "Mainstreaming" or for Slower scaling Up
	papers	base for different types of statistical analysis	start in Year One, but certainly by Year 3 (2014). Funding of research event and/or of research promotion as a whole could be directly "mainstreamed" outside of the Secretariat.
○ **Promotion of Annual Research Event on PFM reform**	1 annual event	Anticipated to be co-organised with University faculty or research institute	
○ **Annual Monitoring reports**	1 per year		
○ **3-yearly Report on Impact**	2 in 5 year period	Second Impact Report combined with Programme Evaluation	

3.4 Technical and Procedural Innovations envisaged

148. The programme of activities outlined above assumes the introduction of a certain number of technical and procedural innovations. In this section, we provide details of the recommended changes and outline some of the alternative options, which were considered. These relate to three areas:

- Development of a structure to guarantee the quality of PEFA assessments
- Fine-tuning of the PEFA Assessment Framework
- Introduction of Supplementary Technical Guidelines

Development of a structure to guarantee the quality of PEFA assessments

149. We have noted above the substantial reputational risks which the PEFA Programme continues to face, due to its inability to guarantee the quality of all PEFA assessments. We cannot over-stress the significance of this point.

150. The problem of poor quality assessments derives primarily from the inability of the PEFA Secretariat to compel the different donor agencies and governments funding assessments to adopt the quality assurance arrangements recommended by the Secretariat. Whilst the majority do follow these arrangements, it is not conceivable that 100 % compliance will be achieved so long as these processes remain voluntary. It is therefore essential that, in order to protect the quality (and therefore the sustainability) of the PEFA brand, a set of quality assurance checks should be introduced, which should either be made formally mandatory or should be introduced in such a way that there would be very strong incentives to always follow the standard QA checks of the Secretariat.

151. Our initial recommendations (presented in the draft report) favoured the introduction of a mandatory QA process to be imposed by the PEFA Secretariat for all PEFA assessments. However, the comment was made that such a procedure might be perceived as being unduly harsh and might potentially dissuade Governments and/ or specific sponsoring agencies from undertaking PEFA assessments at all.

152. An alternative approach, which has been discussed at the Steering Committee meeting of June 2010, would be to introduce a procedure by which all assessments passing through a quality assurance process verified by the Secretariat would be issued

with a "quality certificate". This would specify the nature of the QA process applied and would document the Secretariat's views on the adequacy of the responses included in the report to queries raised. This Quality Certificate would be included within the inside page of every PEFA assessment reviewed by the Secretariat. In this way, a type of "market differentiation' mechanism would be introduced, where readers would automatically begin to view a PEFA assessment without a Secretariat certificate as a sub-standard product, creating a natural incentive to comply with the recommended procedure.

153. In addition to the introduction of the proposed Quality Certificate, we would further recommend the following measures for quality enhancement:

- The PEFA Secretariat should introduce a 3 step quality assurance process :
  - The first step, as at present, would involve the review of ToR/ Concept Notes, with a specific accent on the team composition, the proposed management arrangements and the proposed peer review arrangements.
  - The second step would be a review of the draft report, along with a review of comments from the country-specific peer reviewers.
  - The third step would be a final check of the revised report to ensure that review comments had been adequately addressed. Only after this third step would a quality certificate be included in the assessment report.

- As part of the standard guidelines for PEFA assessments, a requirement should be introduced that the evidence consulted for each of the PEFA indicators should be formally referenced by the assessors, following a standard matrix format.

- Existing guidance material on the composition of assessment teams and the composition of quality assurance teams/ peer reviewers should be updated by the Secretariat to ensure that it is absolutely clear and that it caters for different types of PEFA assessments (national or sub-national) in different types of countries (small island states, large countries, etc.).

- Finally, following the recommendation of the December 2010 Steering Committee, the publication of PEFA assessments should be made the standard default option, to be ensured by the PEFA Secretariat directly, except in exceptional circumstances where for specific reasons Governments (or other sponsoring institutions) formally requested the Secretariat to leave the assessment unpublished for a defined period.

154. Apart from serving to publicise the presence (or otherwise) of Secretariat quality certificates, a more systematic process of publishing PEFA reports would favour their scrutiny by civil society and other stakeholders, which would act as a further assurance of quality. In addition, it would help to spread knowledge of PEFA assessments and their use.

Fine-tuning of the PEFA assessment framework

155. Over the course of various Steering Committee meetings, there has been extensive discussion over the extent to which wide-ranging changes should be introduced to the indicator set of the PEFA framework. In agreeing to the "minimalist" review of three indicators which has recently been concluded, the December 2009 Steering Committee recorded that 'the meeting converged towards agreement on Option B ("minimalist") in the short term, while acknowledging the likely need for a major overhaul in the medium term'. The evaluators were made to understand that this remains the official position of the Steering Committee.

156. It is of course essential that the PEFA indicator set should be updated periodically in order to remain abreast of technological and other changes in practises and to continue to reflect what is seen as most important in judging the functionality of PFM systems. However, it is also important to ensure that the "best" does not become the enemy of the "good". As we have noted at many points in this evaluation, the PEFA assessment framework has proven its value and applicability across a wide range of institutional and administrative contexts. Notwithstanding its continuing imperfections, it has been found to be extremely useful by many governments and many development institutions. One key aspect of its usefulness is its comparability over time. As the number of repeat assessments increases, the value of this characteristic will be further enhanced as the research potential of the PEFA data-base is increased.

157. Given these facts, we believe it is of fundamental importance to avoid large-scale changes to the framework, which would undermine its comparability over time. Thus, even if coherent arguments might be made to alter the relative balance of the indicators – for example to increase the number of indicators related to budget preparation or to change the overall numbers of indicators, such changes should be avoided in the interests

of maintaining as high a degree of comparability over time as possible. As the discussion in Chapter 2 has shown, the current PEFA Assessment Framework is highly relevant to most LICs and MICs as well as some HICs and is likely to remain relevant for many years, even with no refinements whatsoever. The requirement is thus for a process of small, periodic adaptations to preserve relevance and usefulness, while protecting comparability over time.

158. We therefore recommend undertaking periodic changes to the indicator set – for example no more than once in each period of five years – and only to a limited number of indicators each time. Specifically, we would recommend altering no more than 4 indicators at a time so that a reasonably high degree of comparability is maintained.

159. In choosing indicators, the two types which should clearly be the priorities for refinement should be those which are seen to be largely or wholly irrelevant and those which are seen to be giving substantively misleading or inaccurate assessments of the relative quality of specific aspects of the PFM system. As far as we are aware, there are no substantiated examples of the latter – that is of specific indicators leading systematically to misleading assessments. There is one indicator – PI-23 (Availability of information on resources received by service delivery units) which we would suggest does not in practise measure weaknesses, which are of real relevance. This is because very few PFM systems – even those which are in other respects very robust - provide at the central level the sort of information on allocations to service delivery units which this indicator demands. Secondly, the indicator favours the regular conduct of Public Expenditure Tracking Surveys (PETS), a type of survey which is difficult to design effectively and can be very expensive and administratively demanding to undertake – in short a type of survey for which the costs may often outweigh the benefits[27]. The PI-23 indicator is in a sense a proxy for the degree of social accountability over spending at the local level. A more appropriate way of measuring this could be devised without too much difficulty, perhaps by working in partnership with organisations such as the International Budget Project.

160. Another set of problems emerges with a small minority of indicators for which certain sub-dimensions are frequently not scored, for a variety of reasons. Some 5 indicators can

[27] This is especially true in contexts where service delivery units receive funding from a wide variety of sources, which is paid in different mixes of in-kind and cash payments, making the "tracking process" from budgets to actual expenditures anything but simple!

be identified within this category, of which two are PI-8 (Transparency of Inter-Governmental Fiscal Relations) and PI-15 (Effectiveness in collection of tax payments), for which it would appear that the data required for analysis are frequently not collectible within the time frame of a PEFA assessment. The first response of the Secretariat to this eventuality – quite rightly - has been to attempt to find ways of providing additional guidance on the indicator so as to give a clearer sense to the assessor of how data might be collated and assessed. In certain cases, it appears that this additional guidance has been effective in reducing the incidence of "no scores".

161. Yet, there do continue to be approximately 5 indicators, which have specific dimensions which are quite frequently not scored. Within these, the first approach must be if possible to find changes in the wording of their dimensions, which would eliminate the problems in scoring, without undermining their general comparability with past scores. This will clearly be difficult to do and in some cases impossible but it seems a reasonable approach from which to start. Thereafter, the most appropriate approach would be to aim to fine-tune those indicators (or dimensions of indicators) which are most frequently mis-scored or "no-scored". Ideally, this whole process of indicator revision should be led directly by the Secretariat. We would recommend initiating the review process during 2012, so as to present to the Steering Committee proposed changes to up to 4 indicators in December 2012, permitting further consultations during early 2013, so as to have all changes to guidance materials concluded before 2014. This would allow the updated framework to be applied from 2014 onwards and then reviewed again in 2018.

Introduction of supplementary technical guidelines

162. Although the PEFA brand is now well established, the PEFA Programme as a whole continues to have a relatively modest level of influence. Achieving greater impact on the ownership of PFM reforms, the alignment of donor support to PFM reforms and the increased harmonisation of diagnostic instruments will depend in part on increasing the influence of the PEFA programme, and in part on changed behaviour by governments and donors engaged in PFM reform. In order to increase influence, we recommend enhancing the utility and relevance of the PEFA framework through a structured programme of work to develop supplementary guidelines to support more widespread use of the PEFA framework. These guidelines should be prepared in response to demand, focusing on those areas where guidance is frequently requested or appears to be needed.

163. A common criticism of the PEFA framework by government staff is that it does not lend itself easily to the definition of precise implications for new or ongoing PFM reforms. This is often the source of long delays in moving from an updated PEFA assessment to an updated PFM reform plan. A set of discussions on this issue have been initiated by the IMF in collaboration with the EU and a draft paper to try to address this issue developed (Diamond, 2010 and 2011). However, the paper has also attempted to address the much more complicated problem of devising recommendations on the sequencing of PFM reforms. Although we have been advised that a productive set of discussions on sequencing has been held and guidelines on this issue are expected later in 2011, we would nevertheless recommend that, perhaps based on the current work, a separate, and more basic set of guidelines be prepared, explaining the steps which would normally be required to move from a PEFA assessment to an updated PFM reform plan.

164. This guidance material should include advice on the following:

- How to 'contextualise' a PEFA assessment to identify which strengths and weaknesses (amongst the indicators) are likely to be of most importance in a given country, for example taking account of the nature of national-subnational relations, and of the relative importance to the budget as a whole of government-managed procurement, salaries, contingent liabilities, etc.
- How to assess the capacity to manage reform, considering human resource and management issues.
- How to identify and finalise priorities within a politically endorsed PFM reform plan;
- How to define an appropriate monitoring framework for the reform plan.

3.5 Consolidating the Governance and Management Framework

165. The existing governance and management framework for the PEFA Programme has for the most part served it well over the first three phases of the Programme. It has allowed for quick decision-making and for a relatively high degree of efficiency in Programme management. Yet, with the PEFA brand now established and its international relevance no longer in doubt, the influence of the framework can be expected to grow and the time is right to create a governance framework for the longer term.

166. The new era will demand governance changes – firstly to ensure that the Secretariat has adequate capacities to undertake an expanded QA function and a stronger dissemination role, and secondly to allow for a more inclusive governance framework, with a structured set of dialogue channels for stakeholders who are not currently PEFA Partners. This will be necessary both to safeguard the legitimacy of the PEFA Steering Committee and to facilitate a more effective outreach function.

The PEFA Steering Committee & Reference Group

167. The governance arrangements for the Secretariat were reviewed in section 2.6. We drew three conclusions. Firstly, whilst the current governance framework based on a small Steering Committee of seven fixed members has not proven a constraint in the past – and may well have been an advantage in efficiency terms, there is a risk of limited representativeness associated with sustaining such a structure. There are also distinct advantages in widening the governance framework, as the Programme moves from consolidation of the PEFA framework into expansion of its use and deepening of its influence, hence requiring the engagement of a wider set of stakeholders. Secondly, the creation of a second consultative body – a reference group – to support the Steering Committee would seem to be an effective way to address this need for a wider and more inclusive governance framework. Thirdly, so as to bring in new members and avoid the possible problems of management by an unchanged "club", a method for periodic renewal in the membership of the Steering Committee should be considered.

168. Full operationalisation of these recommendations will require a more detailed analysis of governance arrangements and the preparation of precise proposals, which take account of the various trade-offs involved in the different options for operationalization. Such a set of recommendations goes beyond our terms of reference. However, we make the following concrete proposals as a starting point in this process:

- The Steering Committee should essentially keep its current form and should continue to have an Executive style, with a relatively limited number of members and a focus on efficient decision-making.
- In order to establish a framework by which structured changes in the membership of the Steering Committee can be introduced on a periodic basis, we recommend an increase from 7 to 9 members.
- This would then permit a structure with 3 permanent members and 6 rotating members, with the rotating members remaining for 4 years but with a staggered

rotation period so that every two years 3 members would rotate. In our judgement, this would give a good balance between continuity, representativity and space for new voices.

- The argument for three permanent members derives simply from the fact that there are three current PEFA Partners who by virtue of their institutional status, size and engagement in the funding of PFM reforms will always have an essential role in guiding the evolution of the PEFA Programme. These are the EU, the IMF and the World Bank.
- At present, the remaining PEFA Partners are also involved in its funding – both through the Trust Fund and their direct activities. This is important both because it lends legitimacy to their participation and because the fiduciary responsibilities associated with this relationship serve to strengthen the engagement beyond one of advocacy or intellectual engagement. We therefore recommend that, as at present, all Steering Committee members should continue to be funders of the PEFA programme.
- This would entail that the members would be predominantly official development agencies, although arrangements should not exclude the possibility of including either foundations with an interest in these issues (Hewlett-Packard, for example) or professional associations (such as IFAC) who might have the potential for providing funding.
- This would appear at first sight to reduce the potential for increased representativity but it is the Reference Group which carries this role. There would in any case always be selection difficulties in choosing one or two governments, who might in some way represent the full body of government users of the PEFA.
- Thus, it is recommended that the Steering Committee should be supported by a formally defined Reference Group, which would comprise an equal balance of three groups:
    - Representatives of governments who have used the PEFA framework;
    - Representatives of professional accounting and auditing bodies and CSOs engaged in budget advocacy work; and
    - Development Agencies not currently represented within the Steering Committee.
- In order to facilitate constructive discussions and avoid unnecessary costs, we would recommend 6 representatives from each of these groups, thus making a Reference Group of 18 members. In the first instance, for simplicity it is

recommended that the Steering Committee should directly invite members but once established, the Reference Group could then establish its own nomination and voting rules.

- In order to facilitate their participation, it is recommended that the participation of the 6 Government representatives should be sponsored by the Secretariat. Other members would be expected to finance their own participation.
- The Reference Group would act as a consultative body, meeting once a year in Washington DC to review progress with the PEFA Programme and prepare advice for the Secretariat and resolutions for consideration by the Steering Committee.
- The rotating members of the Steering Committee (on 4 year placements) would also be nominated by and probably drawn from the Reference Group.
- In addition, its members would throughout the year receive papers and communications from the Secretariat and the Steering Committee and would be invited to comment on questions of PEFA policy.

169. In presenting the above proposals, we are mindful that there are other arrangements available in the short term, which might raise the number of stakeholders involved in the PEFA process, without requiring changes to governance arrangements. For example, a more informal "PEFA forum" could be established. Ideas for the formal endorsement of the PEFA framework by different stakeholders have also been proposed in the past and discussed at steering committee levels. These ideas have their merits – certainly as a way of opening up space for the wider community of stakeholders to provide ideas and opinions. However, none of these proposals do anything to strengthen the representativeness of the PEFA Steering Committee; indeed they assume a continuation of the status quo in this respect. Representativeness is not at present a problem but it has the potential to become a problem: it is a risk to the future sustainability of the PEFA programme. Secondly, all consultation arrangements, which fall short of providing voting power, are open to the charge of being piece-meal. If in the medium to long-term, reliable methods of consultation and engagement with more stakeholders are needed and if there is also a desire to put to rest any potential future concerns about representativeness, then such arrangements do not provide a solution. A more formalised Reference Group with clear links to the Steering Committee seems to be necessary. This does not need to be created immediately but clear decisions now would allow for a well planned restructure of governance arrangements during the course of 2012, which would establish a more sustainable and effective structure for the long term.

Future staffing and funding of the PEFA Secretariat

170. Section 3.3 provides recommendations on the scope of activities proposed for Phase IV of the PEFA Programme. These seek to maximise the potential of the Programme to achieve its stated high level objectives, whilst also protecting it against the risks, which threaten its sustainability. The proposed scope of activities is captured in particular in Figure 8 and in Table 13. Within this overall scope of activities, there are decisions to be taken over a) how soon new activities should be initiated and b) which of these activities should be undertaken within the PEFA Secretariat and which should be "mainstreamed" within the work programmes of the PEFA Partners.

171. In relation to the phasing in of new activities, the main considerations relate to firstly the time at which benefits from the new activity are likely to be sufficient to justify their initiation, and secondly the lead time which is likely to be necessary to ensure such activities are well planned and designed. Thus, initiation of research promotion activities might reasonably be delayed until late 2012, when the expanded numbers of repeat assessments would be greater and the potential value of research on the PEFA data-base therefore greater. The establishment of the proposed PEFA Reference Group might also reasonably be delayed so as to allow time for careful consideration of the different institutional options available and to ensure an optimum set of arrangements. On the other hand, strengthening of QA functions should not be delayed.

172. In relation to question b), regarding the choice of placing functions within the Secretariat as opposed to mainstreaming them amongst PEFA partners, we would judge that there are two principal considerations. Firstly, it is necessary to consider whether there exist clear organisational and administrative structures within the PEFA Partners' institutions, which can take up responsibilities for these functions and execute them on a timely and effective basis, or alternatively whether such structures can be relatively quickly created. Secondly, one must consider the extent to which such functions can be added to the administrative responsibilities of the PEFA secretariat, without excessively increasing the management burdens, which would prevail within a Trust Fund arrangement.

173. In relation to the former criterion, it is clear that structures already exist both to manage PEFA assessments and to deliver training on the use of the PEFA framework. Indeed, these activities have been successfully mainstreamed. For the core 'maintenance' and quality assurance functions, including QA support to training, the comparative

advantage of the PEFA Secretariat is extremely strong. The QA recommendations above imply an expansion of this QA function. In relation to Dissemination and Networking and Maintenance of the PEFA Data-base and Promotion of Research, the arguments for and against "mainstreaming" are more balanced.

174. Taking these arguments together, there would seem to be three broad options for staffing, which are presented in Table 14. Each of these implies a slightly different treatment of staffing of particular functions, as we explain below:

- **Quality assurance, PEFA methodological refinement and support to training** are the core 'maintenance' and QA functions, for which the PEFA Secretariat clearly has a comparative advantage. We noted above (in the examination of sustainability) that the current level of Secretariat staffing for these functions has been slightly less than optimal and has made it vulnerable to sudden staff departures or illnesses. As a first objective, then, numbers need to be consolidated in order to ensure stability. In addition, the Secretariat will need to establish an adequate staffing structure to perform the proposed expanded QA function. On the other hand, following the current training strategy, it is expected that training functions will over time be "spun off", thus taking up less time of Secretariat staff. Within Option 1, we would therefore recommend the expansion of the team of PFM specialists from 3 to 5 in total (excluding the overall Head of the PEFA Secretariat). These 5 PFM specialists would manage the QA process and the process of refinement of the PEFA Framework and the related guidance material, as well as providing support for dissemination and outreach work. Training inputs would continue in the short term but would be significantly reduced over the course of 2012. For Options 2 and 3, we propose to limit the number of permanent PFM specialists within Secretariat to 4, by widening the network of trusted consultants who could support the QA process.

- **Dissemination and promotion of networking (including support to the PEFA Reference Group)** will involve some new functions under the proposed programme for Phase IV. In particular an expanded outreach function is anticipated, involving a more active communications strategy, two regional seminars per year to permit peer-to-peer exchanges on the use of the framework, as well as administrative and communications support to the PEFA Reference

Group. Both under Options 1 & 2, these would be centralised within the PEFA Secretariat and a "Networking & Communications" specialist would be recruited to take charge of these functions. Additional administrative support would also be required. Under Option 3, the Networking & Communications specialist would not be recruited and the proposed regional seminars would be run directly by the PEFA partners.

- **Maintenance of the PEFA Data-base and promotion of research** would require the maintenance of the PEFA data-base, as at present, in addition to more in-house research and active research promotion through, amongst other things, the organisation of an annual research seminar on PFM reform issues. Under Option 1, the PEFA Secretariat would recruit a new "Research Manager/ Facilitator" to take responsibility for these functions, supported by the existing research officer. Within Options 2 & 3, the promotion of new research, including the annual research seminar would be managed directly by the PEFA partners, perhaps through a dedicated research project.

175. Overall, these proposals imply an increase in staffing of the Secretariat from 6 (in July 2011), to 8, 9 or 11 between now and end 2012. Together with the requirements for the servicing of the Reference Group and the expansion of outreach functions, it would imply, as a maximum, an approximate doubling of the current level of Secretariat spending (which has been 80% of budget). Clearly, such a substantial increase would require careful consideration, including consideration of the different mainstreaming options here presented, as well as a gradual, structured process of implementation.

176. A first point to be made is that whilst a percentage increase of 60-70% in the current budget is significant, in absolute terms, the proposed annual increment of approximately US $ 700,000 per year is not substantial, in relation to the scope of the work of the PEFA Programme and the extent of its influence. Indeed, we have no doubt at all that the additional benefits from this spending would more than justify these costs.

177. Secondly, this increment is not envisaged as simply the first in a series of budget increases. We have attempted to assess the long-term requirements to service the PEFA framework on a sustainable basis and to ensure a maximisation of impact. Whilst

continued funding beyond the planned 5-year Phase IV will almost certainly be needed, we can see no reason why the scale of annual outlays should again need to increase.

Table 14 Three Potential Staffing Options for the proposed PEFA Programme in Phase IV 2012-2016

Proposed Phase IV Activities	Staffing Option 1	Staffing Option 2	Staffing Option 3
OVERALL IMPLICATIONS FOR STAFFING **NB. Current Staffing (July 2011):** **1 Head of PEFA Secretariat** **3 PFM specialist** **1 Research Officer** **1 Administrative Assistant** **TOTAL: 6 staff**	1 Head of Secretariat 5 PFM Specialists 1 Communications/ Networking lead 1 Research promotion lead 1 Research Officer 2 Administrative Assistants **TOTAL: 11 staff**	1 Head of Secretariat 4 PFM Specialists 1 Communications/ Networking lead 1 Research Officer 2 Administrative Assistants **TOTAL: 9 staff**	1 Head of Secretariat 4 PFM Specialists 1 Research Officer 2 Administrative Assistants **TOTAL: 8 staff**
Quality Assurance of PEFA assessments ○ **Review of ToRs/ Concept Notes** ○ **Review of draft PEFA reports** ○ **Review of Final PEFA reports** **Methodological Refinement** ○ **Fine tuning of PEFA framework** ○ **Fine-tuning of SN framework** ○ **Field Manual for SN framework** ○ **Notes on non-PEFA drill down tools** ○ **Guidance note on moving to reform** **Training** ○ **Updating of Training material** ○ **Training of Trainers** ○ **QA of 3rd party courses**	PFM Specialists increased from 3 to 5 to cover additional QA requirements, and to provide support to dissemination and outreach functions.	PFM Specialists increased from 3 to 4 to cover additional QA requirements, and to provide support to dissemination and outreach functions. Additional provision made to use trusted consultants for some QA functions.	PFM Specialists increased from 3 to 4 to cover additional QA requirements, and to provide support to dissemination and outreach functions. Additional provision made to use trusted consultants for some QA functions.

Proposed Phase IV Activities	Staffing Option 1	Staffing Option 2	Staffing Option 3
Dissemination & Promotion of Networking ○ **PEFA website/ blog, brochures & materials** ○ **Documenting of PEFA success stories & 'lessons learned'** ○ **Regional experience sharing workshops** ○ **Support to PEFA Reference Group** ○ **Support to PEFA Steering Committee** ○ **Presentations at 3rd party events** ○ **PEFA participation in OECD DAC Task Force on PFM**	1 new "Communications & Networking specialist" recruited, to lead organisation of regional seminars and overall "out-reach function". 1 additional administrative support person recruited to assist in delivery of communications strategy and support PEFA Reference Group.	1 new "Communications & Networking specialist" recruited, to lead organisation of regional seminars and overall "out-reach function". 1 additional administrative support person recruited to assist in delivery of communications strategy and support PEFA Reference Group.	Regional peer-learning workshops run directly by PEFA Partners. 1 additional administrative support person recruited to assist in delivery of communications strategy and support PEFA Reference Group.
Maintenance of PEFA Database and Promotion of Research ○ **Publication of PEFA Reports** ○ **Maintenance of shared database on PEFA scores** ○ **In-house research** ○ **Promotion of Annual Research Event on PFM reform** ○ **Annual Monitoring reports** ○ **3-yearly Report on Impact**	1 new Research Promoter/ Facilitator recruited (from late 2012/ early 2013) to undertake higher level of in-house research and to manage annual research seminar, which is anticipated to be co-organised with university faculty or research institute.	No new recruitment. Funding of research event and research promotion as a whole directly "mainstreamed" outside of the Secretariat, possibly through separate project with university faculty or research institute.	No new recruitment. Funding of research event and research promotion as a whole directly "mainstreamed" outside of the Secretariat, possibly through separate project with university faculty or research institute.

Annex One: Terms of Reference

Evaluation of the PEFA program 2010
Terms of reference for experts

Background

1. The PEFA Program was established towards the end of 2001 with the aim supporting integrated and harmonized approaches to assessment and reform in the field of public expenditure, procurement and financial accountability. It was established as a partnership between the World Bank, the European Commission, the UK's Department for International Development, the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, and the International Monetary Fund's Fiscal Affairs Department. Furthermore, the Strategic Partnership with Africa was represented in the PEFA partnership during the initial phase.

2. Through its focus on harmonization and alignment, the PEFA program contributes to the international agenda on improving aid effectiveness – as reflected in the program's 'Strengthened Approach to Supporting PFM Reform' which has three components:

- A country-led agenda - a country led PFM reform strategy and action plan
- A coordinated program of support- an integrated, multi-year program of PFM work that supports and is aligned with the government's PFM strategy and is coordinated among the supporting donor agencies and finance institutions.
- A shared information pool – a framework for measuring results that provides consistent information on country PFM performance, including progress over time.

3. The PEFA PFM Performance Measurement Framework was developed as a tool for providing the shared pool of information as part of the Strengthened Approach. The final and official version of the PEFA PFM Performance Measurement Framework (in the following text referred to as 'the Framework') was launched in June 2005. The objectives of the Framework are to:

- Provide reliable information on the performance of PFM systems, processes and institutions over time;
- Contribute to the government reform process by determining the extent to which reforms are yielding improved performance and by increasing the ability to identify and learn from reform success;
- Facilitate harmonization of the dialogue on PFM performance, reform needs and donor support between government and donors around a common PFM performance assessment and therefore contribute to reduce transaction costs for partner governments.

4. The Program implementation has been undertaken through three phases

- **Phase I (December 2001 – March 2006)** focused on identification and development of a consensus about the most appropriate way forward (Strengthened Approach and PEFA Performance Measurement Framework) and the preliminary introduction of this at the country level. An independent evaluation of the Program was undertaken in 2004 by a team of three consultants. A major break-through was the Program's launch of the PFM Performance Measurement Framework in 2005.

- **Phase II: April 2006 – September 2008** focused on monitoring and supporting the application of the PEFA Framework to facilitate consistency, credibility and sharing of good practices. In preparation for Phase III of the Program, an Impact Assessment Study was carried out in 2007 focusing on the early impact of the roll-out of this instrument.

- **Phase III (Ongoing since October 2008** with completion planned for December 2011) continues to focus on the PEFA Framework, whilst recognizing the desire for analyzing how PEFA assessments may support the Strengthened Approach goals, by building on the experience and expertise developed during its first two phases and lessons to emerge as the number of repeated assessments increase. The Project Document for Phase III presents a Performance Framework that sets out the program's development goal, global objectives and expected results as at 2010/11 along with the anticipated outputs, inputs and financial resources for Phase III.

5. **The Project Document for Phase III calls for an independent program evaluation to be conducted by the end of 2010** as well as – and possibly combined with – an updated assessment of the impact on the Program's development goal and global objectives of the development and use of the PEFA Performance Measurement Framework.

Objectives of the Evaluation

6. The program evaluation and the related impact assessment will be needed by the PEFA partners to establish the relevance, effectiveness, efficiency and sustainability of the Program as at end of 2010 and provide a basis to decide on any continuation of the Program beyond 2011, including recommendations for the direction and objectives of the Program during such a possible continuation, or options for mainstreaming of its operations in case it is recommended to phase out the Program.

Scope and methodology

7. The evaluation will take the 2004 Evaluation Report as a starting point and focus on the Program's operations and achievement since then. However, it will relate the analysis to the original rationale for establishing the Program, its founding objectives and the decisions taken during that early stage for the development and operation of the Program.

8. **The evaluation will involve two key steps**:

A. Assess the PEFA program against the seven core questions noted below as well as the objectives and targets established for each program phase.
B. Develop options for the future of the Program.

9. **The evaluation will address the following evaluation questions**:

I. ***Relevance*** – To what extent has the Program been consistent with the overall development strategy and policy priorities of the principal stakeholders, including the Program's comparative advantage in addressing this agenda, taking into account the broader donor harmonization environment and aid effectiveness agenda?

II. ***Effectiveness*** – To what extent have the outputs delivered by the Program met the overall Program objectives articulated at approval, including the extent to which the Program has made a difference?

III. ***Efficiency*** – To what extent has the Program's outputs and impact been commensurate with the inputs and resources provided?

IV. ***Sustainability*** – To what extent is the Program technically and financially sustainable, including the likelihood that Program benefits and results will be maintained and mainstreamed within the partner institutions and other donor agencies?

V. ***Institutional Development Impact*** - To what extent has the Program contributed to improvements in approaches to PFM work that enables partner countries to more effectively manage available financial resources?

VI. ***Governance of the Program*** - How effective have the arrangements employed for implementation been, including the role of the Steering Committee and the Secretariat as well as the relationship with the OECD-DAC Joint Venture/Task Force on PFM, the Public Expenditure Working Group, other donor agencies individually and partner governments?

VII. ***Process and Implementation*** – To what extent has the Program worked as planned, or, if not, what barriers were encountered and how were they overcome, including the extent to which the Trust Fund covenants have been met?

10. In responding to these 7 Core Evaluation Questions, evaluators should take into account the global objectives and expected results of the Program as set out in project documents, most recently in the project document for Phase III, to establish to what extent they have been reached and any important exogenous or contextual factors that have affected implementation or effectiveness of the Program.

11. To arrive at an objective and fair assessment of the Program, the evaluation team should take into consideration:

a) The perspectives of the PEFA partner organizations, broadly across all relevant units/networks.
b) The perspectives of other stakeholders, notably partner governments and OECD-DAC members, but also other interested parties such as researchers,

professional institutions, civil society organizations and private sector consultants[28].

The evaluation may draw on a range of completed or ongoing analytical work, including:

- Evaluation of the PEFA Program 2004 (final report June 2004)
- PEFA Impact Assessment 2007 (final report June 2008)
- Completed PEFA Monitoring Reports 2006, 2007 and 2009
- Analysis of the European Commission's PFM Monitoring in Budget Support Countries 2007/08
- Surveys on Use and Quality Assurance of PEFA assessments (June 2010)
- PEFA Monitoring Report planned for preparation in 2010/11[29]
- Study on Stocktaking of PFM Diagnostics (planned completion January 2011)[30]
- The Paris Declaration Monitoring Surveys 2006 and 2008
- Possible initial findings by the multi-donor Evaluation of Support to PFM Reform

12. The **options for the future of the Program** should consider:

- The rationale for continuation the Program as a project or as mainstreamed into the partner institutions following a phasing out of the Program;
- Measures for strengthening the sustainability and impact of the Program;
- Options for the future focus of the Program, and the main issues to address in a new phase, pros and cons highlighted for each scenario;
- Lessons to be drawn for implementation of any future phase.

Expected deliverables

13. **Inception Report** – which shall discuss the existing material available to the evaluation team at the onset of the assignment, coordination with inputs from other processes/studies as well as any methodological issues and the identification of potential informants at headquarters and country level. The Inception Report will serve as the basis for refining the methodology and firming up the timeframe for completion of the assignment up to Draft Report submission.

[28] The evaluation will need to consider the sharing and publication of PEFA assessment reports and the PEFA program's own documents as a prerequisite for engagement of some of these stakeholder groups.

[29] The report will focus on the frequency of repeat assessments and their effectiveness in tracking changes in PFM systems performance over time.

[30] A final draft report for phase 1 of this study will be completed in September 2010. Phase 2 of the study will constitute a series of country case studies as a follow up to the PEFA Impact Assessment 2007 with a draft report scheduled for December 2010.

14. **Draft Report** –which will comprise the main analysis – drawing on all relevant previous and parallel studies – the evaluation findings and the options for the future of the program

15. **Final Report** – the Final Report will constitute a revised version of the Draft Report, addressing the comments received from the PEFA Steering Committee and be completed within 30 days of receiving such comments.

Reporting

16. The evaluation team will comprise one team leader and one team member.

17. The team will report directly to the Steering Committee on all matters regarding the content of the TOR. The Steering Committee has identified SECO Switzerland and IMF Fiscal Affairs Department to jointly undertake liaison with the consulting team. The Secretariat will support the consultants with access to documents, data etc. through the Head of the PEFA Secretariat and deal with the day-to-day administration of the contract.

18. Deliverables shall be submitted - through SECO/FAD - to the PEFA Steering Committee, which includes the seven partner organizations and the Secretariat. The Steering Committee will review the deliverables and comment on them to the evaluation team through SECO/FAD.

19. The evaluation team will be expected to present its findings to the PEFA Steering Committee at a video-conference to be scheduled in April following Steering Committee comments on the draft report.

Timeframe

20. It is estimated that 35 person days will be required for the expert and 45 for the team leader, including review of documentation, development of the evaluation framework, interviews, presentation of results, report writing and integration of comments.

21. The proposed time table is presented below:

Concept Note – draft presented to SC	June 11th, 2010
Written comments on the draft CN by SC members	July 15th, 2010
Final draft CN and TOR for evaluation team circulated to SC	August 9th, 2010
CN and TOR approved by SC	September 30th , 2010
Recruitment of evaluation team	October 2010
Commencement of evaluation study	November 1st, 2010
Inception Report submitted to SC	December 1st, 2010
SC comments on Inception Report	January 15th , 2011

Field work	January-February 2011
Draft report submitted to the SC	March 15th, 2011
Comments by the SC members	April 15th 2011
Video-conference presentation and discussion of evaluation findings and options for the future	April 30th 2011
Final Report issued	May 15th 2011
Steering Committee meeting to decide future of the Program	June 2011

Expertise needed

22. It is expected that the evaluation team would provide the following expertise:

- Aid effectiveness at the global level.
- Public financial management and accountability issues, preferably covering countries of varying administrative heritage and partner countries at different stages of development (LICs, MICs and HICs).
- Governance and institutional development
- Donor coordination/harmonization at the country level
- Project management

23. None of the experts should have been previously employed or contracted by the PEFA program except in connection with earlier program evaluation.

24. The PEFA Secretariat will support the evaluation team with any relevant information it may possess and with access to video-conference facilities at the World Bank offices to the extent needed and feasible. Most documentation is available in English but a range of material regarding country level operations will be available only in French or Spanish.

Annex Two: Historical Background – Evolution of the PEFA Programme

178. The PEFA programme is currently in its third phase. The first phase, which ran from December 2001 through to March 2006 can be seen as focused on the establishment of the Programme and the development of a standardised assessment framework and approach to PFM diagnostic work in partner countries. The second Phase which ran from April 2006 through to September 2008, represented a period of consolidation and refinement, primarily focused on monitoring and supporting the implementation of the PFM Performance Measurement Framework in its early phases to ensure consistency, credibility and sharing of good practices. The focus of Phase III has broadened considerably and shifted upwards within the Intervention Logic, addressing more explicitly the promotion of the concept of a strengthened approach to supporting PFM reform. Thus, Phase III has concentrated on ensuring the quality of implementation of the Framework and increasing the effectiveness of PEFA in support of higher order developmental goals. Below we describe the evolution of the Programme across these phases and identify the specific achievements and shortcomings of Phases I and II.

179. The reflections here are based on key PEFA evaluation and review documents, including the 2004 PEFA Programme Evaluation, the 2007 Assessment of Impact, the 2006, 2007 and 2009 monitoring reports and the annual PEFA Programme implementation reports covering 2006, 2007, 2008 and 2009. Much of the material was previously included in the Evaluation Inception Report (December 2010).

First phase: 2001 to 2006

180. The PEFA programme was set up, in December 2001, by the World Bank, the EC, DFID and NORAD (the Royal Norwegian Ministry of Foreign Affairs), who at that time also represented the Strategic Partnership for Africa. The original core idea for the programme was to help coordinate the separate diagnostic work being undertaken on Public Finance Management (PFM) by different development agencies. The aim was to fill the gaps, reduce the overlaps, reduce the transaction costs for donors and partner countries and improve the linkage to the development of country-driven PFM reform strategies and donor support for improved PFM. (See Box 1.)

181. In mid-2003, the Swiss State Secretariat for Economic Affairs (SECO) and the French Ministry of Foreign Affairs joined the PEFA programme; the IMF Fiscal Affairs Department had attended as an observer from the inception of the programme and these together with the original initiating agencies came to comprise the "PEFA Partners". The programme was set up with a Steering Committee comprising the PEFA partners and a Secretariat, initially consisting of seconded professional staff from the partners, which was hosted – but not managed - by the World Bank and funded through various trust fund arrangements between the partners and the World Bank.

Problems in country-level PFM work that led to launch of PEFA initiative

At the time of the establishment of PEFA there was a general consensus that the existing approaches to the analysis of public expenditure and financial accountability were poorly coordinated. Instruments were seen to be overlapping, resulting in excessive transaction costs for partner countries. On the other hand, existing instruments had several gaps – areas important to an overall PFM system that were not tested. There was support for the view that the existing assessments were not owned by the partner country governments and therefore did not result in prioritised recommendations informed by government constraints and opportunities. The sense too was that existing approaches were variable in their content and quality and did not allow consistent judgement to be made on the progress in PFM reforms over time, nor data to assist in analysis of PFM weaknesses and progress across countries.

Source: Foster et al, 2004, p 25

182. The first phase of the programme ran from December 2001 to March 2006. Its objectives evolved over this period and, according to the 2004 Evaluation Report, early documentation of the programme reflects some differences in emphasis between different PEFA Partners and between separate constituencies within the PEFA Partner agencies. While the purpose of the programme was relatively clear – the development of an integrated, harmonised and country-led approach to PFM diagnosis through the preparation and dissemination of a standard set of performance indicators for public financial management, the reasons why individual agencies committed themselves to the process differed. Some, like the EU, wanted to see annual assessments of fiduciary risk linked to benchmarks for monitoring progress. Others, such as France, Switzerland and Norway, emphasised government PFM reform and reduced transaction costs rather than the role of external assessments by and for donors (Foster et al, 2004, p 6).

183. The 2004 Evaluation Report – drawing on inputs from the PEFA Secretariat -- first made explicit a structured set of goals, purpose and activities marrying the tension between the implicit country and donor-centred purposes of the programme. It formulated the goal of the programme as:

"…..support (for) the development and implementation of recipient government and development agency approaches to diagnosis and reform of the public expenditure, procurement and financial management system, which:

(i) Reduce the transaction costs to countries, particularly those arising from diagnostic assessments undertaken by development agencies;

(ii) Better meet the developmental objectives and circumstances of the government and are government-led, while also addressing the fiduciary requirements of development agencies;

(iii) Improve harmonisation between and within development agencies;

(iv) *Lead to improved impact of reforms."* (Foster et al, 2004, p 30).

184. The achievement of these First Phase objectives was supported by an evolving array of activities, as the programme matured. While initially the programme had to build relationships and consensus among the PEFA partners, the focus soon shifted into research and developmental activities and a broader range of relationship building functions, including notably:

- Development, piloting and refinement of a comprehensive set of standard diagnostic tools;
- Support to institutional change regarding the management and coordination of PFM assessments at country level;
- Consultation and relationship-building with other key fora such as the OECD DAC;
- Support for country-level activities;
- Monitoring and reporting on the results of PEFA-oriented work; and
- Dissemination of the PEFA approach through workshops, conferences and the PEFA website.

185. By the end of Phase I the programme was reported to have achieved (PEFA, 2008, p 5):

- Improved understanding and collaboration between the PEFA partners on the PFM agenda;
- Support for the development of a strengthened approach to supporting PFM reform, which emphasised country-leadership of the reform agenda;
- The development of a finalised and agreed PFM Performance Measurement Framework;
- Monitoring and support for the application of the framework through the provision of technical guidance, the peer review of plans and draft reports on demand, training events and training materials and review of the early applications of the finalised Framework;
- Support for country activities in 15 countries;
- Strong collaboration and buy-in from the wider donor community for the work of the programme, principally through collaboration with the OECD-DAC Joint Venture on PFM;
- Initial work on capacity development, sequencing, institutional and change management dimensions of PFM reforms.

186. A key factor in the success of Phase I was the reform of the World Bank's approach to PFM diagnostics and support. The placement of the PEFA programme in the World Bank was opportune, despite initial misgivings by the World Bank regarding institutional responsibility for a PFM programme which it did not directly manage (this responsibility was that of the Steering Committee). In 2003 the Public Expenditure Working Group was established within the IMF and the World Bank. It had a vision of a new approach to partner country PFM systems, including the use of a standardised, integrated assessment with common indicators (instead of separate overlapping instruments) and the promotion of government-owned PFM programmes. The PEFA programme provided effective support to the work of the new group, developing the performance indicators and examples of standardised assessments. In turn, the eventual endorsement of the PEFA approach by the IMF and the World Bank provided impetus to its acceptance by the other PEFA partners and the wider donor community, and its implementation at country level (Foster et al, 2004, p32).

Second phase: 2006 to 2008

187. If the first phase of the PEFA programme can be seen as a period of relationship building and development, the second phase of the programme, which ran from April 2006 through to September 2008, represents a period of consolidation and refinement, primarily focused on monitoring and supporting the implementation of the PFM Performance Measurement Framework in its early phases to ensure consistency, credibility and sharing of good practices.

188. Phase II comprised the establishment of systematic arrangements to monitor and evaluate the application of the PEFA Framework, for example the regular preparation of monitoring reports. Technical quality reviews were also institutionalised, with 75% of all PEFA reports in this period reviewed by the Secretariat. Overall the Secretariat acted as a central reference point for teams undertaking assessments, regularly providing support on request and issuing clarifications as required. The Secretariat also built on the dissemination and training base established in Phase I, continuing to disseminate the PEFA approach and framework, to train users of the Framework, and issuing notes on good practices for planning and implementing assessments.

189. By the end of the second phase, awareness of the PEFA framework and its utilisation was increasing rapidly, but was not yet universal. While increasing numbers of low-income countries were undertaking assessments, far fewer middle and high income countries had done so by the end of Phase II. By May 2008 more than 80 countries had undertaken assessments, indicating rapid expansion of its implementation since finalisation in June 2005. However, concerns were noted in the documentation of the time about the quality and dissemination of results, the degree of country ownership and the extent of use of the assessments in guiding PFM reform programmes (PEFA, 2008, p 5). At the time, there was also still very limited experience of using the framework for tracking country PFM performance over time.

Third Phase: 2008 to 2011

190. The Phase III programme is built around the concept of a strengthened approach to supporting PFM reform. The PEFA Performance Measurement Framework – the monitoring and support of which was the focus of the Phase II programme – is subsumed in the third phase as a constituent part of a broader agenda. This agenda – the strengthened approach – broadens the focus away from support for the PEFA instrument as such, re-emphasising the achievement of the higher order goals of Phase I, namely

country ownership of a plan for PFM Reform and coordinated donor support for the Reform plan, supplemented by the notion of the creation of a common information pool.

Figure 1 in the main report sets out the intervention logic of Phase III of the PEFA Programme. The Development Goal pursued by the programme is the improvement of country PFM systems through enhanced country ownership of PFM reforms, improved alignment/ coordination of donor support to country PFM reform programmes, and the creation of a common information pool. Overall, the focus is firmly on the demand side but not just demand for simple PEFA assessments: Phase III seeks to promote demand for the full ramifications of the PEFA process. It seeks stronger ownership by governments of the PEFA assessment process and the subsequent reform design, a wider buy-in by donors into the "Strengthened Approach" and a wider engagement of stakeholders in the management of PEFA assessments and in their subsequent use. It is also actively seeking to expand coverage of PEFA assessments to all LICs, as well as to most MICs and some HICs. These are significantly more ambitious targets than those established for earlier Phases.

Annex Three: Country Visit Reports

BENIN

a) Background to the most recent PEFA assessments

The only PEFA evaluation of Benin was finalized in September 2007. The exercise was carried out by a team of three (3) independent consultants and financed by the European Union. Both Government and development partners interacted with the PEFA team of assessors and provided most of the data needed for the exercise. The Chamber of Commerce and Industry was also contacted by the assessors and presented the point of view of the private sector on Government public finance practices. The final version of the PEFA report for Benin (September 2007) was made public after the exercise and is available on the web site of the PEFA Secretariat.

b) Perceptions of the quality of the PEFA analysis and reporting

Both Government and development partners were very happy with the quality of the PEFA evaluation as well as with the quality of assessors. The PEFA methodology was well presented in an initial two-day workshop at the very beginning of the field trip. In addition there was a very good interaction between the team of assessors and the Government as well as between the team and development partners involved.

c) Perceptions of the quality of management/ dissemination arrangements

There was formally no specific Steering Committee set up for the management of the evaluation but the process was carried out smoothly and all stakeholders participated in the evaluation process (Government, development partners, representatives of civil society and parliament). The CSPRES (*Cellule de Suivi des Programmes de Réformes Economiques et Structurelles*), a unit reporting directly to the Minister of Economy and Finance was the focal point of the exercise and helped the team with all the logistics of the meetings. The draft report was reviewed by all the directorates and other Government entities who had participated in the exercise, by the PEFA Secretariat and by the development partners. The development partners have reiterated the very good quality for the management of the evaluation as well as for the dissemination of the report within the Government itself and among the development partners. Civil society organizations such as the Chamber of

Commerce and Industry have not officially received the report but they were able to access it on line.

d) Current and planned use of the PEFA assessment by Government

The PEFA report was analyzed in detail by working groups representing all key public sector entities having participated in the exercise. Then several tables where prepared based on the PEFA indicators. These tables were used for the elaboration of an Action Plan for PFM reforms for the period 2009-2013 in a process, which involved development partners as well. The Action Plan includes a chapter (I) where all the results of the 2007 PEFA evaluation are presented and analyzed and 16 dimensions for the reforms. Each of the latter is presented in a table with the objective (s) for each dimension, the actions foreseen, the entities in charge, the costs of the actions, progress indicators, etc. Overall the Action Plan for PFM reforms in Benin relies very much on the 2007 PEFA evaluation.

Quarterly progress reports elaborated by the Management Unit of the Reforms (*Unité de Gestion de la Réforme*) refer to the PEFA diagnostic to assess progress.

e) Current and planned use of the PEFA framework by DPs

Between 2008 and 2010, the results of the PEFA evaluation were widely used by virtually all development partners in a way or in another. The EU considered the exercise very useful as a benchmark for the elaboration of the annual PFM monitoring report. In addition, as the leader (*chef de file*) of the GFP Group, it was noticed that the evaluation has greatly facilitated the communications between development partners of this group Moreover it was noticed that the evaluation has also contributed to a better interaction between the development partners and the Government.

Regarding the specific use of the PEFA results, other development partners such as the French, the Belgian and the Dutch cooperation as well as the African Development Bank have constantly and closely refer to the evaluation for their work. For other partners such as UNDP, the World Bank and the IMF the PEFA evaluation was perceived as useful and was referred to when needed.

At the time of this study (April 2011) it appeared though that the results of the 2007 PEFA were less and less relevant for PFM work by the development partners because they were no longer reflecting the real status of PFM performance in the country. In this context and to find out more about the status of PFM the EU had financed an evaluation work for PFM system (not using the PEFA methodology) though. It seems also that a PEFA RA will be carried out in 2012.

f) Current/ planned use of the PEFA framework by Civil Society & Parliament

Although both representatives of civil society and Parliament interacted with the PEFA team during the assessment there was no subsequent use of the results by them.

g) Key Factors determining the level of adoption of the PEFA framework

The first (2007) PEFA was not an initiative of the country but essentially a EU supported initiative (other development partners supported the evaluation as well). The country accepted to carry out the exercise as a result of the EU initiative and not because the exercise was perceived as something useful for the country. In 2007 and prior to the initial workshop, there was no clear knowledge within the Government of what the PEFA really was and what it could be used for. However once the exercise was finalised it became clear to the Government that the results were going to be a reference for the reforms. The Government decided therefore to elaborate a new «PEFA» action plan (refer to d above), which made no reference to the existing document for reforms[31].

h) Key References & List of contacts

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Contacts

Ministry of Economy and Finance
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MOHNS Sara, Project officer GIZ;

Netherland Embassy
QUENUM David, Macro economist

Swiss Cooperation
VIRCHAUX Jean Luc, Resident Director ;
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ASSESSMENT OF EXTENT OF ADOPTION OF PEFA FRAMEWORK COUNTRY STUDY: BRAZIL

SUB NATIONAL PEFAs - STATE LEVEL

There are four state-level PEFA studies in Brazil, one each for: Ceara, Distrito Federal, Minas Gerais and Pernambuco. These studies are listed in the "Status on Applications of PEFA Performance Measurement Framework" – updated to 31 March 2011 – as substantially completed, but not yet made public.

These studies were commissioned by the World Bank (WB) between 2007 and 2008 and were prepared by private consultants. The completed draft reports were available early in 2009. No other donor agencies participated in the process. Peer review was provided by the PEFA Secretariat and internally within the WB.

Publication and dissemination of the reports has been restricted, although one of the studies can be found on the internet (Distrito Federal).

All four PEFA assessments were undertaken to include PFM reform actions to existing public sector management SWAPs financed through WB loans. Information on PFM systems was deficient and its performance was deemed to have structural weaknesses, particularly in areas such as procurement.

A plan of action for PFM reform was prepared on the basis of the findings and recommendations from the PEFA studies. A strong package of technical assistance has been also put together by the WB to support implementation of extended SWAPs.

Commitment to these plans of action varies amongst the four states, but all are addressing PFM issues as part of the programme to strengthen and modernize their public sector management systems. Important areas of reform are: tax collection, internal audit and procurement.

There seems to be no direct link between the state level PEFAs and the request to prepare a national level assessment.

NATIONAL PEFAs – FEDERAL LEVEL

The PEFA Study was undertaken in April 2009 and the final report presented in December 2009. The final report is published and available in www.pefa.org, although there is the perception that the dissemination efforts inside Brazil were not sufficiently robust. Apparently, the PEFA is still not sufficiently well known outside a relatively small circle of national authorities close to the assessment.

The study was commissioned by the Brazilian Government, through the Ministry of Planning, Budget and Management, to provide international recognition for the existing process of reform and, in parallel, to define measures to improve the efficiency of investment planning and management. Brazilian ownership of the exercise was strong.

The PEFA (plus) study was carried out by the WB, with limited support from other donor agencies. The quality of the report is renowned, as are the main results (17 As). Peer review was carried out by the PEFA Secretariat and internally within the WB.

The scope for PFM reform in Brazil was substantially reduced by the sound performance of the systems under review during the PEFA assessment. Two areas stand out, however, for significant reform opportunities: external control and legislative scrutiny of budget reports.

The PEFA diagnostic was positively embraced by the Supreme Audit Institution (Tribunal de Contas de Uniao - TCU) of Brazil, considering that their own assessment of strengths and weaknesses of the control mechanisms of the Brazilian Government coincided with that of the PEFA evaluation. The TCU was highly appreciative of the PEFA report. Also, they have received IDF resources from the WB to put together and implement a reform programme to improve external and internal audit mechanisms in a wide-ranging set of institutions.

The Brazilian National Congress has not been so forthcoming. They appear to have received little information regarding the PEFA study and its conclusions regarding scrutiny of budget reports. No actions have been taken, consequently, to strengthen this area of PFM.

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List of persons interviewed

Cunningham, Regis, Senior Financial Management Coordinator, World Bank, Brasilia, Brazil.

De Alburquerque Wanderley, Mauricio, Secretary General, Tribunal de Contas de Uniao (Supreme Audit Institution), Brasilia, Brazil.

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Country studies to assess extent of adoption of PEFA Framework

BURKINA FASO (and Ouagadougou)

a) Background to the most recent PEFA assessments

A first PEFA assessment financed by the EU was finalised in Burkina Faso in April 2007 and is publicly available. A repeat assessment using the same approach was carried out last year (May 2010) by basically the same team of consultants of the first PEFA. The repeat assessment was financed by the Government and supervised by a management structure put together by the Government itself. It is not yet publicly available for technical reasons but its publication was allowed by the Minister of Finance.

In addition to the above-mentioned 2 PEFA assessments, an evaluation of municipal finances of the city of Ouagadougou using the PEFA methodology and financed by the World Bank/PPIAF was carried out in the first half of 2010. The report is publicly available.

b) Perceptions of the quality of the PEFA analysis and reporting

Overall the Government was extremely pleased with the quality of the PEFA evaluation. The two members of the PEFA team for the 2010 evaluation were the same that carried out the previous PEFA evaluation. The PEFA team knew the local context for having carried out the previous PEFA assessment. In addition it had an excellent knowledge of the methodology and long experience in PEFA assessments (Madagascar 2x, Democratic Republic of Congo, etc). Moreover the team managed to create an extremely productive interaction with the stakeholders, particularly with the steering committee and with the committee of counterparts in charge of supervising the implementation of the PEFA exercise (see below c.).

Overall both Government and donors were very pleased with the work carried out.

The PEFA of Ouagadougou was considered to be also an excellent exercise. Its results have been analyzed and are used now for the implementation of PFM reforms

c) Perceptions of the quality of management/ dissemination arrangements

Central Government

For the last PEFA evaluation (2010) a steering committee (comité de pilotage) and a group of counterparts (group d'homologues) were established by ministerial decree[32]. The steering committee in charge of supervising the PEFA evaluation (and quality control) was chaired by the General Secretary of the Ministry and included virtually all the heads of entities involved in the evaluation (Budget, Treasury, Customs, Tax Office) and representatives of the SAI, representatives of civil society and university, and two representatives of the donors (lead donors in budget support and PFM reforms). The group of counterparts in charge of facilitating the implementation of the evaluation (and of quality control as well) was chaired by the General Director of Public Procurement included more technical staff such as the director in charge of PFM reforms, the director in charge of statistics and studies at the budget directorate of the ministry of finance and one representative of the lead donor involved in PFM reforms.

It should be noted that the management structure for the PEFA evaluation (2010) was put together by the Government itself under its initiative and that this Government structure represented the driving force of the evaluation. The donors were involved during the process but all together played a secondary role in the evaluation process.

The quality assurance process was insured by both the steering committee and the group of counterparts. It worked out very well. In this context all the entities involved in the exercise and some of the donors reviewed the draft report provided input and comments that were incorporated in the final version of the report. The PEFA Secretariat reviewed both the initial Tor and the draft version of the report. In addition initial and final workshops were organized to present the methodology and the initial results respectively. They were attended by staff from the entities involved in the exercise, SAI, Parliament, representatives of donors and civil society.

The report is public in the sense that the Minister of Finance has long ago authorized its publication on the web site of the Ministry of Economy and Finance (MEF). In practice this has not yet occurred for technical reasons in the sense that the web site of the MEF is being upgraded and has been only partially operational for the last months. The report should be publicly accessible shortly either through the web site of the budget (different from the one of

[32] Arrêté no 2010-17/MEF/CAB/SP-PPF (January 19, 2010) portant création, attributions, composition, organisation et fonctionnement du Comité de suivi de l'évaluation du système de gestion des finances publiques par la méthodologie PEFA (CSE/PEFA)

the MEF or through the PEFA Secretariat web site)[33]. In any case the report was actively disseminated within the Government itself, with entities such as the SAI, the Assembly, the donors and representatives of civil society.

Ouagadougou

For the PEFA of Ouagadougou (2010) a committee (comité de suivi) was established by municipal decree[34]. The committee in charge of monitoring the PEFA evaluation (and quality control) was chaired by the 2nd deputy Mayor and included members of Treasury, Financial Control, Tax Office, ministry of territorial administration and decentralization, ministry of finance, municipal public procurement, Financial and Budget Directorate) and representatives of the *Agence Française de Développement* (AFD) and the World Bank. The PEFA report is publicly accessible on the web site of the municipality,

d) Current and planned use of the PEFA assessment by Government

Central Government

One of the tasks foreseen by the Government steering committee for the PEFA evaluation was to utilize the results of the evaluation in order to elaborate a proposal for an Action Plan for the improvement of the overall PFM system[35]. In this context, once the PEFA report was finalized, a matrix was elaborated where each indicator was linked to a specific reform (when applicable) and corresponding measures to be undertaken. This matrix was finalized on October 2010 after discussing it in details with the donors involved in PFM reforms (see e below). It is now being used by the six (6) technical working groups in charge of implementing the PFM reforms[36]. Each one of the six (6) groups includes a representative of the donor community involved in PFM reforms.

Ouagadougou

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33 This was confirmed by both K. Traore and L.Zagré respectively from the *Secrétariat Permanent pour le Suivi des Politiques et Programmes financiers*.

34 Arrêté no 2010-045 /CO/SG/DAFB (March 5, 2010) portant création, attributions, composition et fonctionnement d'un Comité de suivi du système de gestion des finances publiques communales par la méthodologie PEFA (CS/PEFA)

35 Article 4, 3

36 The technical working groups are the lowest level (3) in the management structure, which is responsible to implement PFM reforms in Burkina Faso. The other two levels are the steering committee (1) and the technical secretariat (2).

The PEFA of Ougadougou was the main reference for the elaboration of a « PEFA Action Plan » for reforms of municipal finances. The Action Plan was a municipal initiative and it was entirely drafted by the financial staff of the municipality. It covers the period 2011-2013, and includes six main areas (*objectifs*) of (costed) interventions directly related to the results of the municipal PEFA evaluation[37]. There is no bridge between the municipal action plan and the one being implemented at the Central Government level.

e) Current and planned use of the PEFA framework by DPs

As far as PFM reforms for the Central Government are concerned as presented above there is a strong interaction between the donors' community and the Government. Representatives of the donors are present in each technical group responsible for the implementation of the reforms.

As far as the use of PEFA, the instrument itself is considered as the main reference (but not the only one) of benchmarking the status of PFM by virtually all the donors. The EU has used and uses the PEFA for annually reporting on PFM progress but has also to refer to the implementation reports prepared by the technical groups. This is a more or less similar situation for the Swiss Cooperation, for the Netherlands, Sweden and Denmark, for the African Development Bank and for the UNDP.

In the case of the French cooperation, the PEFA has been the key reference for the analysis of fiduciary risk linked to the use of country systems. The German Cooperation Agency (KfW) refers to the PEFA to some extent as well whereas the World Bank considers the instrument as useful but limited.

f) Current/ planned use of the PEFA framework by Civil Society & Parliament

No use of the PEFA framework has been made or is planned by Parliament. However, the *Centre d'information, de formation et d'études sur le budget* (CIFOEB), an organization of civil society with the objective of involving the Burkinabé population in the political dialogue on

[37] The total cost of implementing the plan amounts to FCFA 377.2 million. 15% of the cost will be financed by the resources of the municipality and the remaining by donors. From the remaining FCFA 327.7 million, FCFA 20 millions are being provided by the Agence Française de Développement (AFD).

the budget, has considered the PEFA report as a key reference document and has disseminated the results of the 2007 report on its web site.

g) Key Factors determining the level of adoption of the PEFA framework

In Burkina Faso, the Government has been without doubt the driving force in adopting the PEFA framework.

At the municipal level, the drafting of the action plan for reforms has been carried out exclusively by the staff of the municipality.

h) Key References & List of contacts

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ASSESSMENT OF EXTENT OF ADOPTION OF PEFA FRAMEWORK COUNTRY STUDY: COSTA RICA

1. Background to PEFA Assessment

The first PEFA assessment exercise for Costa Rica took place between 7 June and 25 October 2010. A two weeks field trip to San José (7-18 June 2010) was followed by the preparation of a draft report (10 August 2010) and the presentation of a final PEFA report (25 October 2005). Comments to the draft report were received from the Government of Costa Rica, the PEFA Secretariat, the World Bank and the Inter-American Development Bank (IDB).

The PEFA assessment was commissioned by the IDB[38], but strongly supported by the World Bank (WB). The assessment was undertaken by five international consultants hired directly and specifically for this purpose, four by the IDB: Giovanni Caprio (team leader), Esther Palacio, Bruno Giussani and Juan Carlos Aguilar and one by the World Bank: Ulises Guardiola. All five consultants participated in the Steering Committee for the assessment.

The Government of Costa Rica was fully engaged. The official counterpart was the Ministry of Finance (Ministerio de Hacienda - MoF), with the Treasury as the focal point. The Treasurer, himself, was generally available for consultation, to provide or grant access to important information and to assist with the rescheduling of meetings. Also central to the exercise was the supreme audit institution (Contraloría General de la República), which provided detailed information about the functioning of the PFM system in Costa Rica.

All other relevant government institutions visited were accessible and open, including the Legislature (Asamblea Nacional), other entities of the MoF and all line Ministries, autonomous government agencies, sub-national governments and public enterprises. Contact with Civil Society Organizations (CSO) was limited and reduced to the Chamber of Commerce and the Economic Sciences Research Institute (IICE) of the University of Costa Rica[39]. This was also true for other donor agencies, but mainly due to the fact that not many are active in the country.

The field mission started with a one-day seminar to which all stakeholders were invited. The seminar was well attended during the whole event. The day after the seminar was utilised to hold a group meeting with all MoF Directors, which was used by the government to explain the peculiarities of the PFM system in Costa Rica. This meeting proved, in hindsight, very useful to generate a common understanding of the country's institutional arrangements.

In depth interviews with government authorities and other stakeholders were organised *in situ*, without much anticipation, but also without too much difficulty. Most interviews were attended by the consultants and IDB and World Bank representatives.

The field mission finished with a visit to the Minister of Finance to present an initial assessment of the exercise. The critical points raised in the assessment were well received.

The final report was received the Government of Costa Rica on 25 October 2010, but has not yet been made public. Dissemination has also been restricted to the MoF, with other institutions holding only unofficial copies of the report.

[38] The PEFA of Costa Rica was the first IDB led exercise in the region.

[39] The Economic Sciences Research Institute of the University of Costa Rica is a partner institution for the International Budget Project and the Open Budget Index.

2. Perceptions of the Quality of the PEFA Analysis and Reporting

Overall satisfaction with the team of consultants was high. The team was made up of five international consultants with both, previous PEFA and regional experience. None had, however, prior experience with Costa Rica.

The number of consultants was defined in the terms of reference (ToR) and was selected in order to provide the exercise with as much expertise as possible. This resulted in a relatively low allocation of performance indicators per member, which permitted a more focused and detailed analysis to be undertaken. This is reflected in the quality of the report.

Also, government officials were very complementary about the report's accurate depiction of the complexities of the PFM system in Costa Rica.

Both the government and development partners are satisfied with the organization, structure and materials utilized during the induction seminar. It was felt that the presentations were clear, concise and sufficiently dynamic to maintain interest. The team's ability to give concrete examples based on their prior experience with other PEFA exercises was particularly helpful to participants. Also, the distribution of individual copies of the PEFA manual (green book) proved very valuable as a reference tool and to aid a deeper understanding of the methodology.

Ex-ante transmission of the scope of the evaluation and the limitations of the exercise was also very useful, so as not to burden the assessment with undue expectations. The assurance that the exercise was not an evaluation of individual performance went a long way to put government officials at ease and be more open about the information required for the assessment.

Despite invitations, there were no attendees from civil society organizations (CSO) at the seminar. The general perception was that this was a government event and that participation should be – somewhat – restricted. It may pay in the future to hold a second, independent seminar, specifically directed at CSO to ensure their contribution and collaboration.

The lack of recommendations and international comparisons in the methodology was a source of surprise to most participants.

3. Perceptions of the Quality of Management and Dissemination

The PEFA exercise in Costa Rica was led by the IDB in close coordination with the World Bank. The local staff of the IDB office were instrumental in the preparation and organization of the mission.

A Steering Committee was set up comprising government authorities (only MoF), staff from the IDB and the WB and all five consultants. It was chaired by the Treasurer (MoF) – a senior government official. The Steering Committee met twice, once at the beginning of the mission and once at the end. The general perception is that these meetings were useful and that there was no real need for more.

The first meeting of the steering committee was attended by all members and dealt with the necessary introductions, the presentation of the methodology to government authorities, the organization of the induction seminar, the drawing of a preliminary schedule of institutions to visit and officials to interview and an initial request for relevant documentation and data.

The second and final meeting was again attended by all members, but it was chaired by the Minister of Finance. This meeting was used to present the preliminary results, define the next steps and establish a schedule to present the draft PEFA report, receive comments and finalize the report. There was general satisfaction with the way the mission had been conducted and with the results presented.

In spite of the fact that the Steering Committee provided the government with a list of government officials to interview, the bulk of this organization fell to the local IDB personnel. It is true that all government officials made themselves readily available for interviews, but no overall schedule was prepared by the government and consequently time was not efficiently utilized.
A sub-committee of the Steering Committee comprising the consultants and IDB and World Bank representatives met a number of times to discuss technical and methodological issues, arising from the peculiar institutional arrangements in place in the country. These meetings were also very useful to provide consistency to the analysis of performance indicators.

The peer review process was thorough. The draft report was circulated for comments to the Government of Costa Rica, the PEFA Secretariat and PFM experts from the IDB and the World Bank. Most comments received from all these institutions were insightful and relevant and were introduced in the final report.

No *ex post* seminar was held presenting the results of the assessment. Also the final report has not been disseminated internally, within the government, or externally, to the general public (alas there is also no publication of the report). However, it is the intention of the government to do so in the near future[40]. Contact with DPs has already been established for this purpose.

4. Current and planned use of the PEFA Assessment by Government

The government of Costa Rica has not formally reviewed and evaluated the results of the PEFA assessment. It means to do so in the near future in order to reflect on the need to design and introduce a general PFM reform programme.

However, there has been wide recognition by government authorities of the usefulness of the exercise and the application of the PEFA methodology. In fact, it has been suggested that a number of PFM areas have already been improved after discussions with the mission about international best practices that were no being fully implemented in Costa Rica.

Its has also been useful to promote an internal debate about the merits of having the Supreme Audit Institution (Contraloría General de la República) involved in the approval of institutional budgets, which account for nearly 60% of all public spending.

No plans exist yet to use the PEFA report as a tool for benchmarking progress of PFM reports.

5. Current and planned use of the PEFA Framework by development partners

[40] The dissemination process of the PEFA report has been postponed because of the introduction of a heavy legislative programme concerning fiscal reform, which MoF requires to monitor closely.

The PEFA framework has been utilised to aid the preparation of the Country Strategy documents for both, the IDB and the World Bank. Also, it has been used to benchmark progress with general PFM reforms at the national level, but also specific areas of interest, such as procurement.

The PEFA exercise has replaced the Country Financial Accountability Assessment (CFAA) as a PFM diagnostic tool.

6. Current and planned use of the PEFA Framework by Civil Society and Parliament.

The PEFA report has not been formally circulated or published. Access to the document has been restricted to MoF officials.

Parliament had not received the document and the contact person was unwilling to speculate as to the use that it might be given to the report once it has been published.

7. Key factors determining the level of adoption of the PEFA framework

The key factors influencing the execution of the PEFA assessment in Costa Rica have been:

- a strong lobby on the part of the development partners (IDB and WB) to convince the government about the usefulness of the exercise as an instrument for the design and development of a programme of PFM reform and as a benchmark to measure its progress,

- a strong commitment on the part of MoF to implement the assessment successfully and the willingness of all government officials to provide all the required information without reservation,

- the fact the Minister of Finance has been involved previously with PEFA assessments as an international consultant,

- the support of the IDB in the organisation of the mission.

On the other hand, it is to early to evaluate the key factors influencing the adoption of the PEFA framework as a tool to design and review PFM reforms in Costa Rica.

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List of persons interviewed

Abello, Martha, Asesora de la Vicepresidencia de Administración y Finanzas, IDB (previoulsy, team leader for the PEFA assessment in Costa Rica).

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Daniel Sáenz, Gerente, Secretario Técnico, Dirección de Operación y Evaluación, Contraloría General de la República.

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Country Studies on PEFA Use - Country Report – Kenya

Summary Findings

- The PEFA Assessment was done in a difficult political environment and was seen to be an outside, donor driven exercise. Further work could have been done to sensitise senior management of the overall goals of the PEFA Framework and provide public servants with more comprehensive training on the methodology.
- The Kenyan PFM Reform Programme lacked a detailed and comprehensive M&E Framework – this may have contributed to officials' concerns on the use of the indicator framework as a tool measuring departmental performance.
- The overall findings of the PEFA Assessment had been used for high level discussions with the Government and in shaping important PFM commitments formulated through the Development Partnership Forum.
- There is some evidence that the PEFA Framework has reduced the number of individual diagnostic exercises and provided a useful operational tool for Development Partners.

(a) Background to the most recent PEFA Assessments

The most recent PEFA Assessment was conducted in September and October 2008 (published on 25 March 2009), around six months after the establishment of the Office of the Prime Minister and the creation of the coalition Government in the aftermath of the disputed December 2007 election. According to the terms of reference the rationale for the Assessment was to follow up progress on the PEFA indicators since the baseline assessment in 2006, and more specifically to (i) facilitate and update the dialogue on PFM between Government and Development Partners; and (ii) to help donors assess the eligibility of Kenya for budget support programmes.

The assessment was organized and financed by the European Union and the assessment was conducted by a team of four independent consultants. The Sponsors prepared comprehensive terms of reference which closely follow the templates provided by the PEFA Secretariat in Washington DC. The consulting team conducted two fortnight long missions to Kenya in September and October 2008. An additional 2 day follow up visit by the team leader took place in February 2009 to gather further data for the assessment of PI 1 and PI-2. The Team conducted a 1 day pre-assessment workshop in September 2008 and, during the second mission they presented their preliminary findings, and scoring of individual indicators. Comments on a draft report were received from the PEFA Secretariat in December 2008. The Final Report is published on the Europe Aid website[41].

The consulting team managed to engage a cross section of public servants and DP officials in order to reach a judgement on the individual indicators[42]. No CSOs were involved in the process of preparation or dissemination.

Kenya conducted an earlier baseline PEFA Assessment in 2006. From a review of the terms of reference it appears that the assessment (again conducted by independent consultants) did not build in entry or exit workshops. A team of eight consultants and development partner staff are listed as being members of the assessment team. Appendix B of the 2008 Report provides a detailed table of comparisons between the 2006 and 2008 ratings; and includes two adjustments to the 2006 ratings "related to different interpretations of data, or the emergence of data which was not known to the previous PEFA team.

[41] http://ec.europa.eu/europeaid/what/economic-support/public-finance/

[42] Appendix D of the Final Report lists Government departments and development partners met, but not officials or job titles.

(b) Perceptions of the Quality of the PEFA analysis and reporting
(c) Perceptions of the Quality of management/dissemination arrangements

Discussions with government officials produced a range of different responses with regard to the PEFA Framework. The PFMR Secretariat in the Ministry of Finance felt that the consulting team conducted the Assessment in a professional manner and had managed to build a reasonably strong consultative process in completing the Report. The Internal Audit Department were also champions of the PEFA Framework, noting that it was a useful international benchmark which should be conducted periodically; providing leverage for change. However even those officials with the most positive attitude to the PEFA Framework noted some significant challenges in relation with the process of preparing the 2008 Assessment. Those issues noted during the evaluation interviews were:

(i) *Lack of Government Ownership* – Some interviewees suggested that the PEFA Framework was perceived as an "outside tool" or "an audit", driven by the development partners rather than a government tool which might improve PFM performance. The Assessment was led by the PFMR Secretariat however the process lacked strong political leadership and no government steering committee or working group was established. The above issues contributed to an overall lack of ownership of the PEFA process.

(ii) *The political environment in Kenya during the assessment* – the assessment tool place shortly after the establishment of the coalition government. Distrust amongst officials and a lack of empowerment to discuss challenges or the need for change made the process of open discussion across government departments extremely difficult when the Assessment was being compiled.

(iii) *Lack of understanding of the PEFA Framework* – government officials were not given sufficient training to have a detailed understanding of the PEFA methodology. As a result Government lacked a critical mass of officials to champion the Framework. The PFMR Secretariat believes that a more comprehensive PEFA training course for government stakeholders prior to conducting the Assessment would have improved the process and acceptance of the results.

(iv) *Perception that the PEFA scoring system was linked to departmental performance* - previous reports have noted that Kenya's PFM Strategy lacked a comprehensive M&E framework[43]. Instead of being promoted as a high level assessment of overall PFM Performance, scores were often perceived to be closely related to the performance of individual departments. This led to defensive attitude to the scores; civil servants felt that they were directly accountable for[44]. Further as the PEFA framework was not agreed as an ex-ante M&E framework officials saw the scoring system as a threat rather than a benchmark which might provide an opportunity for improved performance.

As a result of the above factors many heads of departments reacted negatively to the ratings; questioning the ratings or the validity of the PEFA Framework as a whole. Plenary sessions meetings were described as tense and not all officials attended the meetings.

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[43] See Pretorius p12.

[44] Linked to this concern, some interviewees noted that readers will not see beyond the headline indicator and examine the individual sub-indicators; giving a false impression of the performance of individual departments. For example in PI-21 the two sub-indicators which the IAD could directly control (PI-21 (i) and PI-21 (ii) scored B and B, whilst the overall score was a C+ due to weak managerial responses to internal audit reports.

The quality assurance comments of the PEFA Secretariat note that the report was a good quality first draft but recommended that the final report placed more emphasis on analysing changes (both positive and negative) since the baseline assessment.

(d) Current and planned use of the PEFA assessment by Government

The Government launched a five year "Strategy for the Revitalization of the Public Financial Management System in Kenya" in 2006/07. Amongst the issues raised in a recent independent review of the Strategy was that the lack of a baseline and an effective M&E framework makes it difficult to measure achievements and progress made. As noted above the absence of an M&E framework may, on occasions have over-stretching the PEFA Framework as a performance measurement tool; and had a negative effect on the credibility of the Framework as a whole. A new PFM reform strategy is currently under development and due to be launched in June 2011.

The Evaluation found that awareness of the PEFA Assessment amongst government officials was strongest amongst those directly involved in the Assessment process. It was clear that the Report was not referred by individual departments as a performance measurement tool although some MDAs (NRA and NAO) argued that they had internal (and more detailed) performance measures which would directly address the high level indicators.

(e) Current and planned use of the PEFA framework by DPs

Kenya has had a considerable number of PFM diagnostics over the past 10 years. Prior to the introduction of the PEFA Framework, DPs prepared a Country Financial Accountability Assessment (2001), Public Expenditure Management Assessments and Action Plans (2003 and 2004), Public Expenditure Review (2004), and a Country Integrated Fiduciary Assessment (early 2005). Since the introduction of the PEFA Framework it has replaced some of the diagnostic tools (e.g. the CFAA and CIFA) and has served as a common pool of reference for other tools (e.g. DFID's Fiduciary Risk Assessments (FRA) and Annual Statement of Progress (ASP). The World Bank led a Public Expenditure Review (PER) which was published in 2010. The PER has a chapter on Public Financial Management Issues and which builds an analysis based on the results of the 2006 and 2008 PEFA assessments and includes arrows indicating the direction of change between the two assessments. No other significant PFM broad based diagnostics were noted by respondents.

As well as being used as a tool to address fiduciary risk the results of the PEFA Assessment have had an indirect link in identifying prior actions in World Bank Development Policy Loans. Discussions with Development Partners also revealed that the overall findings of the PEFA Assessment had been used in high level discussions with the Government and in shaping important PFM commitments formulated through the Development Partnership Forum (see Box 1 below).

Box 1: The Development Partnership Forum

The Development Partnership Forum, established in 2009 is a bi-annual meeting co-chaired by the Prime Minister and a representative of the Development Partners. Improvements in PFM are a high priority as demonstrated by the fact that four of the fifteen commitments made at the last meeting relate to PFM issues. The Sector Note prepared in advance of the meeting uses the same analysis as prepared for the PER (arrows showing the direction of change between the two assessments) and an additional column providing a description of recent developments since the last assessment.

(f) Current/planned use of the PEFA Framework by Civil Society &Parliament

Representatives of the National Assembly's Budget Office noted that the PEFA Framework was a useful tool to analyse the performance of the PFM system. Given the perceived deficiencies of disseminating the last Assessment it was suggested that the Government should plan a half day seminar to parliamentarians and interested staff in the National Assembly to brief them on the results of the next PEFA Assessment.

The evaluation met with a representative of the Institute of Economic Affairs (IEA) which conducts a program to enhance the effectiveness and participation of parliament and citizens in the budget process. They are also the Institute which researches the Open Budget Survey (OBS) for Kenya. The head of the program noted that IEA had limited awareness of PEFA however that there may be some interest in getting a better understanding of the Framework. One useful observation was IEAs efforts to disseminate the results of the 2010 OBS through a press conference, which resulted in some coverage in the national press.

Persons/Organizations Interviewed

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ASSESSMENT OF EXTENT OF ADOPTION OF PEFA FRAMEWORK COUNTRY STUDY: PERU

1. Background to PEFA Assessment

Introduction

The PEFA exercise in Peru was contracted by the European Commission (EC) in Brussels, via the framework contract mechanism, to a German consultancy firm – Integration GmbH – which, in turn, hired four independent consultants to carry-out the assessment: Giovanni Caprio (team leader), Juan Carlos Aguilar, Bruno Giussani and Victor Hugo Diaz. This assessment was effectively undertaken between September 2008 and April 2009 in four stages.

Stage 1, the field work was carried-out in Lima over three weeks, between 22 September and 10 October 2008. At the end of this period a formal meeting with government authorities was arranged to present the main findings of the mission and request information that had been requested, but not yet delivered. After the meeting, a first draft of section 3 of the PEFA report was presented to government authorities and development partners (DPs).

Stage 2, the preparation of the preliminary report, took place between 13 October and 17 November 2010. This second stage took longer than originally anticipated, because in addition to finalising the draft report, the mission was required to respond to an initial round of comments elicited by the earlier draft version of section 3. These comments were put forward by local experts employed by the World Bank (WB) and the Interamerican Development Bank (IDB). This stage was finalised with the formal presentation of the preliminary PEFA report.

Stage 3, the preparation of the final report, was undertaken between 24 November and 1 December 2008. During this stage, comments from the PEFA Secretariat were received and incorporated, together with a second round of comments from government officials and development partners. The final report was presented officially on 1 December 2008.

Stage 4, the publication of the final report, took place between 15 January and 15 April 2009. During this stage, some specific additional comments from local and international experts were received, considered and mainly included. Also, editorial changes were introduced, particularly to the English translation of the report, prior to publication. The PEFA Peru was finally published on 15 April 2009 and formally presented to government officials, development partners and civil society organizations in an event specifically convened for the purpose two days later.

Management Arrangements

The PEFA exercise was promoted by the EC, which had lobbied the government extensively to undertake the assessment as a mechanism to trigger the use of budget support funds. Once accepted, the PEFA exercise was immediately put under the supervision of a Steering Committee made up of the EC, the WB and the IDB. The Steering Committee was heavily involved in all aspects of the exercise.

Other donor agencies with PFM activities in Peru were also kept informed of progress and invited to participate in all dissemination events and the peer review process. They were made aware of the information requirements for the evaluation of performance indicators D1 to D3. Only some of them complied with the request.

Government Involvement

The government was initially reluctant to undertake the PEFA assessment. But, once it had agreed to it, its commitment was significant. The Ministry of Economics and Finance (MEF) was the exercise's counterpart, in the person of the Vice Minister of Finance (VMF). A focal point, a senior advisor to the VMF, was also named and was instrumental in the appropriation of the assessment by MEF, as well as providing access to relevant information and data.

Access to government officials was well organised, but interviews with the external consultants were delegated - on the whole - to technical personnel in most institutions. High ranking authorities did not participate in the information gathering stage of the assessment, but were active in the briefing and debriefing sessions. Contact with technical staff allowed the mission to have a detailed view of most PFM processes, but at the expense of a wider picture regarding political priorities.

Induction Seminar

A one day seminar was scheduled at the beginning of the mission to introduce the team of consultants and acquaint the participants with the PEFA methodology. Franck Bessette, from the PEFA Secretariat in Washington (USA), was present to participate in the proceedings. Giovanni Caprio, the mission's team leader, conducted the event.

The seminar was opened by the Vice Minister of Finance and was, generally, well attended in its first session (morning), which included some high ranking officials within the public. The second session (afternoon of the same day) was devoted to illustrate the methodology with the use of country-relevant exercises. However, the number of participants in this session was substantially lower than in the morning.

A possible explanation for this outcome is that the seminar was held in the same premises where MEF operates, so that most government authorities simply returned to their offices to deal with more pressing matters.

Another negative aspect of the induction seminar was the absence of representatives from civil society organizations (CSO). Not much effort was accorded to making sure that CSOs participate and the few that were invited (including the Lima Chamber of Commerce) did not show up.

2. Quality of the Analysis and Reporting

Perceptions about the quality of the assessment team are good and there are no complaints about the way in which the exercise was carried out. In fact, most stakeholders are very complimentary about the professionalism with which the work was undertaken, as well as the quality of the report.

However, it is important to point out that Giovanni Caprio was the only member of the group with extensive PEFA experience. For the rest of the team, the application of the PEFA methodology was a relatively novel exercise. This observation is, somewhat, reflected in the extent and depth of the peer review process, which was conducted in stages and with significant input from local and international experts, including the members of the PEFA Secretariat. To some degree, the PEFA assessment in Peru was a wide and important collaborative effort from experts from a wide range of institutions and specialists fields.

Most stakeholders, including government officials, suggest that the report captures well the peculiarities of PFM in Peru and that it identifies the strengths and weaknesses of the system with accuracy. There is, however, a minority perception that considers that the PEFA report is more generous in its grading that it should be and that there are a number of grey areas where the situation, when looked at closer, is less optimistic than portrayed.

There are no observations regarding the willingness of the team to engage with stakeholders and take time to explain the methodology, nor are there comments about the capacity of the team to transmit orally and in writing the key messages about PFM in Peru.

3. Quality of Management and Dissemination Arrangements

A Steering Committee chaired by the EC and made up by the WB and IDB was quickly organised to supervise the PEFA Assessment in Peru. This Committee was very effective and oversaw the whole assessment exercise. It coordinated visits, organised seminars and events, accompanied the consultants to most meetings, commented on the contents of the reports, organised the peer review process, edited the final version prior to publication and facilitated dissemination of the PEFA report.

Most importantly, it liaised closely with the government – especially MEF – to make decisions about progress and next steps. This contact was fluid and subordinated to the specific requirements of the GoP authorities. Contact with other government institutions was limited, but existed. No other donor agencies participated in the Steering Committee, but were fully informed of progress being made.

The peer review process was thorough, with many comments made and incorporated into the final report. Most comments were made by local and international consultants attached to WB and IDB with experience in PFM in Peru. Comments made by the government were limited and usually related to specificities of the Peruvian institutional set-up that had not been fully captured in the report. No comments were made by Parliament or CSO organizations, which had access to the preliminary report.

Dissemination arrangements were very good. The Steering Committee organized *ex-ante* and *ex-post* public seminars to present the start of the assessment exercise and the results, in the form of a publication (with Spanish and English versions). MEF participated fully in these events, with the Minister of Finance attending both events. An induction seminar for stakeholders was also prepared, which was well attended in its main session. Finally, the report is published in the webpage of the PEFA Secretariat (www.pefa.org).

It is also worth mentioning that in June 2009, after the publication of the report, the Steering Committee also organised a series of seminars with government officials to drum-up support for the preparation of an Action Plan for PFM reform. This process was curtailed, as the MEF assumed the responsibility for designing a PFM reform strategy. Coordination with DPs was maintained through a newly instituted "working-group for the monitoring of PFM reform". Membership to this coordination mechanism was open to all donor agencies interested in participating.

4. Current and Planned Use of PEFA Assessment by Government

The government of Peru used the PEFA assessment as an important reference point for the design and development of a medium term reform agenda, known as the PFM Continuous Strengthening Programme (PMC for its acronym in Spanish). This programme aims to establish:

a) a clear and explicit medium term vision for PFM reform (2011-2015), together with its corresponding strategic objectives,
b) a reform management structure to promote coordination, cohesion and sequencing between all PFM institutions and reform actions being undertaken currently and in the future,
c) specific funding to support this endeavour.

The PMC vision for PFM reform in the medium term is:

Peruvian PFM is an effectively integrated system, based on a results oriented budget process, whose resources are prioritised, allocated, executed and registered by programme, within a medium-term framework that incorporates all possible fiscal risks, and whose performance is evaluated regularly with adequate systems and transparent, timely and trustworthy information.

While the strategic objectives are formulated as*:*

a) To consolidate and expand a multiannual, medium-term, framework for budget programming and formulation.
b) To build up and fortify results based budgeting.
c) To modernize the integration of PFM, with the implementation of a new and up-to-date information system, adequately linked to all other transversal management systems.
d) To strengthen the systems for performance evaluation and accountability.
e) To introduce effective mechanisms and instruments for integrated asset/liability management.

To coordinate, integrate and adequately sequence all reform activities around the vision and strategic objectives of the PMC, MEF has set-up a PFM Advisory Group (known in Spanish as Grupo de Estudios). The mandate of the Advisory Group is to assist MEF and all other public institutions[45] relevant to PFM reform to identify, develop and implement PFM programmes, projects and activities that are consistent with the priorities outlined for the period 2011-2015. The PFM Advisory Group is made up of three independent consultants that answer to MEF, but are financed with a multidonor fund backed by donor agencies from Belgium, Germany and Switzerland.

PFM reforms efforts in Peru are financed by the government and a number of donor agencies active in the area, but the PMC has created a fund through which these activities will be financed in the future. At present only SECO, from the Swiss cooperation, has committed funds to the project, but more are soon to follow.

Another important recent development to come out of the PEFA exercise is the interest that the application of the methodology is stirring in the newly elected authorities at the regional and local level. It is likely that sub-national PEFAs will soon be undertaken with a view to developing actions plans to strengthen PFM at this level.

[45] Legislature (Congreso Nacional), Supreme Audit Institution (Contraloría General de la República), Procurement Office (Organismo Supervisor de las Contrataciones del Estado), Tax and Customs Office (Superintendencia Nacional Tributaria) and the Civil Service Authority (Autoridad Nacional para el Servicio Civil).

Finally, it is worth pointing out that the PMC progress indicators are based heavily on relevant and appropriate PEFA performance indicators. To evidence this progress a repeat PEFA exercise is likely to be required in the near future.

5. Current and Planned Use for PEFA Assessment by development Partners

The PEFA Assessment is being utilised by most donor agencies with PFM reform activities in Peru to benchmark and follow progress.

Additionally, the IDB is utilising PEFA performance indicators to measure the impact its USD 20 million dollar project to modernise the integrated financial management information systems (IFMIS), known as SIAF II, has on PFM performance.

This is also true for SECO's support to the PMC, which uses PEFA performance indicators to assess progress in PFM reform.

The EC is also monitoring PFM reform through PEFA performance indicators, but more importantly it has approved budget support funds (sectoral) for a number of emblematic projects, such as the Articulated Nutritional Programme (PAN in Spanish), on the back of the publication of the PEFA report.

There is no specific evidence, yet, that the PEFA report has replaced other PFM diagnostic tools that were previously used by DPs.

6. Current and Planned Use of the PEFA Assessment by Civil Society/Parliament

Civil society organisation's participation in the process of preparation of the PEFA report has been limited, as was their involvement in the dissemination events. CSOs have not adopted the PEFA assessment as a means to follow progress of PFM reforms or to propose their own ideas for PFM reform.

Parliament participated in the preparation of the PEFA report and in the dissemination process, but the budget commission does not make systematic use of the report to monitor progress of PFM reform. The PEFA report has been utilised however to improve the budget commission's technical capabilities for budget scrutiny and the whole budget approval process. Parliament is also being considered in the implementation of PMC.

7. Key factors determining the level of Adoption of the PEFA Framework

The key factors influencing the execution of the PEFA assessment in Peru have been:

- a strong lobby on the part of the development partners (EC) to convince the government about the usefulness of the exercise as an instrument for the design and development of a programme of PFM reform and as a benchmark to measure its progress,
- a very dedicated and influential Steering Committee, which made sure that all requirements for a successful mission were met,
- the appropriation of the PEFA assessment on the part of the government and the ease of access to the required information and data,

- the continuity of effort between the PEFA assessment and the design and development of a PFM reform action plan,
- the decision by the government to undertake a comprehensive PFM reform plan of action and the creation of the PFM Advisory Group for that purpose.
- The creation of an effective working group between MEF and the donor agencies with support activities for PFM reform.

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List of persons interviewed

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Mejia, Julio, Senior Advisor to the Vice Minister of Finance, and focal point for the PEFA assessment, Vice Ministerio de Hacienda, Ministerio de Economía y Finanzas, Lima, Perú

Silva, Juan Pablo, Director of the Dirección de Calidad del Gasto, Dirección General de Presupuesto Público, Vice Ministerio de Hacienda, Ministerio de Economía y Finanzas, Lima, Perú.

Zapanni, Germán, Financial Specialist, Interamerican Development Bank, Lima, Peru.

Valderrama, José, Member of the PFM Advisory Group (Grupo de Estudios) and former advisor of the World Bank offices in Lima.

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ASSESSMENT OF EXTENT OF ADOPTION OF PEFA FRAMEWORK COUNTRY STUDY: RWANDA (based on telephone interviews)

The Government of Rwanda sees value in undertaking repeat national PEFA assessments. It sees the tool primarily as a diagnostic tool that it uses together with its development partners for development purposes, even if the information is also used for fiduciary risk assessments. The process of assessing and scoring different systems and the validation of the scores is open and brings together all the stakeholders. Government leads the PFM Reform Steering Committee which is the primary coordinating body for the assessment, and is therefore an active participant in the assessment. Within this group key queries in respect of the assessment are raised by all stakeholders for discussion and incorporation in the report.

For Rwanda the value of PEFA lies in it being a comprehensive tool that looks at the whole system: when weaknesses are then identified it is possible to prioritise the weaknesses to be addressed first and build consensus on where reform and other efforts should be focused over the medium term. Before PEFA government was at risk of being distracted continuously by different diagnostics – supported by different donors -- which focused on sub-components of the whole system. This meant that with every assessment there was a new priority and no way of telling which should take precedence. With PEFA, Government is now in a position to coordinate diagnostic processes and formulate an evidence-based reform plan, which it can implement consistently to make systematic progress.

In the latest PEFA assessment Rwanda also applied a selection of 12 PEFA indicators to four of the sub-national district level of government. The purpose was to provide an initial snapshot of PFM systems and processes at the SN level, given ongoing fiscal decentralization. However, the assessment did not use the full set of indicators of the sub-national PEFA methodology, but assessed only some areas in view of budget constraints. This partial assessment however, was not found to be highly useful, even if it did provide some information. The tool as applied did not align well enough with Rwanda's decentralisation architecture and revenue and expenditure assignment. The sense in Government is that future sub-national assessments should be more comprehensive and that there might be need to adapt the tool to Rwanda-specific circumstances.

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ASSESSMENT OF EXTENT OF ADOPTION OF PEFA FRAMEWORK COUNTRY STUDY: SOUTH AFRICA (based on telephone interviews)

The first PEFA was conducted in South Africa during the period June to August 2008, undertaken by the European Union. The exercise was initiated in April 2008, with a meeting held with the division of the South African National Treasury responsible for aid coordination, the International Development Cooperation unit. While documentation was circulated to relevant divisions at this time, to a large degree, key stakeholders only took cognisance of the exercise and its purpose when the consultants were in country and requesting meetings. Even then, at the time, the understanding by respondents in key National Treasury divisions was not that the PEFA is a PFM diagnostic tool for country purposes. Rather, the understanding was that the EU wanted to assess South African systems in order to provide general budget and sector support. Government participation in the exercise beyond the role of the aid coordination unit – for example in the steering committee– was therefore not driven by relevant senior officials in the key functional divisions of the National Treasury, but delegated to junior officials.

For the most part however, the South African Government found the assessment to be of quality. It was satisfied with the role played by the PEFA Secretariat in reviewing the assessment report. South African scored a B+ (or 3.58 as a number score) on average across all the indicators. A key exception was the procurement findings, where the average score was a D+. The required datasets could not be extracted within the timeframe of the consultants' fieldwork – although the Supply Chain Management Unit maintained that it was available -- resulting in the score which Government did not see as representative of the quality of the systems.

Recently the EU has initiated proceedings for an updated PEFA, to be conduced three years after the initial assessment. Government however has however resisted the exercise – which at the national level it still sees as primarily a fiduciary risk assessment for donor purposes – to be postponed for another two years. Senior officials feel that at the national level the exercise does not add much value for South African purposes, besides reducing transaction cost on donor assessments. On most indicators South Africa scored B+ or A (22 out of the 31 indicators assessed) and even though there are problems in these systems that the National Treasury want to address, they do not show up in the assessment. On the indicators where the country scored Cs or Ds, the National Treasury was already aware of weaknesses and had been working on reforms and capacity building programmes to address the issues.

In the mean time however, the National Treasury and in particular the Intergovernmental Relations Division has become very interested in using the PEFA instrument as a PFM diagnostic tool, but for assessing the nine provincial governments' systems. South Africa is a unitary state with autonomous provincial and local governments, which are elected separately and to which expenditure responsibilities (some joint with national government) are assigned in the Constitution. The legal framework for financial management at both sub-national levels however, is driven by National Government. At the same time, approximately 95% of provincial government revenue is in the form of unconditional and conditional grants from national government. This in turn comprises approximately 40% of nationally collected revenue. The National Government therefore has a direct interest in the quality of PFM systems at provincial level and wants to undertake a PEFA as a way of using objective, internationally accepted norms to build consensus on key areas of weakness to be addressed in provincial PFM.

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TUNISIA

a) Background to the most recent PEFA assessments

After three field trips (June and November 2009, June 2010) the PEFA Tunisia (the first) was finalised on June 30, 2010. The exercise was carried out by a joint assignment of experts from the European Commission (lead donor), the World Bank and the African Development Bank[46]. The Government of Tunisia provided the team with all the needed documentation on PFM (in French and in Arabic) and helped systematically with all the logistics of the meetings. Although the Government was very committed to the exercise, there were no formal arrangements to disseminate the reports (and its findings). In addition the report was never validated officially because the previous government was not pleased with some of the results (public procurement and external control by the SAI for example). The new Government (post-revolution) intends to have the PEFA report published.

b) Perceptions of the quality of the PEFA analysis and reporting

Both Government and the three agencies (EU, WB and AfDB) involved in the PEFA exercise were very happy with the team of experts and how the exercise itself was carried out. This is the first time in Tunisia that collaboration between the Government and donors, and between the three donors was so successful. The PEFA methodology was well understood by the Government team in charge of monitoring the PEFA related activities because its members had attended PEFA workshops prior to the exercise. The PEFA team of experts interacted on a very regular basis with the Government team members and the quality of the communication was very good. Key messages emerging from the evaluation were well transmitted in the report.

c) Perceptions of the quality of management/ dissemination arrangements

[46] The joint mission of experts included Mr Fabian Seiderer (Delegation of the EU, TTL), Mr Georges Corm (Consultant for the Delegation of the EU and team leader), Mr Ndiamé Diop (Resident representative of the World Bank in Tunis) M. Anas Abouelmikias (World Bank), Mr Lucien Méadel (World bank consultant), Ms Natsuko Obayashi (African Development Bank), Mr Hyacinthe Kouassi (African Development Bank) and Mr Giovanni Caprio (consultant for the African Development Bank). Ms Yosra Ruis supported the team for all translation work from Arabic.

There was no Steering Committee established to lead the PEFA process. Notwithstanding a technical group lead by the General Director of Resources of the Ministry of Finance was created. It included several directors and technical experts of the Ministry of Finance. No other institution was represented in the technical group. The technical group was in charge of the quality control for the Government. The EU through the TTL held the main responsibility for the quality control, which was in practice very effective. This was complemented by the PEFA Secretariat. Overall the quality assurance process worked very well.

The dissemination process included ex-ante and ex-post workshops. Representatives of the SAI and Parliament participated in theses workshop. No representatives of civil society took part in the workshops. Regarding dissemination, it should be pointed out that the PEFA report was translated into Arabic (under the supervision of the Ministry of Finance) in order to facilitate the reading for non French speaking staff.

After the finalization of the PEFA report (June 2010) its publication was delayed because the Minister of Finance was not happy with some of the findings (on public procurement and external control by the SAI notably). The report was not even validated officially. The new Minister of Finance appointed after the revolution (February 2011) is willing to move forward and have the report published. Both the EU and the World Bank are following the issue of the publication and contacts met in these two institutions indicated that the publication is no longer a problem.

d) Current and planned use of the PEFA assessment by Government

The Government views the PEFA as a document that has essentially identified weaknesses in the overall PFM system. Overall the Government also understands that the instrument can be used for repeat assessments in order to assess progress in performance of PFM systems. Given that the Government finalized in March 2009 (a few months before starting the PEFA exercise in June 2009) a Strategy and Action Plan (*Schéma Directeur*) for PFM reforms focusing on program budgeting, medium-term expenditure framework (MTEF) and results oriented budget management key PFM areas in need of reforms had already been identified, the Government did not feel that this document had to be reviewed and updated after the PEFA exercise was finalized.

However the PEFA exercise was used to contemplate and/or carry out PFM reforms not dealt with in the *Schéma Directeur*. Three areas were considered: taxation, public procurement and external control (SAI). The 2011 budget law indicates measures taken for the creation of a fiscal mediator and of a committee for fiscal control[47]. Several existing fiscal measures were also revised[48]. In addition for public procurement, the Government has accepted to carry out a detailed evaluation of the existing system using the OECD/DAC instrument. Moreover the SAI (Cour des Comptes) is being strengthened with EU financial support.

e) Current and planned use of the PEFA framework by DPs

The 3 development partners involved in the PEFA exercise consider the PEFA report as a key reference for PFM because for the first time they all have a comprehensive document on PFM diagnostic, which is the result of a successful process involving the Government and the main partners. Basically besides the CFAA (which was not a comprehensive document) there was no PFM diagnostic at all in the country.

f) Current/ planned use of the PEFA by Civil Society & Parliament

There is no current use of the PEFA framework by Civil Society and Parliament.

g) Key Factors determining the level of adoption of the PEFA framework

The absence of a recent and comprehensive diagnostic on PFM in Tunisia was undoubtedly the main motivation of the Government for accepting to carry out a PEFA evaluation. On the other side it should also be pointed out that this acceptance (by the Government) was the result of a long and on-going dialogue between the Delegation of the EU (supported by the World Bank and by the African Development Bank) and the Government during the 2-year period preceding the exercise.

h) Key References & List of contacts

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Country Report – Uganda

Summary Findings

- The process of preparing the 2008 PEFA Assessment shows a high degree of country ownership. Government and DPs put a considerable effort into developing an approach, which ensured active participation of government officials at all stage of the Assessment.
- PEFA Report was useful to the Government in highlighting areas of focus in PFM reform; and legitimising actions to address weaknesses.
- The PEFA Framework has been used as a central plank of the M&E Framework for FINMAP I and II.
- Some evidence that the PEFA Framework has reduced the number of individual diagnostic exercises and provided a useful operational tool for development partners.

(a) Background to the most recent PEFA Assessments

The most recent PEFA Assessment was conducted over November – December 2008. According to the Concept Note the objectives of the Assessment were (a) to have an independent assessment of the performance of the PFM system in Uganda, the challenges it currently faces and the key risks, and (b) to use the assessment as the basis of dialogue with government on PFM reforms; feeding into the Annual Review of PFM performance. The team leader for the assessment was Parminder Brar (World Bank Lead Financial Management Specialist). The assessment was carried out on behalf of the Government and development partners by a team of three independent consultants; funded by KfW, DFID and the World Bank.

Prior to the field work the World Bank (in consultation with FINMAP Coordinator and the PFM Donor Group) prepared a comprehensive Concept Note which provided a comprehensive outline of the objectives and process relating to the Assessment. Prior to field work commencing a 2 day PEFA training course was conducted by a Lead Financial Management Specialist of the World Bank. This was attended by 43 government staff and 4 development partner staff, with the objective of familiarising them with the PEFA Framework, its objectives, implementation, to enable them participate effectively in the review; as well as to build capacity for potential self assessments in the future. In addition, a half-day workshop was held on November 18, 2008, to provide high-level decision-makers (Cabinet Members, Permanent Secretaries, Chairs of Accountability Committees of Parliament, and senior staff of the Office of the Auditor General) with a managerial overview of the PEFA Framework.

The Financial Management and Accountability Programme (FINMAP) Secretariat organized a two day seminar of key stakeholders (chaired by the Deputy Secretary to the Treasury and including senior officials from MoFPED, Uganda Revenue Authority, the Office of the Auditor General, Public Procurement Disposal of Public Assets Authority, Parliament and key line ministries) to discuss the draft report in February 2009. Following this seminar the FINMAP Secretariat consolidated Government comments which were prepared and submitted to the PEFA team. The Report noted that "any differences in opinion, which remained after discussions, are stated explicitly in the final report". The draft was also subject to review and comments by members of the PFM Donor Group and quality assured by the PEFA Secretariat in Washington DC. The final report was published on June 14 2009.

The 2009 Assessment was the second comprehensive PEFA Assessment, addressing only central government. The first baseline Assessment was conducted in 2005 (published July 2006) and addressed both central government and a sample of five local authorities. In addition in 2007 the Office of the Auditor General (OAG) prepared an Appraisal of the Financial Management Performance in Uganda using the PEFA methodology (PEFA "Lite" dated March 31 2008) which was published on the OAG website. The main objective of that Assessment was to provide the OAG with a high level overview of Uganda's PFM system which was a useful input into directing the OAG's work programme.

(b) Perceptions of the Quality of the PEFA analysis and reporting

(c) Perceptions of the Quality of management/dissemination arrangements

Respondents commented that the 2005 benchmark assessment was a "learning process[49]" for Uganda; who were early adopters of the PEFA process. Central concerns were that the assessment process set out in the terms of reference allowed too little time for a thorough analysis by the consulting team. In addition government officials lacked a good understanding of the Framework which led to "push back" on individual indicators and a general lack of government ownership of the process and of the report.

In contrast, in 2008 the government officials put a considerable effort into developing an approach, which ensured active participation of officials throughout the process. The Government (through the FINMAP Secretariat) issued the terms of reference and coordinated all elements of the Assessment. Government officials joined the assessment team whenever they could. There appears to have been a good mix of management and working level staff available for both introductory and working level meetings.

Partly as a result of the introductory training course a critical mass of civil servants in the Government team were trained and had a good understanding of the PEFA methodology. A review team (typically civil servants at Assistant Commissioner grade) were appointed by the Government and participated in interviews, read the draft report and provided both written and verbal comments. In general government officials felt that the draft report provided a sound analysis and a left them in a strong position to provide comments both on the scoring and technical analysis. Several government officials noted that they had the opportunity to address factual inaccuracies through verbal and written exchanges, prior to the finalisation of the report.

The quality assurance comments of the PEFA Secretariat noted that the draft Report was of high quality, being close to the standard outline and showing a good understanding of the PEFA methodology. The comments also note that the draft report did a good job in tracking progress in PFM system performance since the last assessment in 2005.

Chairs of key Parliamentary Committees and their respective Secretariat staff attended the PEFA Review Workshops. CSOs were not represented at any stage of the PEFA process.

(d) Current and planned use of the PEFA assessment by Government

Discussion with government counterparts indicates that the PEFA Report was useful both in highlighting areas of focus in PFM reform; and legitimising actions to address weaknesses. Senior management interviewed as part of the evaluation mission noted that while there were no surprises in the issues raised in the Report, the process and reporting was a catalyst for consensus and addressing issues faster than might otherwise have been the case.

Those managing the reform process were keen to emphasize that, once the Report was completed it was not referred to in day to day operations. That is not to say the Assessment was not useful – rather that the Government used the process to internalise the key issues (e.g. pension payment arrears) and then take action to address them. These processes are related to the JAF and FINMAP processes but government was keen to emphasize a high degree of internal ownership in addressing PFM issues. Also, the management in MoFDEP and the FINMAP Secretariat were keen not to overburden busy public servants with having to read the full PEFA report; rather management worked to identify specific actions which would address the issues raised in the Report.

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[49] In common with observations made on in a number of the other early PEFA Assessments.

As well as the Report being a catalyst for addressing immediately identifiable weaknesses in the PFM system the evaluation also found evidence that the PEFA Framework has been used (i) as an M&E tool in the Joint Assessment Framework50; and (ii) extensively in shaping and monitoring progress in FINMAP I and the development of FINMAP II (2011/12 to 2016-17) (see Box 1 below).

Box 1 JAF and FINMAP – Use of PEFA Framework

The Joint Assessment Framework (JAF) - The Joint Assessment Framework (JAF) is the framework for assessing Government's performance against the conditions for receiving budget support under the Joint Budget Support Framework (JBSF). The PEFA 2008 is both a high level reference point for progress on PFM Reforms[1] and one of the inputs[1] into evaluating conditionality #1 which relates to PFM matters.

The Financial Management and Accountability Programme (FINMAP)- The 2008 PEFA Assessment provided an important input into the Mid Term Review of FINMAP I which aimed to sharpen the focus of the Programme. FINMAP I ends on June 30 2011. The PFM Revised Strategy 2011/12-2016/17 provides a framework for guiding the prioritization and sequencing of PFM reforms while at the same time consolidating, deepening and widening the reforms with the goal of improving PFM to service delivery. At the level of individual process reform (Level I[1]), the Strategy sets targets to lead to improvements in the PEFA rating for Uganda and the planned targets as to how that might be achieved.

In addition to periodic updates of the Central Government PEFA the Government, led by the Ministry of Local Government, is preparing to conduct a Sub-National Government PEFA PMF later in 2011.

One final issue was raised during the interviews - some government officials would have liked a more prescriptive element to the PEFA Report; there was a feeling that the process offered a diagnosis of the problem without offering solutions.

(e) Current and planned use of the PEFA framework by DPs

Uganda has had a large number of PFM diagnostics over the last ten years. Prior to the introduction of the PEFA Framework DPs prepared a Country Financial Accountability Assessment (2001), a Heavily Indebted Poor Countries (HIPC) Assessment (2001 & 2004), and a Country Integrated Fiduciary Assessment (CIFA) (2004). Since the introduction of the PEFA Framework it has replaced some of diagnostic tools (e.g. the CFAA and CIFA) and has served as a common pool of reference for others tools (e.g. DFID's the Fiduciary Risk Assessments (FRA) and Annual Statements of Progress (ASPs)) and processes (e.g. Joint Budget Support Framework (JBSF) mission reports).

As well as being used as a tool to address fiduciary risk (DFID) and the use/non-use of country systems (World Bank) the results of the PEFA Assessment have had an indirect link in identifying prior actions in World Bank Budget Development Policy Loans (e.g. addressing the level of budget arrears). The PEFA scores are also an input to the World Bank Country Policy and Institutional Assessment (CPIA) ratings which are an input to allocating IDA resources.

(f) Current/planned use of the PEFA Framework by Civil Society &Parliament

[50] The framework for assessing GoU performance against the conditions for receiving budget support under the Joint Budgets Support Framework (JBSF).

Members of the Parliamentary Committees and Parliament staff participated in the workshop to discuss the draft report and contributed to discussions on individual indicators (PI-26 and PI-28). A copy of the final PEFA report was submitted to all parliamentarians and their support staff who participated in the Assessment; although they are unlikely to give it much attention compared to Reports of the Auditor General. The Mission was unable to meet with Parliament during the mission mainly to the Missions proximity to the presidential and parliamentary elections. There was no involvement of CSOs at any stage of the PEFA process.

Persons/Organizations Interviewed

Parminder Brar, Lead Financial Management Specialist, World Bank.
G. O. L. Bwoch, Accountant General MoFPED
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