



// PEFA 2019 CALL FOR RESEARCH PROPOSALS

// ROLE OF PUBLIC FINANCIAL MANAGEMENT IN IMPROVING SERVICE DELIVERY: WHAT CAN WE LEARN FROM PEFA?



// ABOUT

// ABOUT

The PEFA program is calling for proposals for short-term project collaborations between the PEFA Secretariat and interested public finance practitioners, scientists, researchers, and scholars to strengthen the understanding of the role of public financial management in improving service delivery, preferably in education and health, by using the PEFA dataset.

// BACKGROUND

// BACKGROUND

Public financial management (PFM) has attracted significant interest and resources from development and research communities since the 1990s. Once development partners began to provide aid more programmatically, and especially began to provide budget support as opposed to targeted project-based aid, there was an acknowledgement that there was a critical need to focus on strengthening partner countries' institutions (de Renzio, 2006) with an emphasis on the need to invest in strengthening PFM systems as one of the ways to minimize fiduciary risks (OECD, 2011) and as a tool for addressing poverty, inequality, and promoting economic growth (Sobhan, 2002; Allen, 2009).

PFM has therefore become a key component of the good governance agenda (Schiavo-Campo, 2007). Strong PFM systems are considered one of the enabling elements needed for the achievement of three of the quoted desirable fiscal and budgetary outcomes, namely: achievement of aggregate fiscal discipline by influencing the size of resource collection, management of debt, and public spending; strategic allocation of resources by influencing the composition of spending; and efficient service delivery by influencing the execution of spending and ensuring that budgeted revenues are used to achieve the best levels of public services within available resources (PEFA, 2016; Cangiano et al., 2013; Schick, 2013).

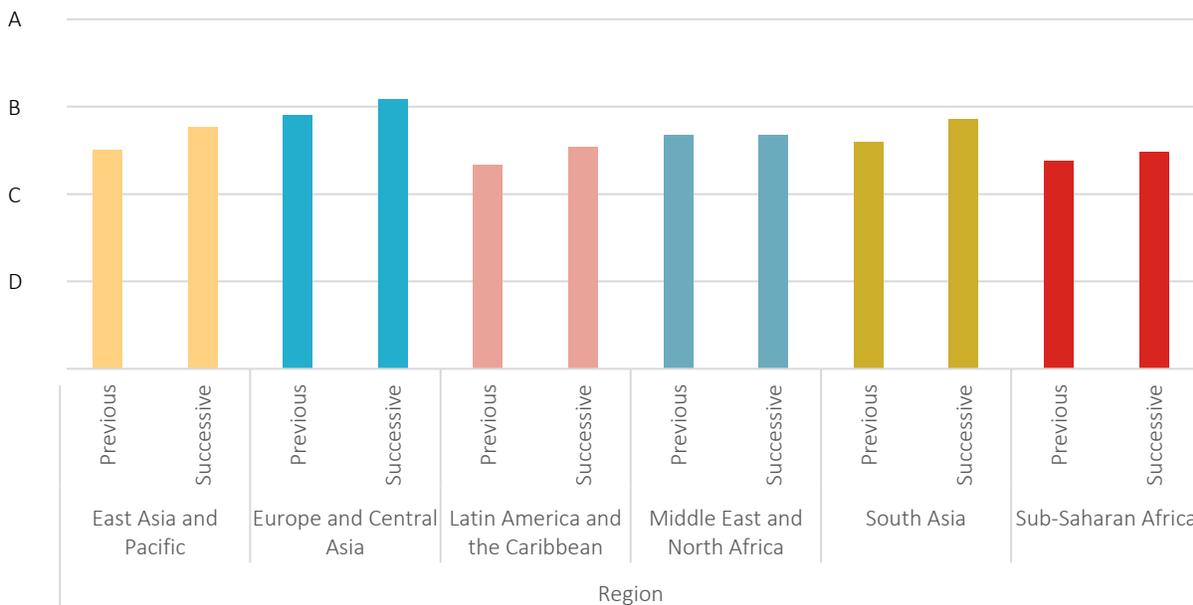
To have a better understanding of how different PFM systems perform, seven international development partners initiated the PEFA (Public Expenditure and Financial Accountability) program in 2001. They include the European Commission, International Monetary Fund, the World Bank, French Ministry of Foreign Affairs, Norwegian Ministry of Foreign Affairs, Swiss State Secretariat for Economic Affairs, and the United Kingdom's Department for International Development. The PEFA program provides a framework for assessing and reporting on the strengths and weaknesses of PFM using quantitative indicators to measure performance. The PEFA framework was established to reduce duplication and costs of multiple assessments. It was conceptualized to facilitate a dialogue among governments and other relevant stakeholders on how to improve the effectiveness of fiscal policies. As part of the global effectiveness agenda, PEFA was also aimed at improving the results of development cooperation.

Measuring governance and effectiveness of institutions is often difficult (The World Bank, 1992; Punyaratabandhu, 2004). The PEFA framework does so by assessing and reporting on the strengths and

weaknesses of PFM using 31 indicators that are further disaggregated into 94 dimensions. The performance of each indicator and dimension is measured against a four-point ordinal scale ranked from A to D. A, the highest score, is warranted if evidence clearly demonstrated the level of performance is consistent with existing good international practices, as judged by PEFA stakeholders. The 31 indicators are grouped into seven pillars of performance, focusing on essential features of an effective PFM system which provide the foundation for a PEFA assessment: i) budget reliability; ii) transparency of public finances; iii) management of assets and liabilities; iv) policy-based fiscal strategy and budgeting; v) predictability and control in budget execution; vi) accounting and reporting; and vii) external scrutiny and audit (PEFA, 2016).

Since 2005, PEFA assessments have been carried out 597 times in 150 countries. While countries have on average shown overall improvements in PFM (Figure 1), global progress has, however, been mixed with wide variations across different regions and income levels. For example, when examining regional variations, countries in Europe and the Central Asia region have seen significant progress over the last decade while there have been discrepancies in performance among Middle-East and North African and Sub-Saharan countries. When analyzing performance based on income, low-income countries have made some gains, albeit from a low base; and in general countries with higher income per capita show better PFM performance (pefa.org; de Renzio, 2009; Fritz et al., 2017).

Figure 1: Comparison of PEFA Scores Between the Previous Assessment and Latest Successive Assessment in Different Regions



Source: pefa.org

There is a heated debate among PFM practitioners and academics as to the most appropriate approach and sequencing of PFM reforms (Schick, 1998 and 2013; Diamond, 2013; Tommasi, 2013). While research has shown that incremental improvements are common; non-technical aspects, such as political economy, also significantly impact on successful outcomes. In addition, budgets tend to be better planned than executed; relevant, and often well drafted legislation surrounding the PFM framework may be in place but is frequently not observed in practice and seldom affect actual behavior; ‘isomorphic’ reforms are common; there is often a limited ‘window of opportunity’ for reforms that should be seized; and

finally, reforms are more successful when there is concentrated sets of actors involved in implementation (de Renzio, 2009; Andrews, 2010; Fritz et al., 2017; The World Bank, 2017).

PFM is expected to play a crucial role in the implementation of national and sectoral policies and ensuring more efficient provision of public services. As outlined above, efficient use of resources for services delivery requires using budgeted revenues to achieve the best levels of public services within available resources. Services are critical points of contact between citizens and government and while improving public services extends beyond PFM systems *per se*, there are several aspects of PFM systems that contribute to it, for example, effective public procurement and public investment management. A well-functioning procurement system improves the efficiency of service delivery by ensuring better value for money of government purchases; and effective public investment management promotes operational efficiency by supporting projects and programs that deliver outputs and outcomes in a cost-efficient manner.

These, and other PFM aspects, are measured by several PEFA indicators. Although PEFA does not measure the impact of PFM performance on service delivery, PEFA reports provide country specific information on the potential impact on provision of services. Figure 2 below provides broad guidance on how PEFA performance indicators relate to service delivery.

Table 1: PEFA Performance Indicators and their Impact on Achieving Efficient Service Delivery

PEFA Pillar/ Performance indicator	Impact on achieving efficient service delivery
Pillar one: Budget reliability	
PI-1. Aggregate expenditure outturn PI-2. Expenditure composition outturn PI-3. Revenue outturn	Service delivery may be affected where large deviations from planned expenditure result in the contraction or suspension of services.
Pillar two: Transparency of public finances	
PI-4. Budget classification PI-5. Budget documentation PI-6. Central government operations outside financial reports PI-7. Transfers to subnational governments PI-8. Performance information for service delivery PI-9. Public access to fiscal information	Transparent information on the structure of the budget, the resources available to, and the performance of service delivery units enables government and communities to monitor the efficiency of service delivery.
Pillar three: Management of assets and liabilities	
PI-10. Fiscal risk reporting PI-11. Public investment management PI-12. Public asset management PI-13. Debt management	Sound public investment management promotes operational efficiency by supporting projects and programs that deliver outputs and outcomes in a cost-efficient manner. Information on assets not used or needed, allows government timely decisions on whether it is more efficient to transfer them to other users or exchange for different assets of greater value for more efficient service delivery.
Pillar four: Policy-based fiscal strategy and budgeting	
PI-14. Macroeconomic and fiscal forecasting PI-15. Fiscal strategy PI-16. Medium-term perspective in expenditure budgeting PI-17. Budget preparation process PI-18. Legislative scrutiny of budgets	Medium term budgeting provides greater predictability in budget allocations that supports budget units to plan resource use more efficiently. Legislative scrutiny can highlight potential inefficiencies in resources allocated for service delivery.
Pillar five: Predictability and control in budget execution	

PI-19. Revenue administration PI-20. Accounting for revenue PI-21. Predictability of in-year resource allocation PI-22. Expenditure arrears PI-23. Payroll controls PI-24. Procurement PI-25. Internal controls on nonsalary expenditure PI-26. Internal audit	Frequent and unpredictable in-year adjustments can undermine the efficient delivery of services. The existence of arrears can be an indication that budget allocations are insufficient to meet the service levels expected. Weak payroll controls can lead to a higher wage bill than planned that results in higher costs per output. A well-functioning procurement system improves the efficiency of service delivery by ensuring better value for money of government purchases. Internal audit helps identify weaknesses and inefficiencies in internal control and operations.
Pillar six: Accounting and reporting	
PI-27. Financial data integrity PI-28. In-year budget reports PI-29. Annual financial reports	Reliable fiscal data and reporting on financial information is an important part of internal control and a foundation for good information for efficiently managing service delivery.
Pillar seven: External scrutiny and audit	
PI-30. External audit PI-31. Legislative scrutiny of audit reports	Reliable and extensive external audit and legislative scrutiny is important for identifying inefficiencies in government programs and service delivery.

Source: pefa.org

Research of linkages between PFM and service delivery, particularly in the education and health sectors, have shown that good governance has a role to play (Goryakin et al., 2017). However, there is a *'lack of detailed conceptualization as to how exactly, and through what mechanisms, the relationships between them operate'* (Welham et al., 2017). The recent research on the relationship between PFM and health service delivery by Welham et al., 2017, noted the *'relative absence of clear evidence in this field'*, although it tentatively supported a *'basics first plus accountability'* approach for PFM reform to health service delivery. The research also recommended, among other things, to build on the research by investigating different PFM types and tools that are needed to support (health) service delivery in different contexts.

// OBJECTIVES & APPROACH

// OBJECTIVES & APPROACH

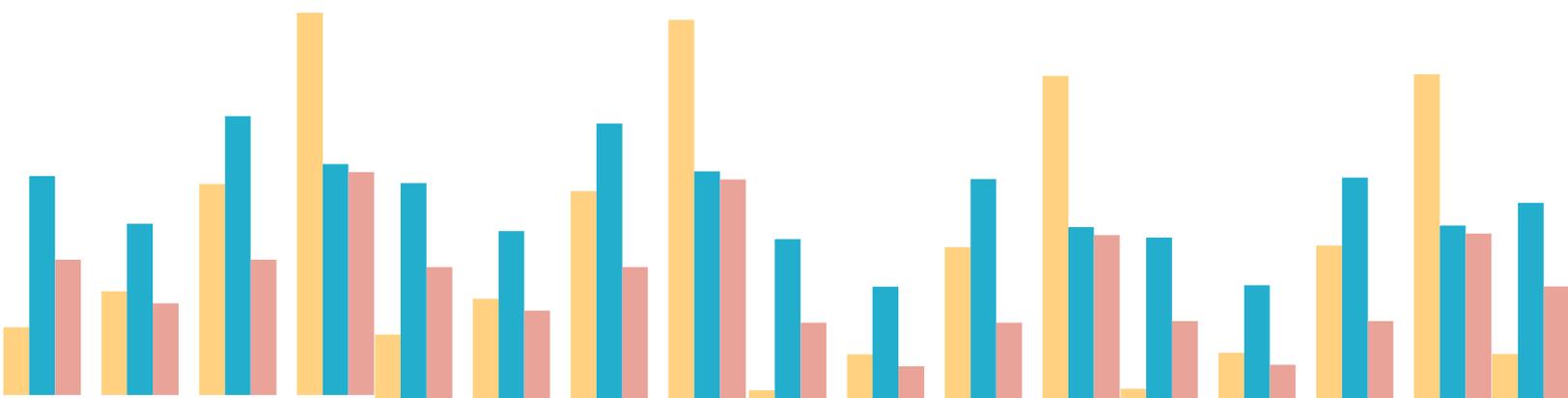
The Call for Research Proposals aims to disentangle the role of PFM, as measured through PEFA, in strengthening public service delivery, particularly in education and health sectors. Research can be carried out at multiple levels, including global, regional (e.g., Europe and Central Asia, Sub-Saharan Africa, Latin America and the Caribbean, etc.), country level, and level of subnational governments. Research proposals might opt for a holistic approach to viewing PFM and its role on service delivery, particularly in education and health, or can investigate different PFM tools (e.g., medium-term expenditure frameworks, role of performance information and performance audits, cash management, Treasury Single Account, participatory budgeting, parliamentary oversight, etc.) as well as different approaches to PFM reform and to present their impact on service delivery.

Research proposals focusing on service delivery at the subnational level are particularly encouraged. In recent years, public sector reform and fiscal decentralization initiatives in many low and middle-income countries have given subnational governments (SNG) additional responsibilities for public financial management as well as for service delivery. The decentralization and delegation of service delivery responsibilities to SNGs are expected to bring decision making closer to people, leading to an increase in the effectiveness of the public sector and in the quality of public services. Since many public services — including education, health, water, sanitation — are consumed locally, decentralization is perceived as an important component of public sector reform efforts to achieve effective service delivery. However, decentralization of service delivery responsibilities requires establishment of core functional administrative systems, such as budgeting, accounting, internal control audits, procurement, human resource management, etc. In this context subnational PEFA assessments have played an important role in understanding weaknesses and strengths of PFM systems at the subnational levels.

Research proposals might also focus on the role of specific PFM actors in PFM reform and their impact on service delivery, including line ministries, local governments, citizens, legislatures, and others. For example, in decentralized settings PFM arrangements for service delivery tend to be more complex due to the multi-layered relationships, fragmented accountability, and complex resources flows and reporting arrangements; the research can therefore aim to provide a better understanding of different PFM systems and the role of related actors, and how they underpin service delivery systems. Similarly, citizens and media can have a potentially important role in incentivizing political commitment to sustain PFM reforms and make them impactful and ensure that sufficient funds are allocated to priority areas, reach frontline providers on time and are used for their intended purposes in the most economical and efficient manner.

Research proposals may also build on the existing research on fiscal policies and gender equality (e.g., IMF, 2017; OECD, 2017) and unscramble the role of gender in governance of service delivery. This can be done by assessing the role of different PFM institutions and tools (e.g., gender responsive performance indicators, inclusion of gender data in budget statements, etc.) – as measured by PEFA assessments and combined with other relevant tools and datasets – that promote gender equality or use gender-disaggregated data to enhance the equitable delivery of services.

Some of the existing research that has used the PEFA dataset to measure PFM improvements has suggested that the existing quantitative analysis needs to be complemented by qualitative research. This is envisaged to provide a more comprehensive understanding of the role of specific contexts, the role of different stakeholders and their motivations in pursuing PFM reforms and how this influences their results and impact (de Renzio, 2009; Andrews, 2010; Fritz et al., 2017). Consequently, research proposals are invited to include qualitative or quantitative research methods or a combination of both.



//SUBMISSION

//SUBMISSION OF RESEARCH PROPOSALS

All proposals should be submitted by clearly stating the following (not more than 10 pages):

1. Research proposal summary

Please provide a one-page executive summary, up to 500 words. The summary should include:

- Rationale
- Objectives
- Methods, and
- Expected outcomes of the research project.

2. Background

Please provide a two-page background that includes literature review of previous studies on the subject, stating its importance and rationale for proposing the study.

3. Objectives

Please state the overall aim expected to be achieved from this research and specific objectives which break down the general objective.

4. Methodology

Please describe activities and information on the general plan of work. The methodology section should describe the study design, data sources other than the PEFA data, and specify the approach to research and methods used.

5. Timeframe of proposed activities

Please indicate the activities to be conducted and the corresponding timing, including the submission of progress reports, first and final draft, as well as the final report including comments from the World Bank internal peer review process.

6. References cited

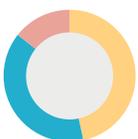
Any references cited should be listed using standardized citation style.

7. Proposal budget with justifications

Please include the research project budget breakdown with according justifications.

Proposals should be submitted via email at services@pefa.org with a corresponding subject 'PEFA 2019 Call for Research Proposal'.

The deadline for submission of **completed** applications is **February 28, 2019**. Any applications received after this date will not be considered for funding.



Please note that the PEFA Secretariat is housed at the World Bank (<https://www.worldbank.org/>) and that all selected research projects will be peer reviewed in line with the internal World Bank peer review process.

// SUBSIDIES AND DURATION

The award amount will range from US\$ 5,000 to US\$ 50,000 for the research proposal. The proposed duration for which support is requested must not exceed 10 months. Selected individuals or firms will engage in consulting appointments or contracts with the World Bank.

// ELIGIBILITY OF APPLICANTS

Public finance practitioners, scientists, researchers, and scholars are encouraged to submit proposals. While postgraduate students are not encouraged to submit research proposals on their own, they could support teams of main researchers.

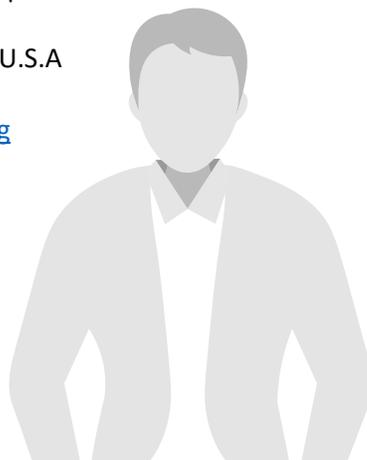
// REVIEW PROCESS

Research proposals will be reviewed by the PEFA Research Committee, composed of the panel of representatives of PEFA partners as well as members from the academia. The PEFA Research Committee will evaluate all papers in terms of originality, analytical rigor, and policy relevance and agree on a shortlist of accepted papers.

Selected research proposals will be contacted by **March 30, 2019** and will be required to produce an interim report outlining the initial research findings by **August 30, 2019** and submit a final draft research paper for peer-review by **October 11, 2019**. The final papers are expected to be submitted by **December 6, 2019** and presented at the PEFA Steering Committee meeting in December 2019.

For more information on the PEFA Call for Research Proposals, please contact:

Ms. Urška Zrinski
PEFA 2019 Call for Research Proposals Coordinator
PEFA Secretariat
c/o The World Bank Group
1818 H Street, NW
Washington, D.C. 20433 U.S.A
Phone: +1 202 458 0526
E-mail: uzrinski@pefa.org



// ABOUT PEFA

// MORE ABOUT PEFA



PEFA – Public Expenditure and Financial Accountability – is a partnership program, initiated and managed by seven international development partners: the European Commission, International Monetary Fund, the World Bank, French Ministry of Foreign Affairs, Norwegian Ministry of Foreign Affairs, Swiss State Secretariat for Economic Affairs, and the UK's Department for International Development.

The PEFA Program builds on the principles of the Strengthened Approach to Supporting Public Financial Management Reform which is embodied in three components and closely aligned with the Paris Declaration on Aid Effectiveness; the Accra Agenda for Action; the Busan Partnership Agreement, and the Addis Ababa Action Agenda:

- A country-led agenda: a government-led reform program for which analytical work, reform design, implementation and monitoring reflect country priorities and are integrated into governments' institutional structures;
- A coordinated program of support from donors and international finance institutions in relation to both analytical work, reform financing and technical support for implementation;
- A shared information pool on public financial management: information on PFM systems and their performance which is commonly accepted by and shared among the stakeholders at country level, thus avoiding duplicative and inconsistent analytical work.

The PEFA program produced the PEFA framework which assesses the status of a country's public financial management. It measures the extent to which PFM systems, processes, and institutions contribute to the achievement of desirable budget outcomes: aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery.

//WEBSITE
www.pefa.org

// REFERENCES

- Allen, R., R. Hemming, and B. Potter. 2013. *The International Handbook of Public Financial Management*. London: Palgrave MacMillan. <https://www.palgrave.com/gp/book/9780230300248>
- Addison, D. 2013. "The Quality of Budget Execution and Its Correlates." Policy Research Working Paper 6657, World Bank, Washington, DC.
- Andrews, M. 2009. *Isomorphism and the Limits to African Public Financial Management Reform*. Faculty Research Working Paper RWP 09-012. Cambridge, MA: Harvard Kennedy School.
- . 2010. *How Far Have Public Financial Management Reforms Come in Africa?* Faculty Research Working Paper RWP 10-018. Cambridge, MA: Harvard Kennedy School.
- Andrews, M., M. Cangiano, N. Cole, P. de Renzio, P. Krause, and R. Seligmann. 2014. "This Is PFM." CID Working Paper 285, Center for International Development, Harvard University, Cambridge, MA. https://www.hks.harvard.edu/sites/default/files/centers/cid/files/publications/faculty-working-papers/285_Andrews_This+is+PFM.pdf.
- Campos, E., and S. Pradhan. 1996. "Budgetary Institutions and Expenditure Outcomes." Policy Research Working Paper 1646, World Bank, Washington, DC. <http://documents.worldbank.org/curated/en/481221468774864173/pdf/multi-page.pdf>.
- Cangiano, M., Curristine, T., Lazare, M. 2013. *Public Financial Management and Its Emerging Architecture*. Washington, DC: International Monetary Fund.
- De Renzio, P. 2009. *Taking Stock: What Do PEFA Assessments Tell us about PFM Systems across Countries?* ODI Working Paper no. 302. London: ODI.
- De Renzio, P., M. Andrews, Z. Mills. 2011. *Does Donor support to Public Financial Management Reforms in Developing Countries Work? An Analytical Study of Quantitative Cross-Country Evidence*. ODI Working Paper no. 329. London: ODI.
- Haque A. T., Bontjer R., Betley M., and Hackett R. 2013. *PFM Design under Capacity Constraints*. Washington, DC: PEFA Secretariat.
- Fritz, V., Sweet, S., and Verhoeven, M. 2014. *Strengthening Public Financial Management Exploring Drivers and Effects*. The World Bank Policy Research Working Paper 7084. Washington, DC: The World Bank.
- Fritz, V., Verhoeven, M., Avenia, A. 2017. *Political Economy of Public Financial Management Reforms: Experiences and Implications for Dialogue and Operational Engagement*. Washington, DC: The World Bank.

- Goryakin, Y., Revill, P., Mirelman, A., Sweeney, R., Ochalek, J., Suhrcke, M. 2017. *Public Financial Management and Health Service Delivery. A Literature Review*. London: ODI.
- IMF. 2017. *Building Fiscal Capacity in Fragile State*. IMF Policy Paper. Washington, DC: International Monetary Fund.
- IMF. 2017. *Gender Budgeting in G7 Countries*. Washington, DC: International Monetary Fund.
- Lienert, I. 2003. *A Comparison Between Two Public Expenditure Management Systems in Africa*. International Monetary Fund Working Paper WP/03/2, Washington, DC.
<https://www.imf.org/external/pubs/ft/wp/2003/wp0302.pdf>
- . 2005. “Who Controls the Budget: The Legislature or the Executive?” IMF Working Paper 05/115, International Monetary Fund, Washington, DC.
- ODI. 2018. Forthcoming papers on political and institutional determinants of PFM; PFM and corruption; PFM in fragile states; PFM and revenue mobilization. Washington, DC: The World Bank.
- OECD. 2017. *Gender Budgeting in OECD Countries*. OECD Journal on Budgeting. Volume 2016/3. Paris: Organization for Economic Cooperation and Development.
- PEFA (Public Expenditure and Financial Accountability) Secretariat. 2009. *Issues in Comparison and Aggregation of PEFA Assessment Results over Time and across Countries*. Washington, DC: PEFA Secretariat.
https://pefa.org/sites/default/files/asset/study_document/NoteonAggregationandComparisonofPEFAratingsfinal-EN-May13.pdf.
- . 2010. “The PEFA Framework: Five Years of Successful Implementation.” PEFA Secretariat, Washington, DC. <http://siteresources.worldbank.org/PEFA/Resources/PEFA-Signature-Proof.pdf>.
- . 2011. *Public Financial Management Performance Measurement Framework*. Washington, DC: PEFA Secretariat. https://pefa.org/sites/default/files/PMFEng-finalSZreprint04-12_1.pdf.
- . 2012a. *Fieldguide*. Washington, DC: PEFA Secretariat.
<http://siteresources.worldbank.org/PEFA/Resources/PEFAFieldguide.pdf>.
- . 2012b *Good Practices in Applying the PFM Performance Measurement Framework: Guidance for Assessment Planners and Managers*. Final Report. Washington, DC: PEFA Secretariat.
https://pefa.org/sites/default/files/attachments/Good%20Practices%20in%20Applying%20the%20PEFA%20Framework%20revised%20June%202012_0.pdf.
- . 2016. *Public Financial Management Performance Measurement Framework*. Washington, DC: PEFA Secretariat. https://pefa.org/sites/default/files/PEFA%20Framework_English.pdf
- . 2018. *Stocktake of PFM Diagnostics 2016*. Washington, DC: PEFA Secretariat.
<https://pefa.org/research-impact/stocktake-pfm-diagnostic-tools-2016>
- Punyaratabandhu, S. 2004. *Commitment to Good Governance, Development and Poverty Reduction: Methodological Issues in the Evaluation of Progress at the National and Local Levels*. Committee for Development Policy Background Paper No. 4. New York: United Nations.

- Ricciuti, R., A. Savoia, and K. Sen. 2016. "How Do Political Institutions Affect Fiscal Capacity? Explaining Taxation in Developing Economies." ESID Working Paper 59, European Social Innovation Database, University of Manchester.
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2835498.
- Ronsholt, F. E. 2011. *Are Public Financial Management Systems Improving in Low and Middle Income Countries? A Preliminary Analysis Based on Data from PEFA Assessments in 32 Countries*. Washington, DC: PEFA Secretariat. www.pefa.org.
- Schiavo-Campo, S. 2007. *The Budget and Its Coverage*. In *Budgeting and Budgetary Institutions*. Shah, A., pages 53—88. Washington, DC: The World Bank.
- Schick, A. 1998. Why Most Developing Countries Should Not Try New Zealand Reforms. *The World Bank Research Observer* 13 (1), pages 123—131. Washington, DC: The World Bank.
- . 1998. *A Contemporary Approach to Public Expenditure Management*. Washington, DC: World Bank.
<http://documents.worldbank.org/curated/en/739061468323718599/pdf/351160REV0ContemporaryOPEM1book.pdf>
- . 2013. *Reflections on Two Decades of Public Financial Management Reforms*. In *Public Financial Management and Its Emerging Architecture*. Cangiano, M., Currstine, T., Lazare, M., pages 21—45. Washington, DC: International Monetary Fund.
- Sobhan, R. 2002. Aid Effectiveness and Policy Ownership. *Development and Change* 33 (3): pages 539—548.
- Tommasi, D. 2009. *Strengthening Public Expenditure Management in Developing Countries: Sequencing Issues*. Retrieved at: <https://europa.eu/capacity4dev/>
- Von Hagen, J., and Harden, I.J. 1995. *Budget processes and commitment to fiscal discipline*. *European Economic Review*, 1995, vol. 39, issue 3-4, 771-779.
- Wehner, J. 2010. *Explaining Cross-National Patterns in Legislatures and the Budget Process: The Myth of Fiscal Control*. London: Palgrave Macmillan.
- Wehner, J., and de Renzio, P. 2013. *Citizens, Legislators, and Executive Disclosure: The Political Determinants of Fiscal Transparency*. *World Development*, 2013, vol. 41, issue C, 96-108.
- Welham, B., T. Hart, S. Mustapha, and S. Hadley. 2017. *Public Financial Management and Health Service Delivery: Necessary, but Not Sufficient?* Report. London: Overseas Development Institute.
- Welham, B., P. Krause, and E. Hedger. 2013. "Linking PFM Dimensions to Development Priorities." Working Paper 380, Overseas Development Institute, London.
- World Bank. 1992. *Governance and Development*. Washington, DC: The World Bank.
- . 2012. *Public Financial Management Reforms in Post-Conflict Countries: Synthesis Report*. Washington, DC: World Bank.
- . 2017. *World Development Report: Governance and the Law*. Washington, DC: The World Bank.