



The PEFA Program Phase 5 (2017-2021)

Program Document

January 31, 2017

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1. Introduction

This document sets out the objectives and operating arrangements for the PEFA program during Phase 5 for five years commencing January 1, 2017. Phase 5 will build on the success of previous phases since the initiative was launched in 2001.

1.1. PEFA program evolution

PEFA began as a means to harmonize assessment of public financial management (PFM) across the development partner organizations. It was created through a joint initiative by seven international development partners: The European Commission, International Monetary Fund, World Bank, and the governments of France, Norway, Switzerland, and the United Kingdom.

PEFA was created to provide a standard methodology and reference tool for PFM diagnostic assessments. PEFA was also intended to provide a basis for dialogue on PFM reform strategies and priorities. It was expected to create a pool of shared information that could contribute more broadly to research and analysis of PFM. PEFA has become the acknowledged standard for PFM assessments.

The PEFA Program builds on the principles of the Strengthened Approach to Supporting Public Financial Management Reform. These principles are 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. The components are:

- **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 has been implemented over 4 phases since it was established in 2001.

- **Phase 1** was primarily concerned with creating a consensus on the most appropriate approach to supporting PFM systems. It focused on development of the PEFA performance measurement framework.
- **Phase 2** was concerned with supporting users of PEFA during early implementation and establishing systems for monitoring its use.
- **Phase 3** involved creation and use of a pool of information on PFM performance from PEFA assessments. The program focused on improving the quality of assessments and monitoring changes over time.
- **Phase 4** involved a doubling of the number of new and successive assessments by central and subnational governments. The assessment methodology was substantially upgraded. It was also strengthened through the introduction of PEFA Check process quality arrangements. The PFM performance information data base was expanded and knowledge dissemination was increased. PEFA was used by many governments and development institutions for examining and planning PFM reform initiatives and strategies.

Phase 5 will build on the previous four phases, taking advantage of the preeminent position of PEFA amongst PFM reform tools. The upgrading of the PEFA performance measurement methodology and

the extensive data base on PFM performance at national and subnational levels are important assets that need to be maintained and utilized effectively. Phase 5 will take into consideration the changes in the PFM policy and analysis landscape. It will respond to demand from the PEFA community for diverse applications of the PEFA methodology and greater contribution to advances in knowledge, skills and insight into more effective performance assessment and reform action.

1.2. Achievements in phase 4

1.2.1. Program results

The results for phase 4 were assessed against a detailed results framework as part of the program evaluation of PEFA in 2016. The evaluation findings are summarized in annex 1 along with the main results from previous phases.

The most significant outcomes from phase 4 have been a substantial increase in the use and global outreach of PEFA. The number of PEFA reports produced increased from 250 at the end of phase 3 to more than 540 by the end of phase 4. It has witnessed strong growth in the use of PEFA for subnational governments, which have increased to over 200 assessments in 2016, more than double the number at the end of phase 3. The quality of reports increased, based on the PEFA secretariat compliance indices. PEFA has also been used in an increasing number of analytical studies and other measurement and monitoring frameworks.

PEFA has contributed to PFM reform dialogue and action plans in many countries. It has been a reference for governments and development partners in the countries where PEFA assessments have been performed. It has also contributed to analysis of change where successive PEFA assessments have tracked performance over time. It has identified where reform actions have led to improved performance in terms of PEFA indicators. PEFA reports have been used by international development partners to identify potential areas for support as part of their country and regional engagement strategies. The impact of these contributions is not always clear and it will be important for the PEFA program to examine the significance of its impact going forward.

PEFA performance measures have been adopted as part of international development partner internal performance diagnostics (IMF and SECO), regional diagnostic tools (OECD SIGMA Public Administration Principles) and global performance arrangements (UN Sustainable Development Goals, World Bank IDA18 targets). PEFA 2016 has been aligned with related diagnostic tools such as the tax administration diagnostic assessment tool (TADAT), monitoring arrangements for procurement systems (MAPS), IMF fiscal transparency evaluation (FTE) and public investment management assessment (PIMA), the World Bank debt management performance assessment (DeMPA) tool and INTOSAI's state audit institution performance measurement framework (SAI PMF).

There is growing interest in PEFA and engagement of stakeholders globally. Participation by 76 countries in the PEFA 2016 launch is a clear illustration of the strong interest in PEFA, as is the growing usage of the PEFA website and exponentially expanding list of PEFA followers on social media. PEFA has built a strong reputation for reliable evidence-based analysis and has established an extensive foundation for knowledge development and sharing on PFM reform at the national and subnational levels.

The PEFA program's performance assessment framework was upgraded during phase 4. The framework was comprehensively evaluated, refined, applied and improved through extensive consultation and testing. It was redesigned to reflect increases in global performance expectations and to provide more relevant coverage. It introduced clearer terminology and common interpretations of

key terms to remove ambiguity and to increase objectivity. The upgraded framework reflected lessons learned from the first decade of implementation and benefited from more than 800 stakeholders' feedback on areas for improvement. The draft was tested during 2015 in 27 countries covering all income groups, institutional heritages, regions and system complexities including national and subnational entities. Refinements were made to the draft in response to the testing.

The upgraded methodology, labelled PEFA 2016, was launched on February 1, 2016. It was accompanied by a revised and edited framework document available in three languages. Additional guidance and training materials were developed, refined and also translated into the three main PEFA languages (English, French and Spanish). More than 500 people were trained to use the upgraded methodology during 2016. A major launch event was held in April 2016. The response to PEFA 2016 from the community of users and beneficiaries has been overwhelmingly positive. Demand for knowledge and application of the PEFA 2016 has increased rapidly since it was released. By the end of December 2016 the secretariat had reviewed 45 concept notes and 33 draft reports using PEFA 2016.

Quality assurance arrangements for the assessment process, labelled PEFA Check, were introduced in 2012. The purpose of PEFA Check was to encourage good practices in conducting PEFA assessments. By 2016, more than 70 percent of reports that were submitted to the PEFA secretariat for review were verified and received the PEFA Check.

Governments and development partners have used PEFA to support analysis of PFM. They have also used it to provide a baseline for reform initiatives and to inform action plans for improving performance. The case studies undertaken during the PEFA phase 4 evaluation confirm that it has been common practice to use PEFA to underpin government-led PFM reform. There has been an increase in government leadership and ownership of PEFA assessments and growing recognition of the value of PEFA in understanding PFM and highlighting strengths and weaknesses.

The PEFA assessment data base has expanded in line with the increase in the number of reports. This has allowed for time series analysis over more than a decade for some countries. It has accumulated around 50,000 data points from PEFA scores alone, in addition to the wealth of information available in PEFA reports.

There remain areas where PEFA can be strengthened further to increase its positive impact. The 2016 evaluation of PEFA highlighted the need to refine and streamline quality assurance arrangements. It also noted that there is considerable scope to expand use of the PEFA data base and make it more accessible. There is a continuing need to build and share knowledge of PEFA and its impact.

1.2.2. Lessons learned

Phase 4 demonstrated the importance of maintaining and improving quality assurance arrangements. The value and credibility of the program depends on whether the assessments are implemented efficiently and effectively. It also depends on whether the information is useful in the post-assessment phase of examining options for improving PFM. Phase 4 witnessed the establishment of stronger quality assurance arrangements. This has been appreciated by governments and other report users and will continue to be emphasized in phase 5.

Previous phases of PEFA highlighted the importance of government ownership as a crucial ingredient to success of PEFA. This finding was reinforced in phase 4 which coincided with increasing involvement by governments in the assessment process. Governments were increasingly active in using PEFA findings as part of reform action plans. Phase 5 will seek to increase government engagement and ownership of PEFA assessments and their findings.

The process of upgrading the PEFA measurement framework demonstrated the benefits of broad engagement of stakeholders. Extensive feedback was received during the consultation phase. Further input was obtained during the testing phase across most regions and countries with different institutional heritages. This provided a strong foundation for PEFA 2016 which has been an important ingredient for the high level of acceptance for the upgrade since its launch in February 2016. There was further input and discussion of PEFA 2016, and exchange of experiences during the Budapest launch event. This confirmed the interest of stakeholders in establishing a more formal network of PEFA stakeholders to share knowledge.

Refinement of the PEFA program during phase 4 has resulted in a more demanding framework for assessments. This will require a commensurate increase in the skills and abilities amongst assessors and users of PEFA reports. Without the upgrading of skills amongst government officials and professional assessors, the full benefits of the upgraded framework cannot be realized.

The evaluation and monitoring of PEFA during phase 4 have identified areas where there are significant gaps in knowledge about the impact and usefulness of the program. Despite the extensive and growing data base of PEFA information, the use of PEFA data during phase 4 was below expectations. The phase 4 evaluation suggested that this may in part be attributed to difficulties in accessing data. There is demand for a more accessible and flexible data base which makes it easier to obtain PEFA information and use it for a variety of analytical purposes.

There is limited information on the impact of PEFA on PFM reform dialogue and its influence on PFM policies. There is considerable potential to use PEFA data and country experiences to develop a greater understanding of user needs. There is also an opportunity for using information more effectively as part of the priority setting, decision-making and implementation phases of PFM reform. There are indications that PEFA assessments have been used simplistically in some instances, for example, involving attempts to design reform action plans around improving PEFA scores. This has been done without proper analysis of the underlying causes and capacity of countries to implement identified actions. Simplistic use of results can erode the reputation of PEFA and undermine its potential usefulness as it is only one part of an effective strategy for sustainable improvements in PFM.

Phase 5 heeds the lessons from previous phases. It offers a strategy for building on achievements and addressing the past limitations.

2. Strategy for PEFA phase 5

2.1. Strategic vision for the PEFA program

The PEFA program has achieved success to date by providing an assessment framework that has been used by 150 countries and many international development organizations. Successive use of the framework has confirmed its value as a tool for governments and their development partners. It will be essential to ensure continued support for this framework as a global public good. The PEFA program will remain an important source of knowledge for users and to underpin research on the impact of PFM reform actions.

Phase 5 provides an opportunity to build on PEFA’s assessment framework as a foundation for better knowledge of PFM performance. PEFA’s extensive data base, combined with user experiences over more than a decade, provide a rich source of information. This can help understand and explain changes in PFM performance over time and across countries. Examination of PEFA data can reveal how countries achieve the most value from PEFA assessments. It can also identify how PEFA information can contribute most effectively to reform dialogue.

The sharing of knowledge and lessons learned from analysis of the PEFA data will increase understanding of PFM reform impacts. It will also contribute to development of more effective reform measures. It will help to identify ways to improve the contribution of PFM to better public services and sustainable development. The PEFA program has initiated several research projects on the impact and effectiveness of PEFA. These include analysis of political economy, anti-corruption initiatives and fragility. This work is a starting point for deeper analysis of PFM using PEFA’s data base and other information. It will also support policy dialogue on areas identified as crucially important in international development policy and practices.

2.2. Challenges and opportunities

The following challenges and opportunities have been considered in preparing the phase 5 program.

2.2.1. Continued reliability and acceptance of PEFA

PEFA needs to remain relevant and credible as the preferred tool for high level PFM performance diagnosis. Changes to the PEFA framework in 2016 have sought to maintain relevance by upgrading to reflect movements in user expectations. However, with PEFA’s increased outreach the range of capacity levels between the users – from LIC to upper MIC – is widening. This may require new approaches to satisfy the needs of diverse target groups. The changes also present a challenge to the continuity and comparability of assessments. This will require the program to offer high quality guidance in all major PEFA languages, to provide timely technical advice and learning products and to monitor and maintain the quality of assessments.

The expanding range of other PFM diagnostic tools presents a challenge for users. PEFA is one of many tools and it may be difficult for users to identify which ones are most useful and cost-effective for their needs. PEFA will need to ensure that users have a clear understanding of how it could be effective, and to ensure that it is aligned with other tools, as appropriate. Strengthening cooperation and communication between owners of the various tools would help to ensure alignment and avoid duplication or gaps in the range of tools needed by governments.

2.2.2. Development effectiveness of PEFA

It is not enough for PEFA to be a useful tool for performance diagnosis, it also needs to contribute effectively to policy dialogue, action and achievements. This can only be achieved if PEFA reports are used in examining policy options and dialogue between stakeholders regarding reform priorities and appropriate reform actions. It should also be useful as part of the monitoring arrangements during implementation and review of reform initiatives. This requires a better understanding of how well PEFA is being used to support PFM reform dialogue and to strengthen policies and practices.

In order to achieve the necessary increase in knowledge and understanding of PEFA's impact, phase 5 will require investment in improving data accessibility. This will facilitate better use of existing data and permit collection of additional data on elements not covered by the existing knowledge base. This will include new research to fill gaps in information about the use of PEFA and its contribution to improvements in public financial management. The information will need to be transformed into research and knowledge products, disseminated through outreach and dialogue in relevant forums in a variety of languages.

PEFA can draw on experience and the extensive group of existing users to support analysis and dialogue on effective PFM. The extensive information and knowledge developed over the 11 years of PEFA applications to date provide a valuable asset. However, the knowledge needs to be disseminated amongst stakeholders and used effectively to achieve its full potential in supporting PFM dialogue and performance improvement. PEFA needs to strengthen knowledge sharing and communication between users to ensure that they have access to relevant information and can apply it in a timely way.

2.2.3. Financial sustainability of the PEFA program

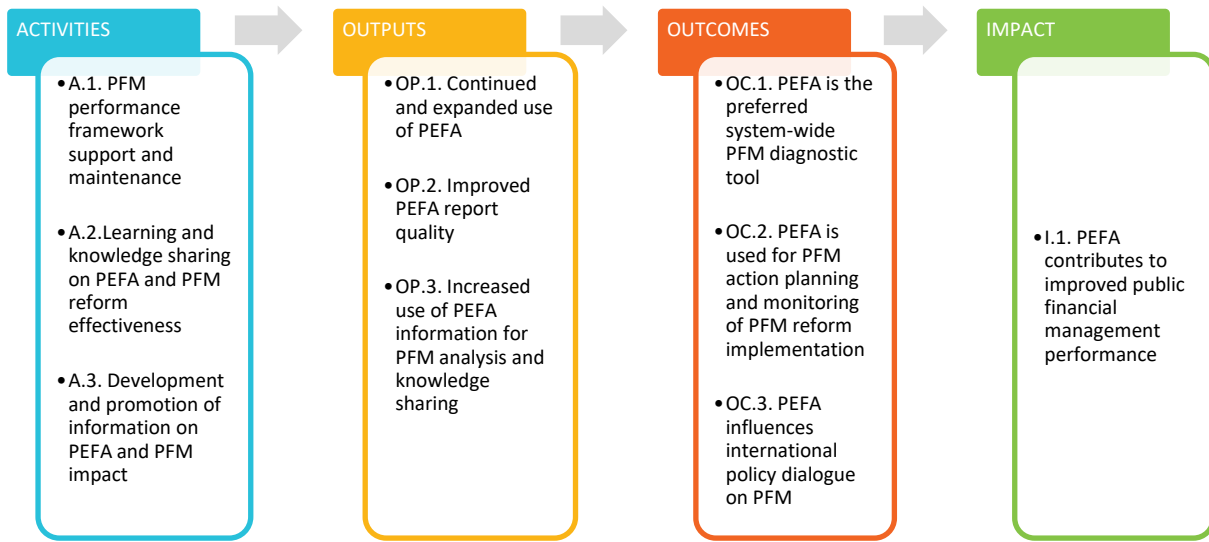
At its core PEFA will continue to be a public good which cannot function effectively without external support. Maintenance and development of the framework, support for the data base, technical support and quality assurance would not be maintained by any individual user or group of users without a central maintenance and coordination function. The PEFA measurement framework relies on free and open access to achieve its widespread use. In the absence of that, the relevance and credibility of PEFA could deteriorate and put the value of the entire program at risk, including the gains achieved over the last decade. In addition to the public good functions, there are activities performed under the program that can have more exclusive benefits for individuals or groups of stakeholders. There may be scope to achieve some degree of cost recovery for such activities without adversely impacting on the program objectives. The possibility of greater cost recovery and cost sharing with beneficiaries will be explored more actively during phase 5. The ongoing commitment of existing PEFA partners remains a core strength of the program by providing continuity of effective management and support.

The long term sustainability of the program may be at risk without consideration of new opportunities for maintaining and building on past successes. Changes in partner priorities, other financial pressures and the need for wider engagement with the international development community are dynamic factors that need to be accommodated in planning PEFA's future. There will need to be careful consideration of how best to adapt to such factors. This will have implications for financing and governance arrangements for PEFA during phase 5.

2.3. Program results framework

The PEFA results framework is summarised in figure 1. This sets out the connections between activities, outputs, program objectives and the overall development objective. The remainder of this section describes the main elements of the results framework. Details of the relevant performance indicators and targets are provided in annexes 2-3. Budgetary implications of the phase 5 strategy are summarized in annexes 4-6.

Figure 1: PEFA results framework



2.3.1. Impact (development objective)

The PEFA program’s development objective is to improve PFM within countries and globally. PEFA aims to achieve improvements by using the strengthened approach and through a set of carefully targeted activities and outputs. Improvement in PFM is not considered an end in itself, but a means to improve the quality and value of public services and ultimately more robust sustainable development.

2.3.2. Outcomes (program objectives)

PEFA aims to improve PFM by achieving three main outcomes:

- i. **PEFA being the preferred system-wide PFM diagnostic tool** with strong ownership by government and clear relationships to other PFM analysis and support instruments;
- ii. **Adding value to PFM strengthening by governments** for action planning and monitoring of PFM reform implementation through increased knowledge of PEFA and PFM and high quality PEFA reports; and
- iii. **Influencing international policy dialogue on PFM** through dissemination of knowledge on PEFA and PFM developed through the PEFA program and other sources.

If PEFA is to be effective, it needs to be accepted by users as the preferred tool to provide the information needed to analyze PFM performance. It also needs to be used for dialogue on the need for improvement in PFM and identification of reform actions. PEFA is not the only source of information for developing reform action plans, but it should be an important reference.

The full value of PEFA can only be realized if it is used beyond the country level to contribute to, and influence international policy dialogue on PFM. The accumulated data from PEFA assessments provides valuable source material for research on PFM. It is crucial that this data is used to help answer the important questions about how best to achieve sustainable improvements in PFM and how PFM can contribute most effectively to addressing key public policy challenges.

If the PEFA program is to contribute to its development objective, there must not only be use of PEFA assessments and data, there needs to be positive change as a result of use. The knowledge produced by PEFA needs to be used to achieve sustainable improvements in PFM. The improvements may include stronger aggregate fiscal discipline, more strategic allocation of resources and more efficient public services. Other results that could point to improvements in PFM include increased transparency and accountability of public finance. It would also include more active dialogue on the effectiveness of the public sector in contributing to broader development objectives, such as better public services and sustainable development. The program will need to apply better monitoring and research tools to help identify and analyze the implications of PFM reform and associated impacts on key policy issues, using PEFA data as a primary source.

2.3.3. Outputs

The main PEFA outputs to be delivered during phase 5 are:

- i. **Continued and expanded use of PEFA**, measured by the number of PEFA reports produced, particularly the number of successive reports
- ii. **Improvement in PEFA report quality**, measured by increases in secretariat compliance indices and PEFA Check recognition
- iii. **Increased use of PEFA information for PFM analysis and knowledge sharing**, measured by the number of known PFM reform initiatives, reform monitoring regimes and research papers that refer directly to the PEFA framework, reports or data

Continued use of PEFA will only occur if existing users are satisfied with the framework and believe that it remains relevant and useful to them. There was significant growth in PEFA use at the central government and subnational level during phase 4. It is not likely that the number of countries using PEFA at central government level will grow significantly during phase 5. However, growth in the number of successive assessments would indicate continued relevance. It is more likely that the number of subnational government applications will increase in phase 5, including a greater number of successive subnational assessments.

The acceptance of PEFA relies on the relevance of the methodology and the quality of assessments. The upgrading work undertaken in phase 4, combined with extensive testing, has provided a stronger technical foundation for phase 5. PEFA 2016 was used in more than 30 assessments during 2016 and has been well received by users. It will be important to ensure that new users of PEFA 2016 are adequately equipped to perform the assessments effectively. To that end, capacity building activities, guidance and quality assurance arrangements will be needed in phase 5.

Previous phases of the PEFA program have focused on the production of reports. Phase 5 seeks to expand the program focus to achieve greater use of new reports and existing PEFA data. The main uses for PEFA reports are as part of PFM reform dialogue and research on PFM performance. Guidance will be developed under the program to help governments to make best use of PEFA when they are considering how to improve PFM. Information will be gathered on how PEFA has been used and the

changes that have occurred after a PEFA assessment. This information will be shared with stakeholders to provide recognition for significant achievements and to stimulate a wider impact through the new applications of good practices.

2.3.4. Activities

The PEFA program will only be able to achieve its objectives if the quality and usefulness of PEFA program services are adequate for the purpose. Three main groups of activities to be performed during phase 5:

- i. ***Maintenance of the PFM performance measurement framework for national and subnational government.*** These activities will aim to ensure the framework remains robust and users are adequately supported. It will also seek to strengthen and improve usefulness of guidance. Activities will include strengthening of framework presentation in multiple languages, guidance on application, quality assurance and support to PEFA users.
- ii. ***Provision of learning and knowledge sharing on PEFA and PFM reform effectiveness.*** This activity will seek to build capacities of the PEFA user community. It will aim to expand the effective use of PEFA through development and delivery of learning materials, training and events. It will establish a PEFA stakeholder network and will facilitate peer learning and communication on PEFA and PFM reform. It will use the PEFA website and social media to provide information and share knowledge in the main PEFA languages.
- iii. ***Development and promotion of information on PEFA and PFM impact.*** This will involve actions to facilitate and contribute to international policy dialogue on key questions where PEFA can provide insight. Actions will include maintenance and improvement of the PEFA assessment data base, increasing data base accessibility and flexibility, analysis of PEFA data, strengthening links with other diagnostics, publication of lessons learned from PEFA practice and success stories. The program will compile information on research on PEFA and PFM and conduct targeted new research in priority areas, as identified by the steering committee.

Program management and administration activities will be performed by the PEFA secretariat. This activity will provide support to the PEFA steering committee and perform the required management, administration, reporting and accountability functions.

The main activities are explained in more detail below. Detailed information on their contribution to outcomes, key targets, means for validation and assumptions is provided in annexes 2-3.

Activity group 1. Framework maintenance

The core assessment methodology for central government assessments was upgraded during phase 4 and no major refinements are planned for phase 5. Supplementary guidance for subnational assessments will be finalized in 2017. Activities to strengthen the framework will therefore focus on development and refinement of guidance and emphasis on improving the quality of implementation. There may be scope to extend the framework through development of add-on analytical tools and complementary initiatives in cooperation with other PFM tools, while maintaining the core PEFA performance assessment framework.

The main building blocks for the PEFA handbook suite of guidance were established in phase 4. This included guidance covering (i) the PEFA assessment process, (ii) detailed performance measurement

guidance (fieldguide) and (iii) specific directions on how to write a PEFA report. Phase 5 will involve regular refinement and updating of the first three volumes to ensure that they incorporate key lessons from feedback and information on good practices. The final part of the handbook, volume iv, will be released early in phase 5, providing guidance on the use of PEFA data and related information to support PFM reform dialogue, action planning, implementation and monitoring.

All volumes of the handbook will be provided in the three main PEFA languages (English, French and Spanish). Guidance will be provided in other languages if sufficient demand and funding permit.

The secretariat and partners will monitor the quality of assessments and the effectiveness of implementation. Users will provide feedback on their experiences in implementation and lessons will be gleaned from review of draft concept notes and PEFA reports.

The quality of assessments will be a major focus for phase 5. The quality of processes and participant capabilities will be strengthened through guidance, targeted advice and capacity strengthening through training and other knowledge development. Quality assurance during phase 4 was primarily provided through advice on draft ToRs, draft reports and the application of PEFA Check. The PEFA secretariat will expand its quality assurance activities during phase 5. This will include more proactive and timely advice on assessment design, composition and capability of assessment teams, governance, resources, timeframe and communications.

The secretariat will seek more information on PEFA assessment experiences during phase 5. This will help to understand the factors affecting demand and the quality of assessments. It will also help to understand the link between PEFA assessments and follow up actions. The main lessons learned will be disseminated to PEFA users through guidance and other activities.

Activity group 2. Learning and knowledge sharing

The learning products developed by the program will focus on strengthening knowledge of the methodology and the capability to apply it at national and subnational levels. This will include learning products developed and delivered by the secretariat, partners and contractors. It will also be achieved through increased sharing of experience through lessons learned and success stories via the PEFA community. There is an important role for PEFA partners to report PEFA success stories, enabling factors and links to PFM reform and regularly discuss results at the PEFA steering committee meetings.

One crucial goal of the learning strategy will be to expand the number and quality of PEFA assessors and reviewers within international organizations, governments and independent consultancy groups. A detailed data base has been developed by the secretariat on people who have been trained in PEFA 2016 assessments, people who have been involved in assessments, with details of their roles, the frequency of involvement, regional, country and language experiences. This will continue to be updated, expanded and used to advise governments and oversight teams in preparing for assessments and identifying people with relevant knowledge and skills.

The PEFA program will establish a platform for more active user community engagement through learning and communication activities. This will include regional PEFA events and increasing use of electronic media via the PEFA website and social media. Phase 5 will build on the foundations of phase 4 to strengthen engagement and share feedback on how to improve the quality and usefulness of PEFA. The PEFA website will be used to facilitate interaction among PEFA users through promotion of PEFA success stories and to provide a forum for commenting on published stories and sharing new ones. It will be used for promoting PEFA events and presenting relevant information and guidance in an interactive form to connect users, visualize PEFA data and link with PEFA social media. The most important information will be provided and managed using the three main PEFA languages.

The PEFA program will develop learning programs on how to use PEFA and other information in designing and undertaking a PEFA assessment. It will also develop learning materials on using PEFA to support PFM dialogue and monitoring of PFM reform actions. These learning programs will help to expand the value of the PEFA program beyond provision of a diagnostic performance assessment methodology to supporting choices of instruments and strengthening plans for PFM reform. Knowledge developed under activity group 3, described below, will also be used to develop and broaden learning and exchange of knowledge.

Activity group 3. PEFA and PFM impact

PEFA has the potential to make a significant contribution to analysis and discussion of key policy questions regarding the quality and effectiveness of PFM. The existing PEFA data base and ongoing use, particularly with the expanded assessment methodology, offers considerable under-utilized potential. It can be used in combination with other data and knowledge to measure and understand changes over time and across countries in the performance and impact of PFM.

Phase 5 will place a major emphasis on intensifying partnerships for research, knowledge products and outreach. This will provide a platform for PEFA to have a more active influence on international dialogue. PEFA could contribute to discussion and analysis of PFM and its relevance to important policy challenges such as fragility, political economy, anti-corruption and public sector governance.

Improving the accessibility, flexibility and usefulness of the PEFA data base will be an important activity for the program during phase 5. This will include enhancements to the PEFA website to support better access and to provide more functionality to assist researchers. The program will also expand the range of data to include additional characteristics of assessments. It will also be expanded to include information on the use of PEFA.

The PEFA data base of reports offers considerable potential to support examination of PFM. This would include examination of PEFA's contribution to PFM strengthening. It would also include analysis of other factors affecting PFM, using PEFA data as an input. Most of the research and analysis would be done by people outside the PEFA program. However, there will be some issues of high priority for PEFA partners that will be undertaken through the program. This may be done by the secretariat or contractors, depending on the nature of the work and the skills required.

Any research undertaken within the program will be decided by the PEFA steering committee in advance, based on explicit prioritization, linked to program objectives. Specific research topics will be determined by the steering committee members that define the terms of references under the condition that the research mandates are directly linked to the important elements of PEFA's results framework. PEFA research priorities may also be satisfied through in-kind contributions by partners, collaborations with universities, and other institutions within the PFM community.

A significant challenge to increasing external analysis using PEFA will be to obtain research knowledge that is objective, balanced and applies appropriate methods. This will require updating of the guidance already provided by the program on how to use PEFA data. It will also require a more active role by the PEFA secretariat and partners in monitoring and providing advice and input to PEFA-related research.

Any significant research studies will be posted on the PEFA website and promoted through the PEFA network as soon as practicable. The secretariat will undertake regular literature searches in addition to promoting relevant internal and partner research. This will help to highlight high quality and seminal work that is relevant to PEFA program objectives.

2.4. Program resources and sustainability

The resources for the PEFA program provided by the PEFA partners and may take the form of:

- **financial contributions to the PEFA trust fund** administered by the World Bank and any interest earned thereon, under administration agreements between the World Bank and each donor
- **in-kind contributions**, such as staff seconded or consultants contracted directly by individual partners in support of the PEFA program
- **complementary support provided by technical inputs** of PEFA partner staff
- **other financial and non-financial contributions to the program outside the trust fund** by partners or other organizations, as approved by the PEFA steering committee

A PEFA multi-donor trust fund will be established by the World Bank as trustee for the purpose of receiving and utilizing financial contributions from the partners for the PEFA program.

Additional financial contributions may be made from PEFA partners or other organizations for extra activities approved by the PEFA steering committee which may be performed on a full or partial cost recovery basis.

All resources received by the program will be included in the annual work plan and budget proposals and reflected in the progress and budget execution reports. Revenue and expenditure will be monitored and reported against the program performance plans, annual work plans and budgets. Expenditure reporting will provide a disaggregation by type.

Implementation of phase 5 activities is planned for a period of five years starting 1 January 2017. The strategy for using the proposed outputs to contribute to program results and objectives is crucially dependent upon the resources available to the program. The program to date has relied on financial and non-financial contributions from the existing PEFA partners. In phase 5 the PEFA partners will be open to considering other sources and types of financial and non-financial support. Any other support to the program will be subject to agreement by steering committee members, and managed within a single program and a consolidated reporting structure.

Activities involving in-kind contributions, user charging, cost recovery, externally funded outputs or alternative financing vehicles would be administered outside the core trust fund. If the PEFA steering committee approves such activities and supplementary funding opportunities, they would be managed using World Bank procedures and included in regular financial and non-financial progress reports.

The strategy for phase 5 outlined in this program document is based on the funds and in-kind contributions agreed by PEFA partners, as summarized in annexes 5-7. This provides for a financial investment of USD 13.9 million over five years, including allowance for inflation and a contingency allowance of 5 percent. Additional non-financial contributions are estimated at USD 2.5 million in total over the five years through supplementary technical support and seconded staff.

If funding needs to be supplemented from other sources, or if there is uncertainty regarding funding to meet the approved program, the PEFA steering committee will decide how to address the situation at the earliest opportunity. The program will be limited to basic services until any funding gap or uncertainty has been addressed. Basic services include framework maintenance, learning and knowledge sharing other than international training and events, data base management and support. Limited research and coordination with related PFM tools and priority analytical work using PEFA data may be pursued, subject to steering committee approval. Other activities, such as increasing accessibility and flexibility of the data base and international training and events, may be undertaken if sponsored or adequately supported from sources other than the PEFA phase 5 trust fund.

3. Program governance arrangements

This section summarized the main elements of program governance arrangements for phase 5. More details on the arrangements are provided in annex 8.

The PEFA program is implemented through a partnership between the European Commission, French Ministry of Foreign Affairs in cooperation with Agence Francaise de Developpement, International Monetary Fund, Norwegian Ministry of Foreign Affairs in cooperation with NORAD, Swiss State Secretariat for Economic Affair, UK Department for International Development, and World Bank.

Each partner contributes to the PEFA program financially, through significant in-kind contributions or both. Inclusion in the PEFA partnership is determined by consensus decision of the existing PEFA partners.

The PEFA partners jointly establish the objectives and scope of the PEFA program, define the content of PEFA and criteria for its use, provide institutional support for its implementation and mobilize the necessary resources for its activities.

The PEFA program is managed and implemented through a structure involving the PEFA steering committee, which directs and monitors the PEFA program, the PEFA secretariat, which implements the program's activities, and the trustee which is the World Bank. Details of the structure and responsibilities for each element are provided in annex 8.

PEFA users will be involved in development and refinement of the PEFA program through specific events arranged through the program to generate discussion on key issues, provide feedback and to share knowledge. There will also be a structured networking facility, administered through the PEFA website. This will facilitate exchange of information with the secretariat and PEFA partners on strategic and operational matters. It will also provide a forum for peer to peer exchange of information and experiences in a secure environment. This will allow for exchange of open and restricted information, as appropriate.

3.1. Reporting and evaluation

Program implementation will be monitored on an ongoing basis. Quarterly and annual reports on financial and non-financial progress will be provided to the steering committee. The reports will include information on results achieved against key logframe targets and activities. They will also provide information on financial progress including sources and uses of funds, revenue and expenditure inside and (if any) outside the trust fund, along with details of revenue and expenditure commitments.

The program will be subject to a comprehensive and independent evaluation before the end of phase 5. More details on reporting and evaluation are provided in annex 8.

Annexes

Annex 1. PEFA program objectives and achievements 2001-2016

Table 1.a. PEFA program phase 1

Phase 1 - December 2001 to March 2006	
Objectives	Accomplishments
<p>1) Development of an integrated, coordinated and country-led approach to supporting diagnosis and reform of PFM systems, taking greater account of institutional and governance factors and of capacity.</p> <p>2) Integrated, collaborative diagnostic assessments and action planning undertaken in a number of selected countries</p> <p>3) The development of a standard set of performance indicators for public financial management.</p> <p>4) Consultation and dissemination of these approaches and indicators through various workshops, conferences and the PEFA website.</p>	<p>i. Improved understanding and collaboration between the PEFA partners on the PFM agenda, chiefly through the regular Steering Committee meetings.</p> <p>ii. Support for the development of Strengthened Approach to Supporting PFM Reform, which emphasizes country leadership of the reform agenda, donor alignment and harmonization, and monitoring of results, partly drawing on the 2003 PEFA report documenting the coverage and overlap of existing instruments and identifying some examples of better practice.</p> <p>iii. The development of the PFM Performance Measurement Framework, to provide a common pool of information for assessment and monitoring of progress in PFM performance.</p> <p>iv. Support for the application of the Framework, since its issue in June 2005, through</p> <ul style="list-style-type: none"> • Provision of technical guidance/interpretation in response to queries and via website. • Peer review of plans and draft reports on demand, and briefing of several government/donor teams via videoconference. • Two multi-donor training events on the Strengthened Approach and <p>Performance Measurement Framework, training of Bank staff at the Fiduciary Forum, and posting of a set of generic training materials on the website.</p> <p>v. PEFA funding for country-led, integrated, coordinated approaches to undertaking PFM assessment and/or development of action plans in 15 countries. The funding of country activities commenced in October 2002, and finished in June 2005. The Secretariat also provided technical support in several countries/states, notably Madagascar and Andhra Pradesh.</p> <p>vi. Strong collaboration and buy-in from the wider donor community for the work of the PEFA program, principally through collaboration with the OECD-DAC Joint Venture (JV) on PFM.</p> <p>vii. Initial work on capacity development, sequencing, institutional and change management dimensions of PFM reform (Platform Approach)</p>

Table 1.b. PEFA program phase 2

Phase 2 - April 2006 to September 2008	
Objectives	Accomplishments
<p>Monitor and support the application of the PFM PMF in order to facilitate consistency, credibility and sharing of good practices.</p>	<p>Monitoring: Development of a comprehensive system of monitoring, planning, implementation and quality of PEFA assessments. Lists of planned, ongoing and completed assessments updated every four months and disseminated; Periodic monitoring reports issued: Early experience report 2006, Monitoring Report 2007 and Impact Assessment Study 2007;</p> <p>Technical quality reviews: Provided on about 75% of all reports (some 3 reviews per month) plus on ICM/TOR for a smaller proportion of assessments;</p> <p>Provision of central reference: Advice being given on request to assessment managers and assessors; clarifications issued regularly; support tools prepared and issued;</p> <p>Fine-tuning of the PMF: Revision of selected indicators currently under consideration;</p> <p>Dissemination and training: A major training effort has been embarked upon but needs to be continued (approximately 10 courses per year). Development of a Training and Dissemination Strategy, which includes the objective to create capacity outside the Program to undertake future user-level training on the Framework.</p> <p>Lesson learning: Notes on good practices for assessment planning and implementation; Work initiated on PFM performance trends and relation to country characteristics; Advice provided to developers of drill-down tools.</p>

Table 1.c. PEFA program phase 3

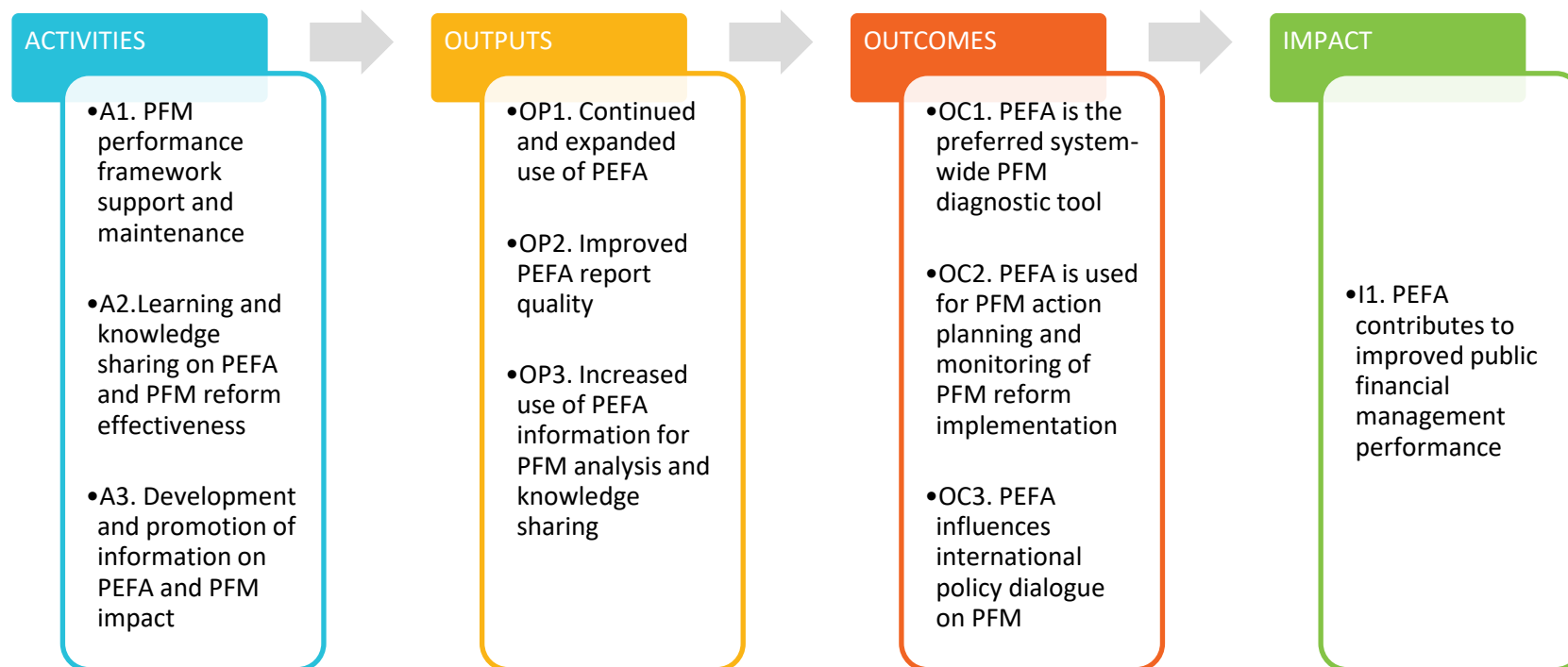
Phase 3 – October 2008 to June 2012	
Objectives	Accomplishments as per the program’s six results areas
<p>1) Enhanced country ownership of PFM reform programs.</p> <p>2) Improved alignment and coordination of donor support to country PFM reform programs.</p> <p>3) A common credible information pool on PFM performance created in all LICs and most MICs</p>	<p>Global roll-out of the Framework: Some 245 PEFA assessment report substantially complete or final, covering 126 countries. About 90% of LICs and 75% of MICs have PEFA experience when including ongoing/planned work. A rapidly growing number of applications at the sub-national level. 63 repeat assessments undertaken, with an average 3 years interval since baseline.</p> <p>Timely availability of PEFA assessments: Most assessments are completed within 12 months of mobilizing the assessment team. However, publication of final reports remains stagnant at 60-65%.</p> <p>Government ownership of assessments: 9 out of 11 governments covered by independent evaluation study have used PEFA assessments to take charge of their own PFM reform agenda. Government lead in assessment process steadily increasing but from a low base – often restricted by capacity issues.</p> <p>Quality of PEFA assessments: About 90% of assessments submitted to the Secretariat for review. Methodological compliance rate of final reports reached 90% in 2009. An increasing number of assessments re-submitted as revised for follow-up review. Quality review of concept notes/terms of reference by Secretariat increased to about 50% of assessments.</p> <p>Robustness of using PEFA indicator scores for tracking change over time tested.</p> <p>Donor collaboration in implementation of PEFA assessments: 13 donor agencies have taken the lead in PEFA assessment. Formal links established between agencies for implementation for about 50% of assessments. In addition to the government and the Secretariat the lead agency has obtained review comments from another development agency in 70% of assessments (FY10).</p> <p>PEFA assessments used by all stakeholders: Used for reform dialogue between governments and donors or internally by the government in most countries. All seven PEFA partners (and several other development agencies) use PEFA assessments as standard input to internal risk management and aid modality decisions. PEFA database used by occasional research on regional or global PFM systems improvement trends and challenges. Preliminary analysis suggesting that PFM systems are improving globally but at very different rates across functional areas.</p>

Table 1.d. PEFA Program - Phase 4

Objectives/ Outputs/ Inputs	Objectively Verifiable Indicators and targets	Achievement	Comment
Global Objective			
PFM system performance improved for strengthened economic growth and government service delivery	<p>Target: general improvement identifiable in PFM systems performance by 2016 compared to pre-2012 baselines across</p> <ul style="list-style-type: none"> a. at least 100 countries b. representing all regions c. and LIC/MIC segments. 	√	<ul style="list-style-type: none"> • 76 countries in all regions and types of countries have a baseline assessment dated pre-2012 and PEFA assessments carried out after 2012. • 70% of the countries carrying out repeat assessments during the period of review show improvements in the PEFA scores.
Intermediate Objective			
PEFA assessments used for PFM reform formulation, donor support decisions and research	IO.1: 80% of countries with PEFA assessment confirm assessments used in identifying PFM weaknesses, setting/ reviewing reform priorities/ sequencing and progress monitoring by both donors and governments. 2011 Impact Study indicates 60% such use during phase III).	√	IO.1 The four governments interviewed as part of this evaluation have all used the PEFA assessments as an input in their decision making. The PEFA assessments have been used to establish PFM reform agendas, as a pre-requisite for discussions with donors on PFM reform and in their planning. The more involved the government is in the PEFA assessment process, the more involved it is in setting the PFM reform agenda.
	IO.2: PEFA assessments used by at least 15 donor agencies/IFIs as a standard input to aid/support program decisions (2010 survey demonstrated use by the 7 PEFA partners).	√	IO.2 Of the donors interviewed (11 donors – 7 PEFA partners + 4 donors) used the assessments as standard input into aid/support program decisions. There may be more that have not been interviewed as part of this evaluation.
	IO.3: PEFA assessment database used for comprehensive research on global trends and challenges in PFM systems improvement (qualitative indicator; based on evaluators' judgment of relevance and importance of research work undertaken).	√	IO.3 The evidence on how much the PEFA assessment database is used shows that there are at least 95 articles using the PEFA data set or referencing the PEFA Program.
Direct Objective			
The global, common and credible information pool on PFM performance expanded and updated	DO.1: Countries with national baseline assessment increased from 121 (Sept 2011) to 136 (Sept 2016)	√	<ul style="list-style-type: none"> • 146 countries with national baseline assessments by 2015 • 71% of countries implemented repeat assessments
	DO.2: 80% of countries implement repeat assessments less than 5 years after previous assessment.	X	<ul style="list-style-type: none"> • 53% of all countries conducting a repeat PEFA assessment have done so within 5 years.
Result 1. Relevance of PEFA Framework enhanced and demonstrated	R1.1. Senior officials from government central finance agencies in LICs and MICs consider PEFA Framework useful for their work on improving PFM systems.	√	<ul style="list-style-type: none"> • Government officials interviewed consider the PEFA assessments necessary to begin discussions with donors on PFM reform programs and to inform them on weaknesses.

Objectives/ Outputs/ Inputs	Objectively Verifiable Indicators and targets	Achievement	Comment
	R1.2. Senior PFM officials from donor agencies/IFIs consider PEFA Framework important for their work on supporting country improvement plans and for internal decisions on aid modalities.	√	<ul style="list-style-type: none"> Senior PFM officials from donor agencies/IFIs consider PEFA Framework important for their work on supporting country improvement plans and for internal decisions on aid modalities.
	R1.3. Researchers consider the PEFA assessment database a core data set for research on PFM systems.	√ but scope for improvement	<ul style="list-style-type: none"> The data set is widely used but could be more user-friendly. The Secretariat does not monitor articles/research carried out using the PEFA data. There is limited research published by the Secretariat that could be relevant to PEFA partners and countries.
Result 2. Quality of PEFA assessments improved	R2.1 Compliance with PEFA methodology maintained as calculated by the Secretariat (indices maintained for final reports at 90%, coverage index for final CN/TOR increase from 80% FY12 to 90% FY15).	X close to achievement	<p>R2.1 The two indices used by the PEFA Secretariat show that</p> <ul style="list-style-type: none"> the Draft reports reviewed have an average score of 77.1% (Indicator method) and 89.1% (Dimension method) coverage index for final CN/ToR was 82% in FY 2015
	R2.2 80% of final reports are awarded PEFA CHECK [process endorsement label] from FY15 onwards	X close to achievement for verified reports	R2.2 80.7% of all final reports with verified processes received a PEFA Check in FY15-16. The percentage of all final reports that received a PEFA Check was 58% for FY15 and 94% for FY16.
Result 3. Government ownership of PEFA assessments enhanced	R3.1. Government led assessments comprise 20% of all assessment from 2013 onwards (up from 9% during 2005-11).	X with caveat	R3.1 13% of all PEFA assessment carried out between FY 2013 and FY 2015 were sponsored by governments, however a substantially larger proportion included government as leader of oversight team and implementation action planning.
	R3.2 Increasing number of multi-year programs for PFM diagnostics established by or agreed with the government (up from none identified by 2011 Impact Study)	No data	R3.2 Not assessed by the evaluation. To be verified by separate survey.
Result 4. Donor collaboration in implementing PEFA assessments strengthened	R4.1. Number of assessments reviewed by at least one other donor agency reviewer (other than the lead donor) increased from 70% in FY10 to 90% in FY14.	No data	R4.1 The Secretariat reports that all (100%) PEFA assessments reviewed in accordance with the PEFA CHECK are reviewed by four reviewers; one PEFA Secretariat staff, one reviewer selected by the PEFA Secretariat, one (or more) country government reviewer(s) and one reviewer selected by the lead agency.
Result 5. Timely completion & publicizing of assessments improved	R5.1. 80% of PEFA assessment reports (substantially completed since January 2013) are finalized, made public and posted on website within 12 months of assessment team mobilization, with link to PEFA website. (<60% until Sept 2011)	√	<p>R5.1 The PEFA Secretariat's statistics show that between FY 2012 and 2015:</p> <ul style="list-style-type: none"> 80% of all PEFA Assessment Reports were published on the PEFA website. 32% of PEFA reports are published in less than 12 months after team mobilization. 46% of assessments completed since January 2013 are published on the PEFA website.

Annex 2: PEFA Program Phase 5 contribution to partner objectives (program logic)



Annex 3: PEFA program phase 5 results framework – performance indicator dashboard¹

Result level	Indicator description		
IMPACT	<i>I.1. Contribution to improved PFM performance</i>		
	I.1.1 Improved PEFA performance scores in countries with successive assessments.		
OUTCOMES	<i>OC.1. PEFA is the preferred PFM diagnostic tool</i>	<i>OC.2. PEFA is used for PFM reform plans and monitoring of reform implementation</i>	<i>OC.3. PEFA influences international PFM policy dialogue</i>
	<p>OC.1.1. Frequency of PEFA assessments compared with alternative broad PFM diagnostic tools</p> <p>OC.1.2. Frequency of successive PEFA assessments</p>	<p>OC.2.1. Number of governments and development partners that use PEFA in designing PFM-related projects, policy changes, and action plans.</p> <p>OC.2.2. Number of countries where PEFA is used for monitoring of PFM strengthening initiatives and PFM reform action plans.</p>	<p>OC.3.1. Number of publications and presentations relating to PEFA and PFM that are delivered by the secretariat and partners at international conferences or events on PFM.</p> <p>OC.3.2. Number of PEFA-based research reports and conference papers that are referenced in public documents by people or organizations other than PEFA partners or the Secretariat.</p>
OUTPUTS	<i>OP.1. Continued and expanded use of PEFA</i>	<i>OP.2. Improved PEFA report quality</i>	<i>OP.3. Increased use of PEFA information for PFM research and knowledge sharing</i>
	<p>OP.1.1. Number of national and subnational PEFA assessments completed.</p> <p>OP.1.2. Number of government central finance agencies and development agencies that consider PEFA is useful for their work on improving PFM.</p>	<p>OP.2.1. Number of PEFA assessments that achieve high compliance rates at dimension level for final reports and final concept notes/TOR.</p> <p>OP.2.2. Number of final reports reviewed by the PEFA secretariat that are awarded <i>PEFA Check</i>.</p>	<p>OP.3.1. Number of requests for PEFA data, including users searching and downloading data from the PEFA website.</p> <p>OP.3.2. Number of PEFA program events that include presentations on PEFA and PFM by PEFA partners, staff or others using PEFA data.</p>
ACTIVITIES	<i>A.1. PFM performance framework support and maintenance</i>	<i>A.2. Learning and knowledge sharing on PEFA and PFM reform effectiveness</i>	<i>A.3. Development and promotion of information on PEFA and PFM impact</i>
	<p>A.1.1. Publication and maintenance of the PEFA guidance in three languages (English, French and Spanish).</p> <p>A.1.2. Number of responses to requests for PEFA review and support services.</p>	<p>A.2.1. Number of PEFA users satisfied with PEFA trainings.</p> <p>A.2.2. Number of PEFA ‘success stories’ collected and shared on the website.</p> <p>A.2.3. Number of PEFA secretariat learning and outreach activities, including participation in international events arranged by others.</p>	<p>A.3.1. Database of PEFA assessments is upgraded from 2016 and fully operational.</p> <p>A.3.2. Number of PEFA reports, data and impact studies that are shared on the PEFA website.</p> <p>A.3.3. Number of published research studies on PEFA and PFM reform that are conducted through the PEFA program.</p>

¹ A separate methodological note provides details on the measurement of indicators, targets for each indicator and baseline values, timeframes, responsibilities and technical notes to facilitate measurement and interpretation of the indicators.

Annex 4: Costing of PEFA phase 5 program – activity cost details

PEFA phase 5 cost estimate 5 year totals, by economic type, including 5% contingency with World Bank cost recovery charge separately identified

Activity	Staff cost	Consultants	Travel	Translation	Other G&S	Total excluding WB cost recovery component	WB cost recovery	Total excluding contingency allowance	5% Contingency excluding WB cost recovery component	Contingency WB cost recovery component	Total cost	In-kind
Activity group 1: PFM performance framework												
Client support, quality assurance, guidance, framework monitoring, refinement and development	4,171,764	223,973	63,575	143,769	146,958	4,750,038	747,275	5,497,314	237,502	37,364	5,772,179	800,000
Activity group 2: Learning and knowledge sharing												
Development and delivery of PEFA and related learning products, knowledge network development and maintenance, peer learning development and support, knowledge sharing on the use of PEFA	3,009,841	239,419	471,594	207,233	1,267,550	5,195,638	552,374	5,748,012	259,782	27,619	6,035,413	450,000
Activity group 3: PEFA and PFM impact												
Data base management and support, website, data base support, research, analysis and dissemination of knowledge on PEFA and PFM strengthening	457,705	186,535	73,961	38,070	233,814	990,085	109,521	1,099,606	49,504	5,476	1,154,586	750,000
Program management and administration												
Support for the PEFA steering committee and partner accountability, compliance with World Bank procedural requirements, secretariat management and administration, other communications and compliance	730,374	0	44,761	24,415	9,869	809,419	124,164	933,583	40,471	6,208	980,262	500,000
TOTAL	8,369,684	649,927	653,891	413,487	1,658,191	11,745,181	1,533,334	13,278,515	587,259	76,667	13,942,440	2,500,000

NOTES:

- Estimates are in nominal terms (i.e. allowance of 2% p.a. for increase in prices, exchange rate movements, salaries and benefits)
- Assumes service levels and standards will be similar to FY16 on average throughout phase 5
- Staff costs do not include in-kind staff activities or staff secondments which are not paid from financial contributions

Annex 5. Estimated PEFA partner shares in total funding for PEFA phase 5

Indicative contributions:

PEFA Partners	Estimate of possible financial contributions (total contribution required. Estimates based on 2012 indicative commitments for phase 4)	Estimate of possible in-kind contributions (value) (estimate based on 2012 indicative commitments for phase 4)	PEFA phase 5 confirmed financial commitments	PEFA phase 5 confirmed in-kind commitments
European Union	\$ 5,000,000	\$ -	\$ -	\$ -
SECO	\$ 4,000,000	\$ -	\$ -	\$ -
DFID	\$ -	\$ -	\$ -	\$ -
NORAD	\$ 1,400,000	\$ -	\$ -	\$ -
France	\$ -	\$ 1,500,000*	\$ -	\$ -
World Bank	\$ -	\$ 500,000	\$ -	\$ -
IMF	\$ -	\$ 500,000	\$ -	\$ -
Other	\$3,542,440	\$ -	\$ -	\$ -
Total	13,942,440	\$ 2,500,000	\$ -	\$ -

* This is an in-kind contribution by staff secondment

Annex 6: PEFA phase 5 program – annual deliverables and cost items², including 5% contingency in each activity and year

Activity	Deliverables (per year, includes in-kind inputs)	Cost item (per year, includes in-kind inputs)	2017 Funding ³ (financial contributions only)	2018 Funding (financial contributions only)	2019 Funding (financial contributions only)	2020 Funding (financial contributions only)	2021 Funding (financial contributions only)	Total Funding (financial contributions only)	In-kind component (non-financial contributions only)
<i>Activity group 1. PFM performance framework</i>			922,985	918,750	918,750	918,750	918,750	4,597,985	160000
Activity 1.1. Client support to prepare, design, implement, add to dialogue, assist engagement	Advice on at least 30 CN, 40 reports, 100 other specific request for advice, meeting support, client and partner engagement	53 staff weeks 5 consultancy days 2 trips	63,893	63,893	63,893	63,893	63,893	319,463	50000
Activity 1.2. Quality assurance - advice, review, follow up	Review of at least 30 CN, 40 draft reports, PEFA Check assessment for 40 reports, discussion with clients.	58 staff weeks 36 consultancy days	469,634	469,634	469,634	469,634	469,634	2,348,168	50000
Activity 1.3. Guidance on PEFA and PFM reform	Completion and refinement of 3 volumes of the PEFA handbook by 2018. Volume IV first edition by end 2018. Supplementary guidance on SNG, refinement of other guidance, translation of fieldguide into Fr and Es.	19 staff weeks 5 consultancy days 288 hours translation \$23,500 design and printing	268,858	268,823	268,823	268,823	268,823	1,344,150	50000
Activity 1.4. Measurement framework monitoring and refinement	Review and refine fieldguide based on experience and feedback. Propose and test minor revisions to core methodology.	8 staff weeks 2 consultancy days \$11,000 web content, printing and communications	38,336	38,336	38,336	38,336	38,336	191,678	10000
Activity 1.5. Other framework support	Supplementary guidance and ad-hoc advice, refinement and adjustment, reprinting guidance	40 consultancy days 80 hours translation \$20,000 printing and communications	82,265	78,065	78,065	78,065	78,065	394,527	0
<i>Activity group 2. Learning and knowledge sharing</i>			1,200,570	1,260,000	1,260,000	1,260,000	1,260,000	6,240,570	90000
Activity 2.1. Learning materials development	Develop 3 basic training content for assessors, assessment managers and government officials. Prepare 1, 1.5, 2 and 2.5 day training options. Tutorials on key topics in video, online quizzes, games or other modes. All in 3 languages.	35 staff weeks 14 consultancy days 110 hrs translation	247,354	247,354	247,354	247,354	247,354	1,236,769	20000

² Deliverables and cost items include contributions from in-kind staff secondment resources. Other in-kind contributions are notionally allocated by the activities where they are expected to contribute but no specific deliverables or cost items are attached to those contributions.

³ Funding includes only financial contributions from PEFA partners, not in-kind amounts which are presented in a separate column.

Activity	Deliverables (per year, includes in-kind inputs)	Cost item (per year, includes in-kind inputs)	2017 Funding ³ (financial contributions only)	2018 Funding (financial contributions only)	2019 Funding (financial contributions only)	2020 Funding (financial contributions only)	2021 Funding (financial contributions only)	Total Funding (financial contributions only)	In-kind component (non-financial contributions only)
Activity 2.2. Direct delivery of learning and knowledge products	8 training events (ranging from 1.5 to 2.5 days each) and 4 seminars per year. Regional 3-day event outside USA. Participation in partner and other events on demand, cost recovery where possible.	63 staff weeks 23 consultancy days 10 trip 41 hrs translation \$156,500 training and event arrangements	598,169	598,168	598,168	598,168	598,168	2,990,842	50000
Activity 2.3. PEFA and PFM knowledge network development and maintenance	Creation of PEFA success stories with government officials and development partners in 3 languages. Delivered online in suitable modes, e.g. text, video, infographics. Establish multi-dimensional, secure online network facility on the PEFA website. Provide content, monitoring, facilitation, feedback and other support for the network.	24 staff weeks 25 consultancy days 4 trips 112 hrs translation \$144,700 website design and management	182,910	242,340	242,340	242,340	242,340	1,152,270	10000
Activity 2.4. Facilitation of peer learning and knowledge sharing	Development and facilitation of information exchange between PEFA users including newsletter, case studies, success stories, lessons learned, FAQs, online forum and commentary, push social media. Delivered in 3 languages.	15 staff weeks 5 consultancy days 1 trip 61 hrs translation \$72,350 for communications, design and website content	172,137	172,137	172,138	172,138	172,138	860,688	10000
Activity group 3. PEFA and PFM impact			380,087	462,000	462,000	462,000	462,000	2,228,087	150000
Activity 3.1. Data base management, data and website enhancements	Recording of data base information for new assessments and refinement of data for existing assessments. Expansion of data base to incorporate new tracking elements for SNG, PEFA Check and other key monitoring points, dynamic links with other PFM data sources. Construction and maintenance of revised data base portal with easy access, download and analysis.	14 staff weeks \$16,000 website content	89,450	89,450	89,450	89,450	89,450	447,248	0

Activity	Deliverables (per year, includes in-kind inputs)	Cost item (per year, includes in-kind inputs)	2017 Funding ³ (financial contributions only)	2018 Funding (financial contributions only)	2019 Funding (financial contributions only)	2020 Funding (financial contributions only)	2021 Funding (financial contributions only)	Total Funding (financial contributions only)	In-kind component (non-financial contributions only)
Activity 3.2. Data base access support	Client support service, at least 10 substantial data packaging tasks, refining and strengthening online data base content. Data visualization and interactive report formats and content. Promotion of PEFA data and applications through the website, social media and events	12 staff weeks 10 hrs translation \$16,000 website content	153,403	153,403	153,403	153,403	153,403	767,015	0
Activity 3.3. Strengthening links with other PFM tools	Preparation and publication of annual stocktake of PFM diagnostic tools, in consultation with tool owners. Research and analysis on PFM tools, links with PEFA and PFM reform, with case studies. Publish at least 2 reports. Communicate and coordinate with other PFM tools.	18 staff week 40 consultancy days 2 trip 40 hrs translation \$20,000 design, printing, web content	38,336	80,336	80,336	80,336	80,336	359,678	100000
Activity 3.4. Research on PEFA impact and contribution to PFM strengthening	2 research projects on the impact of PEFA on PFM strengthening. Design and implementation of monitoring arrangements for partner activities drawing on or applying PEFA assessment findings. Collection of research studies on PFM performance and impact using PEFA data and publication on the PEFA website and social media	10 staff weeks 40 consultancy days 25 hrs translation \$25,000 design, printing, web content	98,900	138,812	138,812	138,812	138,812	654,148	50000
Activity group 4. Program management and administration			175,160	175,160	175,159	175,159	175,160	875,798	100000
Activity 4.1. Steering committee support	4 quarterly and one annual financial and narrative report on PEFA program operations. Support for 2 steering committee meetings, 1 in DC and 1 in Europe. Support for 1 ad-hoc SC meeting	11 staff weeks 1 trip \$790 printing	78,461	78,461	78,461	78,461	78,461	392,306	0
Activity 4.2. Partner accountability and support	Special reports and services for individual partners. Participation in partner planning and operations meetings on request. Communications and coordination with partners separate to SC business	4 staff weeks 15 hrs translation \$600 printing	27,762	27,762	27,762	27,762	27,762	138,810	50000

Activity	Deliverables (per year, includes in-kind inputs)	Cost item (per year, includes in-kind inputs)	2017 Funding ³ (financial contributions only)	2018 Funding (financial contributions only)	2019 Funding (financial contributions only)	2020 Funding (financial contributions only)	2021 Funding (financial contributions only)	Total Funding (financial contributions only)	In-kind component (non-financial contributions only)
Activity 4.3. World Bank administration and procedures compliance	Internal compliance obligations on HR, trust funds, planning, organization, meetings, training and communication relating to world bank requirements and procedures	6 staff weeks	38,336	38,336	38,336	38,336	38,336	191,678	50000
Activity 4.4. Secretariat management and administration	Management of staff and work program, planning, coordination, communication, recruitment, contract management	5 staff weeks \$400 printing	29,866.20	29,865.15	29,865.15	29,865.15	29,866	149,328	0
Activity 4.5. Other communications and compliance	Residual activities not covered by other elements of program management, including ad-hoc translations, printing, shipping, communications	5 hrs translation \$200 communications	735	735	735	735	735	3,675	0
Total cost			2,678,802	2,815,910	2,815,909	2,815,909	2,815,910	13,942,440	500000

Annex 7. Gantt chart of major milestones

Activities	2016	2017				2018				2019				2020				2021			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Program document approval	■																				
TF commencement		■																			
Funds mobilization		■																			
SC meetings			■		■		■		■		■		■		■		■		■		■
Learning products released				■	■			■			■				■					■	
Training		■	■		■	■	■		■	■	■		■	■	■		■	■	■		■
Regional events		■	■		■	■	■		■	■	■		■	■	■		■	■	■		■
Data base expansion		■		■		■		■		■		■		■		■		■		■	
PFM tools actions	■	■	■		■	■	■		■	■	■		■	■	■		■	■	■		■
DFID research*	■	■	■	■																	
PFM reform research					■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
TF closure																					■

* This research is funded through a separate externally funded output (EFO) agreement between DFID and the World Bank, implemented by the PEFA program.

Annex 8. PEFA program governance arrangements

8.1. Governance structure

Management of the PEFA Program’s phase 5 builds on the governance arrangements in place during phase 4 and the administrative arrangements which have evolved during that phase.

PEFA is a partnership program established in October 2001. Its constituent partners (“the partners” or “PEFA partners”) are:

- European Commission (represented by EuropeAid),
- French Ministry of Foreign Affairs, in cooperation with Agence Francaise de Developpement
- International Monetary Fund (represented by the Fiscal Affairs Department),
- Norwegian Ministry of Foreign Affairs, in cooperation with NORAD
- Swiss State Secretariat for Economic Affairs,
- UK Department for International Development,
- World Bank (represented by the Governance Global Practice and OPCS).

Each partner contributes to the PEFA program financially, through significant in-kind contributions or both. Inclusion in the PEFA partnership is determined by consensus decision of the existing PEFA partners.

The PEFA partners jointly establish the objectives and scope of the PEFA program, define the content of PEFA and criteria for its use, provide institutional support for its implementation and mobilize the necessary resources for its activities.

The PEFA program is managed and implemented through a structure involving the PEFA steering committee, which directs and monitors the PEFA program, the PEFA secretariat, which implements the program’s activities, and the trustee which is the World Bank. The structure and responsibilities for each component of these arrangements are described below.

The PEFA program works in collaboration with the OECD Effective Institutions Platform, or equivalent successor, and other institutions which support better public financial management.

In recognition of PEFA’s growing status as a global public good, the PEFA program is developing a global community of practitioners, which will be engaged in the program to the extent determined by the PEFA partners within resources available to the program.

8.2. PEFA steering committee

8.2.1. Membership

- **The steering committee comprises representatives from each of the PEFA partners.** A small number of members with close involvement and consensus decision making process is considered one of the important features of the initiative.
- **Each partner identifies up to three members of the steering committee** (members) and additionally one alternate per member (which may be the same for one or more members) (alternates), and ensures that its members and alternates are duly authorized to make decisions on behalf of their agency and provide a comprehensive and balanced perspective on PEFA related issues.

- **Other representatives of partners may attend steering committee meetings as observers.**
- **The chair of the steering committee rotates among the partners approximately every six months** in accordance with the schedule of ordinary steering committee meetings. A schedule of rotations for phase 5 will be adopted at the first steering committee meeting in phase 5
- **The steering committee is chaired by the partner who hosted the most recent, ordinary steering committee meeting**, until two months before the following ordinary steering committee meeting is scheduled, at which time the hosting partner of the following ordinary meeting will assume the chair

8.2.2. Responsibilities

The steering committee's responsibilities are to:

- **approve the objectives, targets, and scope of activities for the PEFA program**, including any changes to phase 5 during implementation and preparations for the continuation or exit after Phase 5
- **mobilize the resources necessary to implement the PEFA program**
- **decide on operational strategies and procedures for the program's activities**
- **approve the annual work plans and budgets for the PEFA program** covering the PEFA trust fund, in-kind contributions including seconded staff, complementary support from partners and other resources provided to the PEFA program, for example through externally funded outputs (EFOs), sponsorships and other external contributions. Approval of the budget is given at the level of the program, which are presented at the output level in the work plans and budgets submitted by the secretariat. Within the total funds allocated to the program, the PEFA secretariat has the flexibility to reallocate between outputs
- **review implementation of the PEFA program**, including through consideration of the PEFA secretariat's progress and budget execution reports, partners' individual progress reports, the secretariat's monitoring reports as well as periodic studies and independent evaluations
- **decisions on research activities**
- **provide explicit reporting of success stories and links to PFM reforms within partner reports** on PEFA related activities to the steering committee and discuss those matters during steering committee meetings
- **decide the criteria for use of the PEFA brand name**
- **approve terms of reference for the chair of the steering committee** and for specialist working groups
- **decide if and when any addition of partners or associates are desirable**, and the criteria that may apply

Consistent with the partnership aspects of the PEFA collaboration, members undertake to keep each other informed on relevant progress, in particular by providing information to other members based on procedures agreed by the steering committee related to:

- Upstream planning of all PFM analytical work
- Implementation of PEFA assessments, whether led, financed or otherwise supported by the partner
- Publication of PEFA assessment reports, with agreement from governments, when in the lead
- Internal use of PEFA assessment reports sponsored by other partners and access to unpublished material by non-partner individuals or organizations (general policy and

- procedures, aid considerations, inputs to other processes etc)
- Training planned and undertaken on the PEFA framework
- The development and use of any other analytical/diagnostic methods related to PFM issues
- Development and use of methodological approaches to support countries PFM reforms
- Lessons emerging from PEFA and other PFM activities and dissemination of these lessons within their institution
- Planning of and findings from review/evaluation of Partners' strategies, programs and projects with the purpose of supporting PFM systems improvement at country, regional and global levels

The steering committee does not have responsibility for or purview over the operations of any of the partners.

8.2.3. Meeting schedule

- Ordinary steering committee meetings take place twice per year
- Each ordinary meeting is hosted by one of the partners on a rotational basis
- The meeting is normally chaired by the host partner
- At the end of each meeting, the steering committee agrees on the host, location, and tentative timing of the next meeting
- Meetings of the steering committee may also take place, from time-to-time, via video and audio-conference
- Additional extraordinary meetings may be agreed by the steering committee as needed
- Between meetings, on-going consultation and coordination among the partners and with the secretariat takes place

A preliminary schedule for steering committee meetings during phase 5 is provided in the following table. Dates and locations may be changed in advance, subject to agreement by all members.

Date	Location	Host
June 6-7, 2017	Washington DC	IMF
December 5-6, 2017	Paris, France	AFD
June 5-6, 2018	Washington DC	WB
December 4-5, 2018	London	DFID
June 4-5, 2019	Washington DC	IMF
December 3-4, 2019	Oslo, Norway	NORAD
June 2-3, 2020	Washington DC	WB
December 1-2, 2020	Bern, Switzerland	SECO
June 1-2, 2021	Washington DC	IMF
December 7-8, 2021	Brussels, Belgium	EU

8.2.4. Decision making

- **Decisions are reached through consensus by the partners during the steering committee's meetings or via email correspondence.** Consensus during a meeting means no objection to agreement, but does not preclude the ability to dissent on the record without objecting
- **For decisions that are made via email, a proposal is sent by the secretariat or the chair to all members and all alternates** (as identified in the current list maintained by the secretariat) with a reasonable time period specified for comment, considering the decision to be made. If a member or alternate does not reply or request an extension within that specified time period, the partner's agreement is deemed to have been given. For decisions via email, consensus occurs when no member or alternate objects to a decision within the specified time, as recorded in writing by the secretariat

8.2.5. PEFA working groups ('PWG') or subcommittees

- **A PWG is a subcommittee of the steering committee** for the purpose of technical and specific non-technical aspects of development and maintenance of the PEFA framework
- **A PWG comprises technical representatives from partners as its members.** A PWG includes the PEFA secretariat which is responsible for technical input, coordination and administration of a PWG's tasks in accordance with the PEFA program's annual work plans and budgets approved by the steering committee. Other participants may be included as required for the tasks at hand, and with respect to specific interests of other Partners in any part of a PWG's work
- **The chair of a PWG is decided by the members of the PWG**
- **A PWG acts under terms of reference approved by the steering committee**

8.3. PEFA secretariat

The PEFA secretariat plans and implements the core of the PEFA program. It comprises a head, a number of technical experts and administrative support staff.

8.3.1. Responsibilities

- **providing secretarial support to the steering committee**
- **proposing operational strategies and procedures for steering committee approval**
- **proposing the annual PEFA work plan and budget for steering committee approval** and implementing the approved plans
- **performing the custodial role of the PEFA brand**
- **providing quality assurance** in accordance with policies and procedures approved by the steering committee
- **maintenance of PEFA assets**, including the framework, guidance, learning materials, data base and website
- **providing agreed services to the partner organizations and to other stakeholders** as agreed by program procedures
- **consulting and coordinating with the partners and other stakeholders on PEFA**
- **implementing decisions and performing activities** when agreed by the steering committee
- **managing utilization of resources** of the PEFA program

- **reporting to the steering committee** on progress in implementing the annual work plans and budgets through the progress and budget execution reports, as well as progress against results targets through periodic monitoring reports and special studies
- **representing PEFA externally**, in consultation with the steering committee chair as relevant

8.3.2. Staffing

- **The PEFA secretariat is managed by the head of secretariat.** The head of secretariat is also the secretary to the steering committee and attends committee meetings as an observer. S/he prepares and presents on issues concerning planning and implementation of the PEFA program for steering committee discussion and decision
- **The head of secretariat is answerable to the Senior Director of the World Bank's Governance Global Practice**, or their delegate, for compliance with World Bank procedures
- **The head of secretariat is the task team leader (TTL) for the PEFA trust fund**
- **S/he is responsible for operational administration**, under direction from the steering committee, and coordinating the secretariat's activities, proposing staff composition and allocating tasks to staff members
- **The number of staff of the secretariat is limited to what is necessary for effective and efficient implementation of the PEFA Program's activities.** The staff resources are supplemented by consultants for discrete tasks and to assist the secretariat in coping with fluctuations in demand for services
- **The PEFA secretariat functions are managed in accordance with World Bank policies and procedures**, jointly by the head of secretariat and the World Bank's Governance Global Practice management delegate, including with respect to recruitment, appointment, remuneration, leave, travel, performance evaluation, promotion and termination
- **The PEFA secretariat's staff are appointed and retained as staff of the World Bank.** PEFA secretariat staff may be appointed through the World Bank's staff exchange, secondment or intern programs. All staff of the PEFA secretariat are funded from the PEFA trust fund, except for seconded staff for which the seconding partner bears the associated staff costs

8.3.3. Location and legal status

- **The PEFA secretariat is located in and administered by the World Bank, Washington DC**
- **It legally operates as a part of the World Bank**, thus having no separate legal identity and thereby complying with the World Bank's policies and procedures
- **The secretariat is fully funded from the resources of the PEFA program**
- **The secretariat and its staff externally represent the PEFA program** and shall present, brand, register and display themselves as such, as long as this does not contravene their legal obligations as part of the World Bank Group, including with respect to their status as World Bank staff

8.4. World Bank Management Role

- **The PEFA secretariat is attached to the Governance Global Practice (GGODR) under the EFI Vice-Presidency.**
- **The World Bank is the trustee of the PEFA trust fund.**
- **The World Bank will appoint a member of its staff to be responsible for overseeing that the management of the resources of the PEFA secretariat conforms to World Bank policies and**

procedures. The World Bank staff will not have a role in operational management of the PEFA program.

- **The Bank will allocate adequate office space for the secretariat, including usual office equipment and related services, as well as standard human resources services.** The cost of those facilities and services will be recovered through the PEFA trust fund in accordance with the World Bank's cost recovery policy. The PEFA program is also subject to standard World Bank cost recovery and fee policies.

8.5. PEFA user community

The PEFA user community will be involved in development and refinement of the PEFA program through specific events arranged through the program to generate discussion on key issues, provide feedback and to share knowledge. There will also be a structured networking facility, administered through the PEFA website, to facilitate exchange of information with the secretariat and PEFA partners on strategic and operational matters as well as peer to peer exchange of information and experiences in a secure environment allowing for public and confidential exchange as needed.

8.6. Reporting and evaluation

Towards the end of phase 5, a comprehensive and independent evaluation will take stock of the achievement of the planned results of the program under this phase i.e. a follow up to the independent evaluation completed in 2016.

In the interim, the gradual progress towards provision of financial and in-kind contributions and achievement of the Program's results targets will be monitored and reported on as part of the secretariat's quarterly and annual progress reports, in standard format approved by the PEFA steering committee. The quarterly and annual reports will include information on results achieved against indicators for key targets, outputs, major activities and other results.

Quarterly and annual reports will provide information on financial progress including sources and uses of funds, revenue and expenditure inside and (if any) outside the trust fund, revenue and expenditure commitments. Major planned activities will be discussed in the reports to the extent that they are known. The World Bank cost recovery fees for administrative and operational support (currently 17% of personnel costs, including staff and consultant costs) will be included as part of the cost for each relevant expenditure type.

The annual reports will include an assessment of progress on outcomes and discuss the effectiveness of the program's contribution to outcomes and their intended impact. It will discuss any significant risks to achievement of the development objective and how those well those risks are being addressed.

The secretariat will also prepare program monitoring reports which each will explore a particular aspect of the program practices and results.