



Assessing the Impact of the PEFA Framework

**A Study for
the PEFA Steering Committee**

VOLUME I: MAIN REPORT

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Contents

Acknowledgements.....	3
Abbreviations and Acronyms.....	4
EXECUTIVE SUMMARY	6
1. Introduction	13
2. Context and Methodology for the Study	15
3. Analysis and Main Findings.....	21
4. Conclusions	36
Annex A: Summary Matrix of PEFA Impact by Country	
Annex B: Study Concept Note	

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The findings and conclusions found within this report are those of the authors and should not be ascribed to any of the agencies who sponsored the study.

Abbreviations and Acronyms

AfDB	African Development Bank
AsDB	Asian Development Bank
CARTAC	Caribbean Regional Technical Assistance Centre (IMF)
CAS	Country Assistance Strategy
CFAA	Country Financial Accountability Assessment
CIFA	Country Integrated Fiduciary Assessment
CIN	Country Impact Note
DFID	UK's Department for International Development
DP	Development Partner
EC	European Commission
ECA	Eastern Europe and Central Asia
ERPFM	External Review of Public Financial Management (Ghana)
FRA	Fiduciary Risk Assessment
FSU	Former Soviet Union
HIPC	Heavily Indebted Poor Countries
IADB	Inter-American Development Bank
IFI	International Financial Institution
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
M&E	Monitoring and Evaluation
MoF	Ministry of Finance
MoFEP	Ministry of Finance and Economic Planning (Ghana)
MoFNP	Ministry of Finance and National Planning (Zambia)
MTEF	Medium Term Expenditure Framework
NGO	Non-Governmental Organisation
OECD-DAC	Organisation for Economic Co-operation and Development - Development Assistance Committee
PAC	Public Accounts Committee
PAF	Performance Assessment Framework
PAGGEF	PFM Reform Action Plan (Congo)
PEFA	Public Expenditure and Financial Accountability
PEFAR	Public Expenditure and Financial Accountability Review (Tanzania)
PEMFA	Public Expenditure Management and Financial Accountability (Zambia)
PER	Public Expenditure Review
PFM	Public Financial Management
PFM-PR	Public Financial Management Performance Report (PEFA framework)
PFTAC	Pacific Financial Technical Assistance Centre (IMF)
SAI	Supreme Audit Institution

SNG
TORs

Sub-National Government
Terms of Reference

EXECUTIVE SUMMARY

Introduction

1. A 2007 PEFA study analysed the impact of the PEFA PMF on governments and development partners, based on thirteen country cases¹. This report presents updated Country Impact Notes for the same countries; covering the period from September 2007 to November 2010. Data was gathered through desk research and a series of structured telephone interviews with government and development partner (DP) officials.

Analytical Framework

2. The Findings of the Study have been structured around an analytical framework made up of the three elements of the strengthened approach to supporting PFM reforms. A fourth overarching element addresses issues which impact on all three elements of the strengthened approach (i.e. knowledge transfer/outreach and the quality of the process of preparing the report; and of the final report itself). These in turn are broken down into ten sub-elements (summarised below).

Element of the Strengthened Approach	Coverage in the Impact Study
<u>Element I.</u> A country led PFM reform strategy and action plan.	A. Government Ownership and Use of PEFA Assessment
<u>Element II.</u> A DP-coordinated, integrated and multi-year program of PFM work that supports and is aligned with the government's PFM strategy.	B. The Dialogue on PFM Reform programs between Governments and Donors C. Donor Collaboration and Coordination in Supporting the Reform Effort D. Reductions in Number of PFM Analytical Studies and Overlapping Assessments
<u>Element III.</u> A shared information pool through a framework for measuring results that provides consistent information on country PFM performance, including progress over time.	E. Use of PEFA Assessments in Tracking Performance F. Frequency of PEFA Assessments G. Timeliness in Completing Reports H. Dissemination of Reports
<u>Element IV.</u> Overarching Issues	I. Quality of Process and Final Reports J. Knowledge Transfer and Capacity Building

¹ Bangladesh, Barbados, Congo Brazzaville, Ghana, Honduras, Madagascar, Moldova, Mozambique, Nicaragua, Tanzania, Trinidad and Tobago, Vanuatu and Zambia.

Main Findings

Element I A country led PFM reform strategy and action plan.

A. Government Ownership and Use of PEFA Assessment

3. DP/Government collaboration in developing and delivering PEFA assessment varied considerably. Arrangements observed included (a) government led assessments; (b) joint Government-DP assessments (including government self assessments validated by a team of international consultants); and (c) assessments led by DPs with less direct government involvement. The most inclusive processes saw governments leading the assessment process (e.g. Zambia) or being fully integrated into the assessment team (e.g. Ghana). Both these approaches delivered a high level of government ownership combined with appropriate checks and balances to validate findings and scores. Other governments had less direct involvement in the preparation of the report but demonstrated a strong commitment to the process (e.g. Vanuatu). In some countries the assessment was seen as a donor tool linked to budget support (e.g. Barbados and Trinidad and Tobago) which reduced involvement in the process and possibly the impact of the final report.

4. Some stakeholders indicated that the degree of involvement in the assessment process needs to take account of available resources. Some approaches (e.g. self assessment) can be challenging for capacity constrained governments.

5. PEFA assessments were used in many countries as part of the reform dialogue and/or as part of the monitoring and evaluation framework for the PFM reform programme. There was less evidence of a direct link between the finalisation of PEFA assessment and the formulation/revision of the PFM reform strategy. However many respondents noted that the PEFA assessment had been a useful (but not exclusive) reference tool in formulating or re-orientating their PFM reforms.

Element II A DP-coordinated, integrated and multi-year program of PFM work that supports and is aligned with the government's PFM strategy.

B. The Dialogue on PFM Reform programs between Governments and Donors

6. Donor respondents noted a number of different motivations for instigating a PEFA assessment. These included:

- DPs demands for an up-to-date, internationally recognised PFM assessment as part of its decision making process on the provision of budget support (observed in Barbados, Honduras, Madagascar, Trinidad & Tobago and Vanuatu).
- Evaluating progress in PFM reforms and informing a joint review of the PFM programme by the Government and its development partner (in Moldova).

- PEFA assessments instigated as part of a regular programme of PFM diagnostics institutionalised between the government and development partners (observed in more aid dependent countries - Ghana, Mozambique, Tanzania and Zambia).

7. Government perceptions on the motivations for, or anticipated results of an assessment sometimes had impact on decisions as to whether (or not) to conduct a PEFA assessment and the timing and/or acceptance of its results.

Donor Collaboration and Coordination in Supporting the Reform Effort

8. The strength of existing cooperation and the existence of a joint framework for dialogue with government (observed in 2007) continue to be an important factor in DPs institutionalising the PEFA Framework and using it as a common source of information on PFM systems.

9. For countries with fewer DPs the Study observed a more inclusive approach to engaging other DPs in PEFA assessments than in 2007. There was sound evidence to suggest that this has contributed to the production of more credible and generally accepted Reports.

C. Reductions in Number of PFM Analytical Studies and Overlapping Assessments

10. Despite the PEFA Framework being used as a common pool of information, the Study found evidence of duplicative broad based diagnostic work; in some cases with missions conducted shortly before or after PEFA fact finding missions. Government officials also noted that DPs are conducting a considerable amount of uncoordinated PFM assessments to inform their own operational decision making that places an additional burden on government time.

11. None of the case study countries had a detailed, comprehensive, multi-year strategy describing how diagnostic instruments inform their development needs and the fiduciary requirements of their development partners.

Element III A shared information pool through a framework for measuring results that provides consistent information on country PFM performance, including progress over time.

D. Use of PEFA Assessments in Tracking Performance

12. A key element of the PEFA PMF is that its repeated application provides information on the extent to which PFM performance is improving or not. In the majority of cases the indicator set had been successfully used as a broad based tracking tool to monitor changes in PFM performance.

Frequency of PEFA Assessments

13. The PEFA Secretariat recommends that repeat assessments should be undertaken no more frequently than every three years; principally because they are resource intensive and

actual improvements to PFM performance take place only over a relatively long period of time. Of the thirteen case study countries, seven repeat assessments were conducted within three years of the finalisation of the previous Report, however looking forward there did appear to be a trend towards countries lengthening the period of time between assessments.

Timeliness in Completing Reports

14. A key objective of the PEFA methodology is to provide an objective, indicator based assessment (or snap shot) of the PFM system with a short time line between inception and finalising the Report. Of the eleven countries which prepared PEFA assessments during the period seven countries issued final reports within six months of the main field visit, which is considered a realistic benchmark in the Good Practice Note on Implementation of PEFA Assessments.

E. Dissemination of Reports

15. The Study only identified limited evidence of final PEFA PMF reports being widely circulated in government beyond the core group of finance ministry officials who typically co-sponsor the assessment. In addition, there was no indication that assessments were being disseminated or being broadly discussed by the media or civil society organizations.

Element IV Overarching Issues

F. Quality of Process and Final Reports

16. The overall quality of the process of preparing the PEFA report had an important impact on whether stakeholders felt ownership of the process and accepted its results. Generally those countries who had conducted a repeat assessment regarded the quality of the process as better and/or the results were in line with their expectations than the first assessment.

17. Some of the best practice procedures which improved the quality of the process of preparing PEFA assessments included:

- The development of comprehensive terms of reference; based on examples and checklists provided by the PEFA Secretariat;
- Opening workshops involving a broad range of government officials and DP officials to explain the methodology, process and roles and responsibilities of key stakeholders;
- Closing workshops to discuss preliminary results and receive comments from stakeholders;
- Building in adequate time for written and verbal comments to be provided, and ensuring these comments were addressed in an open and transparent manner;
- Ensuring that the draft report was subject to a quality assurance review by the PEFA Secretariat.

G. Knowledge Transfer and Capacity Building

18. Government officials and their development partners exhibited a better understanding of the PEFA process than was observed during the 2007 Impact Study. As well as having gained experience from the initial assessment, this may reflect the efforts of the PEFA Secretariat and their partners to ensure that training programs were delivered to government officials and development partners, combined with the increased availability of support materials. These efforts may have contributed to improvements in the openness and transparency of the PEFA process and of the impact of reports.

19. Some senior government officials felt that more time could have been spent on more in-depth PEFA training courses for their technical staff prior to the formal assessment mission.

Overall Conclusions and Linkage to Recommendations of 2007 Impact Study

20. The broad findings of the present Study corroborate and in some cases enrich the conclusions of the 2007 Impact Study, which was conducted shortly after the completion of many of the countries' initial baseline PEFA assessments. With regard to the main recommendations of the earlier Study (in italics) the following trends and comments are worth noting:

- *Continue provision of support for the PEFA framework* – The results of the 2010 Study indicate that the PEFA instrument has provided a stable platform for the Government/DP dialogue on PFM performance and increasingly on trends over time.
- *Incorporate lessons in PEFA design*. The 2010 Study provides evidence of increasing attention being paid to the design of PEFA assessments, including active government participation, joint participation by DPs, advance planning and stakeholder participation. In addition, assessments were generally completed in a timely fashion aided in part by a trend towards stand-alone rather than integrated assessments.
- *Develop strategies which encourage government leadership/ownership as this is best way to ensure active participation in the PEFA exercise and on subsequent PFM monitoring using the PEFA instrument (i.e. as part of Government-PFM dialogue)*. The 2010 Study supports the view that government participation/ownership is the most critical factor in the PEFA assessment being credible and being an integral part of the dialogue on PFM reforms. Compelling evidence is provided to suggest that there are different ways of securing greater government involvement, and how this is achieved is an important consideration which should be addressed during the design phase. The Study also noted that well designed assessment processes ensured that there was both sufficient government involvement and appropriate checks and balances which provided assurance as to the credibility of the final assessment. The Study also confirmed that

when the assessment (and the process of preparing the assessment) is seen purely as an external exercise it is less likely to secure government involvement or to have a positive impact on PFM reforms.

- *A number of strategies may assist DPs to promote government engagement in PEFA exercises and the subsequent monitoring of PEFA indicators.* The 2010 Study confirmed that strong existing DP-DP cooperation meant that PEFA was often readily integrated into the dialogue with government. In a number of countries with fewer DPs, improved processes in integrating donors and governments into PEFA process resulted in improved coordination and may have had a favourable impact on the credibility of the assessment as a whole. The Study also suggests that conducting a joint DP assessment is a less important factor in having the Report accepted as a common pool of information than ensuring that interested DPs are consulted throughout the process of designing, preparing and finalising assessments.
- *Broaden effects beyond central agencies.* The Study provided little evidence of any impact of PEFA assessments beyond central finance/planning ministries (e.g. line ministries, SNGs, SAIs and Parliament). This preliminary finding, uncorroborated by a more comprehensive in-country mission also suggests that more effort needs to be made to address issues of communicating results, public disclosure and improving dissemination workshops which incorporate the media and NGOs.

21. In addition to the conclusions and recommendations of the 2007 Impact Study:

- *Further action is needed to address the significant transaction costs resulting from duplicated and overlapping assessments:* Governments should have a coherent, integrated medium term strategy of diagnostic instruments; supported by its DPs. These should indicate the expected time commitments required by donors and government officials, and incorporate fiduciary instruments required by individual donors. In addition there may be further scope for DPs to collaborate in the significant number of fiduciary reviews and risk assessments still being carried out through sharing findings, data gathering and the coordination of assessment missions. International organizations should develop a systematic way of monitoring DP performance on this area.

Concluding Remarks

22. The results of this report are subject to a range of limitations and challenges due to its nature of a desk based study. Firstly, the study was reliant on a limited number of telephone interviews and a review of relevant documents. In three countries it was not possible, despite repeated efforts to discuss the CIN with government officials. Whilst triangulation of views was undertaken to the extent possible, some positions remain without independent verification. Secondly, the report is based only on following up the country case studies conducted in 2007. Since the publication of that Report a substantial range of additional countries have applied the PEFA Framework, so that the sample of thirteen

countries may no longer be fully representative of the entire population of assessments. Moreover, some of the thirteen country cases show little development since 2007 due to various, often political reasons. Notwithstanding the above methodological limitations it is hoped that the Study contributes to a better understanding of the impact of the PEFA Framework on governments and their DPs.

1. Introduction

1.1 OECD/DAC Guidelines on Harmonizing Donor Practices for Effective Aid Delivery introduced three principles that should guide international support for development by emphasizing country-led reform, donor harmonization and alignment around the country strategy, and a focus on monitoring of results. These principles were applied by the OECD/DAC Joint Venture on PFM to develop a strengthened approach to supporting PFM reforms; emphasizing three elements:

- A country led PFM reform strategy and action plan;
- A coordinated IFI-donor integrated and multi-year program of PFM work that supports and is aligned with the government's PFM strategy;
- A shared information pool through a framework for measuring results that provides consistent information on country PFM performance, including progress over time.

1.2 There are a number of implications of the strengthened approach:-

- Countries should be leading the PFM reform agenda and be taking ownership for results.
- A common information pool should be established so that all stakeholders use the same data; ensuring that there are fewer duplicative diagnostics.
- More joint donor assessments should be undertaken – again reducing the number of country diagnostics.

1.3 The PEFA Steering Committee commissioned independent consultants to carry out a study of the impact of adopting the PEFA Framework for public financial management (PFM) performance assessments on both governments and development partners (DPs). The study is part of the on-going process of learning lessons from the PEFA evaluation exercises intended to feed into the Strengthened Approach to Supporting PFM Reform.

1.4 This study aims to provide a better understanding of the extent to which the aims of the strengthened approach have been realised, and provide a more systematic understanding of trends and usefulness of the PEFA assessment to governments. To meet these aims the study addresses a number of specific questions:

- What is the role of government counterparts in developing and carrying out of PFM assessments?
- To what extent do donors and government counterparts collaborate in the development and delivery of analytical tools; and what form does that collaboration take?
- Knowledge transfer – is there an explicit element of capacity building built into the process of producing an analytical report.
- Does the government have a multi-year programme of diagnostic instruments; supported by its development partners?
- Is there any evidence of a reduction in total number and overlap of PFM diagnostics since the introduction of the strengthened approach?
- What are the perceptions of key government counterparts as to the usefulness of various PFM diagnostic tools?

- What was the trigger for the various PFM Diagnostics (e.g. part of multi-year programme, trigger for GBS programme, part of reform project, or input to preparation of a project)?
- To what extent were the results of the diagnostics circulated, disseminated and discussed (e.g. within government, parliament and in the media)?
- To what extent – and how – were the diagnostic studies used for reform dialogue and formulation?

1.5 The Study covers the period from September 2007 to date and follows a similar methodology to the 2007 Impact Study. That exercise analysed the impact of the PEFA PMF on governments and development partners, based on thirteen country cases. Data was collected through desk research and a series of structured telephone and face-to-face interviews. The Study analyzed both development partners and government's view (based on perceptions and experience) of the PEFA assessment.

1.6 Based on the countries reviewed, the 2007 study concluded that there was evidence that PEFA assessments made an impact on both governments and development partners. Although proportionally more of this effect was indirectly attributable to the PEFA assessment, there were also a number of cases where the PEFA assessments led to a direct change in governments' PFM reform programmes. In terms of more non-directly attributable effects, the PEFA assessments served both to provide governments with a comprehensive view of PFM strengths/weaknesses in a single document as well as to provide perspective on the achievements and challenges of the PFM system, based on evidence rather than perception. This led both to confirmation of known strengths/weaknesses as well as to the identification of previously unfamiliar challenges to be addressed. At the same time, the study concluded that PEFA framework has provided an opportunity to share their experiences with peers.

1.7 The present report is in two parts. The first part, Volume I, contains a synthesis of issues raised by the case studies; Volume II provides a detailed Country Impact Note on each of the thirteen countries analysed as part of the Study.

2. Context and Methodology for the Study

2.1 The purpose of the study was to analyse the impact of the PEFA framework on governments and development partners. The study is not intended to provide quality assessments of individual reports. It is recognised that there are different experiences in terms of the impact of PEFA assessments. The idea is to try to capture emerging good practice and to identify those factors which are more or less likely to lead to a demonstrable effect on governments and on donor agencies.

2.2 In this Study the impact of the PEFA assessments has been measured against the principles set out in the Strengthened Approach. Amongst the elements examined by the Study were (i) government ownership and use of the assessment, (ii) dialogue on PFM reform programmes between governments and DPs, (iii) donor collaboration and coordination in supporting the reform effort, (iv) perceptions as to the quality of the process of preparing the report and credibility of results, (v) reductions in number and overlap in PFM analytical studies and (vi) timeliness of completion and dissemination of the reports.

Study methodology

2.3 The methodology for the interim report focussed on structured telephone interviews, supported by the circulation of interview questions. Stakeholders included government and development partner officials. The Study updated CINs for the same thirteen countries² which had been analysed in 2007. As a result the Team were able to look at longer term trends and developments in the period from September 2007 to November 2010. Triangulation of views was sought from as many sources as possible. In addition to the telephone interviews, a review of relevant documents was undertaken, including the original and repeat PEFA assessments, the documentation on public financial management reform programmes, other PFM diagnostics conducted by development partners, and other donor PFM programme review documentation.

2.4 In each case the Team attempted to conduct least three interviews, with inputs sought from both government and DP stakeholders. In four countries it was not possible, despite repeated efforts to discuss the CIN with government officials, and in one case (Congo-Brazzaville) views were only solicited from one in-country DP (see Box 1 below). In a few countries this information was augmented with information provided by PFM consultants who had an understanding of the assessment process and/or the PFM reform agenda.

² Barbados and Trinidad and Tobago are treated as separate countries in this Study – they were analysed as one “country”, the Caribbean in the 2007 Study.

Box 1 Summary List of Persons Interviewed

Country	Government Officials Interviewed?	DPs/Consultants and Advisors
Bangladesh	No	EU, WB (by email) and Consultant
Barbados	Yes (MOF)	EU and IADB
Congo Brazzaville	Yes (Ministry of Finance, Budget and Public Portfolio)	EU
Ghana	Yes (MOFEP)	EU and WB
Honduras	Yes (MOF)	IADB and WB
Madagascar	Yes (Ministry of Finance and Budget)	EU and WB
Moldova	Yes (MOF in writing)	DFID (by email), EU and WB
Mozambique	Yes (MOF)	EU and SDC
Nicaragua	Yes (MOF)	IADB and WB
Tanzania	No	Canada, the Governance and PFM Secretariat, and Consultants (2).
Trinidad and Tobago	No	EU and IADB
Vanuatu	Yes (Government Treasury Advisor)	AUSAID and EU
Zambia	Yes (PEMFA Secretariat) ³	EU and WB.

Description and Overview of the Case Study Countries

2.5 A brief overview of the case study countries selected is shown in Box 2⁴. Box 3 indicates provides a more overview of the case study countries at a glance. A brief summary of the characteristics is provided below:

Regions and PFM Heritage Covered

2.6 All regions are represented, with the exception of the Middle East/North Africa. Six are from Sub-Saharan Africa, one is from Asia, one is from Eastern Europe and Central Asia (ECA) region, two are from the Latin American region, and three small-islands are represented. Larger countries which have conducted PEFA assessments (e.g. Brazil and India) are under- represented in the Report.

2.7 The case studies include those from all main PFM heritages, with relatively more Anglophone sub-Saharan countries, reflecting the relative greater completion rate of PEFA assessments in these countries compared to those with other PFM administrative traditions.

Types and Frequency of Assessments

2.8 Ten countries conducted at least one repeat PEFA assessment since the last Impact Study in 2007. Tanzania conducted or has completed annual PEFA assessments for FYs 2007/08 and 2008/09.

³ A fully owned government program supported by Cooperating Partners.

⁴ The study's authors worked on PEFA Assessment on three of the countries studied Moldova (both 2006 and 2008), Madagascar (2008) and Nicaragua (2006). Nevertheless, the analyses and description of impact in this study have been based on the expressed views of those interviewed and on documentary evidence.

2.9 Of the remaining three countries which have not completed a repeat assessment in the period, Bangladesh was undertaking a PEFA assessment at the time the Study was being prepared (Oct/Nov 2010) and Nicaragua was reported to be planning a study in the second half of 2011⁵. Of the case study countries only Congo-Brazzaville had not undertaken an assessment and/or has no official plans to do so at the time of the Study.

2.10 Three countries extended the scope of their repeat assessments to conduct an evaluation of selected sub-national governments using the PEFA methodology (i.e. Ghana, Mozambique and Zambia).

2.11 PEFA assessments in the period were all been undertaken as stand-alone exercises, rather than being specifically integrated into other PFM diagnostics (e.g. the PER).

Primary Sponsors of Assessments

2.12 Amongst DPs, the WB and the EC have been the primary sponsors (together or individually) of the majority of countries studied; with most conducted as joint exercises. Other lead donors or joint lead donors were the AfDB, DFID, GTZ, Norway, SIDA and Switzerland.

Length of Assessments

2.13 Regarding the PEFA PFM-PR in the majority of countries studied, the reports have been finalised, and most were of medium length, which is longer than recommended in the PEFA Guidelines⁶.

⁵ Although this had not been formally confirmed by the Government.

⁶ The PEFA Guidelines indicate an optimal length (excluding annexes) of 30-35 pages. PEFA Secretariat is quite aware of this issue and does not criticize reports with up to 100 pages total on that account.

Box 2: Country Cases Studied – Overview	
Country	Background and Key Facts
Bangladesh	<ul style="list-style-type: none"> ➤ Representative of the Asia region ➤ Original PEFA assessment has been undertaken and included in World Bank's CAS ➤ First stand alone PEFA assessment being undertaken in 2010
Barbados	<ul style="list-style-type: none"> ➤ Island economies, with relatively low level of aid-dependence. ➤ Relatively small number of DPs. ➤ Government had its own PFM reform agenda which pre-dates PEFA and is independent of DPs
Congo-Brazzaville	<ul style="list-style-type: none"> ➤ Francophone PFM heritage ➤ Detailed assessment undertaken but no repeat assessment. ➤ Potential issue of mineral wealth
Ghana	<ul style="list-style-type: none"> ➤ Anglophone PFM heritage ➤ Strong donor-Government dialogue. ➤ Repeat assessment included an assessment of selected SNGs
Honduras	<ul style="list-style-type: none"> ➤ Hispanic heritage ➤ Joint lead donors WB-IADB ➤ First assessment integrated product - repeat stand-alone assessment.
Madagascar	<ul style="list-style-type: none"> ➤ Francophone PFM heritage ➤ April 2009 coup resulted in stalled reform programme.
Moldova	<ul style="list-style-type: none"> ➤ Eastern European, FSU PFM heritage ➤ Government self assessment completed as part of the repeat assessment. ➤ Repeat assessment conducted to feed into on-going PFM Strengthening Project Mid-Term Review
Mozambique	<ul style="list-style-type: none"> ➤ Lusophone PFM heritage ➤ Strong Government-DP partnership on PFM and well organized collaboration on the PEFA Assessment. ➤ Expanded use of the Framework to SNG
Nicaragua	<ul style="list-style-type: none"> ➤ Hispanic heritage ➤ Joint lead donors WB-IADB-DFID-EC ➤ Stand-alone product (in contrast to other Latin American examples)
Tanzania	<ul style="list-style-type: none"> ➤ Anglophone PFM heritage ➤ DPs active in using PEFA methodology – annual PEFA assessments being undertaken ➤ Active PFM support programme
Vanuatu	<ul style="list-style-type: none"> ➤ Island economy in the Pacific region ➤ Of the Pacific/Caribbean islands with PEFA assessments, it represents one of the larger, more aid dependent and less rich examples. ➤ Pacific region includes AusAid and the Asian Development Bank
Zambia	<ul style="list-style-type: none"> ➤ Anglophone PFM heritage ➤ Government-led PEFA assessment ➤ PEFA framework explicitly part of M&E framework for PFM reform programme

Box 3: Case Study Countries at a Glance¹														
	BAN	BAR	CON	GHA	HON	MAD	MOL	MOZ	NIC	TAN	T&T	VAN	ZAM	TOT ²
Region														
Sub-Saharan Africa			x	x		x		x		x			x	6
Europe/Cent. Asia							x							1
South Asia	x													1
E Asia/Pacific												x		1
L Amer/Carib.		x			x				x		x			4
Admin. heritage														
Francophone			x			x						x		3
Anglophone	x	x		x						x	x	x	x	7
E. European							x							1
Other	x				x			x	x					4
Type of assessment														
Stand-alone/indep.		x		x	x	x	x	x		x	x	x	x	10
Integrated/ linked to DP process														0
Report under preparation	x													1
No assessment during period			x						x					2
Lead donor														
World Bank						x ¹	x			x				3
EC		x			x						x	x		4
Other				x		x ²		x					x	4
Report under preparation	x													1
No assessment during period			x						x					2
Single/multi-donor														
Joint donor	x			x	x	x		x		x			x	7
Single-donor		x						x			x			4
No assessment during period			x						x					2
Length of final/draft final report (excl annexes)														
<50 pages												x	x	2
50-100 pages		x			x		x	x		x	x			6
>100 pages				x		x								2
Report under preparation	x													1
No assessment during period			x						x					2
Follow-on since original														
Yes		x		x	x	x	x	x		x	x	x	x	10
CG/SNG		CG		CG/SNG	CG	CG	CG	CG/SNG		³	CG	CG	CG/SNG	
No Planned or being prepared			x											1
When Planned?	x								x ^{4?}					2
	Qtr 4 2010								Qtr 3 2011					
Elapsed time between reports														
12 – 24 months						x		x		x				3
>24 -36 months					x		x				x		x	4

¹ Joint initiative between WB and AfDB.

² Joint initiative between WB and AfDB.

³ Prepared annually – 2008/09 PEFA prepared for Mainland Tanzania. PEFA for Zanzibar completed August 2010.

⁴ Still to be formally confirmed by Government.

>36-48 months		x		x								x		3
>48 months	x (7)													1
No assessment prepared in per.			x						x					2
<i>Elapsed time from field visit to final report</i>														
< 3 months						x	x					x	x	4
4-6 months				x	x			x						3
7-12 months													x	1
> 12 months or final report not issued.		x									x			2
Report under preparation	x													1
No assessment prepared during period			x						x					2
<i>Elapsed time since last report to Nov 2010</i>														
<12 months		x		x										2
12-24 months					x							x	x	4
24-36 months						x	x	x						3
36-48 months									x(8)					1
>48 months	x		x											2
Final Report not issued											x			1
No assessment prepared during period														
Notes: 1. Countries: BAN=Bangladesh, CAR=Caribbean (Trinidad and Barbados), CON=Congo Brazzaville, GHA=Ghana, HON=Honduras, MAD=Madagascar, MOL=Moldova, MOZ=Mozambique, NIC=Nicaragua, TAN=Tanzania, VAN=Vanuatu, ZAM=Zambia														

Footnotes.

7. Based on field work conducted in October 2010.

8. Draft report never finalised.

3. Analysis and Main Findings

3.1 An analytical framework for this Chapter of the Report is set out in Table 1 below. The structure is as follows:

- The Framework is made up of the three elements of the strengthened approach; i.e. (a) a country led PFM reform strategy and action plan; (b) a coordinated IFI-donor integrated and multi-year program of PFM work that supports and is aligned with the government's PFM strategy; and (c) a shared information pool through a framework for measuring results that provides consistent information on country PFM performance, including progress over time.
- The Framework also incorporates a fourth "overarching element" which addresses factors which impact on all three elements of the strengthened approach (i.e. and the quality of the process of preparing the report; and of the final report itself and knowledge of the PEFA framework/process amongst stakeholders).
- The Impact Study addresses each element through a ten sub-elements, these in turn are broken down into research questions (drawn from the Study Concept Note) which have been designed to highlight lessons learnt relating to factors which have had a positive or negative impact on the various elements of the Strengthened Approach.

3.2 Under each sub-element the Chapter highlights (a) areas of best practice and, (b) issues which might be indicative of sub-optimal processes/practices. Conclusions and, where appropriate recommendations have been incorporated into the narrative throughout.

TABLE 1 – Analytical Framework to Structure Findings from Country Case Studies

<p style="text-align: center;">Element IV Overarching Issues</p> <p style="text-align: center;">I. Quality of Process and Final Reports</p> <p style="text-align: center;">I12. How important was the quality of the process to Government and DPs?</p> <p style="text-align: center;">J. Knowledge Transfer – Capacity Building</p> <p style="text-align: center;">J13. Knowledge transfer – is there an explicit element of capacity building built into the process of producing an analytical report?</p>	<p style="text-align: center;"><u>Element of the Strengthened Approach</u></p>	<p style="text-align: center;"><u>Implications</u></p>	<p style="text-align: center;"><u>Coverage in the Impact Study</u></p>	<p style="text-align: center;"><u>Supporting Questions</u></p>
	<p><u>Element I.</u> A country led PFM reform strategy and action plan.</p>	<p>Countries should be leading the PFM reform agenda and be taking ownership for results.</p>	<p>A. Government Ownership and Use of PEFA Assessment</p>	<p>A1. What is the role of government counterparts in developing and carrying out of PEFA assessments? A2. To what extent do donors and government counterparts collaborate in the development and delivery of PEFA assessments; and what form does that collaboration take? A3. To what extent – and how – were the PEFA assessments used for reform dialogue and formulation?</p>
	<p><u>Element II</u> A DP-coordinated, integrated and multi-year program of PFM work that supports and is aligned with the government’s PFM strategy.</p>	<p>Joint donor assessments should be undertaken through a multi-year program - reducing the number of country diagnostics.</p>	<p>B. The Dialogue on PFM Reform programs between Governments and Donors C. Donor Collaboration and Coordination in Supporting the Reform Effort D. Reductions in Number of PFM Analytical Studies and Overlapping Assessments</p>	<p>B4. Does the government have a multi-year programme of diagnostic instruments; supported by its development partners? C5. What was the trigger for a PEFA assessment (e.g. part of multi-year programme, trigger for GBS programme, part of reform project, or input to preparation of a project)? D.6 What impact did PEFA assessments have on donor collaboration and in supporting the reform effort? D7. Is there any evidence of a reduction in total number and overlap of PFM diagnostics since the introduction of the strengthened approach?</p>
	<p><u>Element III</u> A shared information pool through a framework for measuring results that provides consistent information on country PFM performance, including progress over time.</p>	<p>A common information pool should be established so that all stakeholders use the same data; ensuring that there are fewer duplicative diagnostics.</p>	<p>E. Use of PEFA Assessments in Tracking Performance F. Frequency of PEFA Assessments G. Timeliness in Completing Reports H. Dissemination of Reports</p>	<p>E8. How has the PEFA Assessment been used as a tracking tool? F9. What trends have been noted in respect of the frequency of conducting PEFA Assessments? G10. What trends have been noted in the timeliness of PEFA reports? H.11 To what extent were the results of the diagnostics circulated, disseminated and discussed (e.g. within government, parliament and in the media)?</p>

Element I – A Country-led PFM Reform Strategy and Action Plan

A. Government Ownership and Use of PEFA Assessment

A1. What is the role of government counterparts in developing and carrying out of PEFA assessments?

3.2 The way in which governments engaged in the preparation of PEFA assessments varied considerably in the case study countries. Some of the strongest government involvement was observed in aid dependent countries where existing relationships between governments and DPs was already well established. In Zambia, a government team from central government ministries (the procurement agency, finance ministry, PEMFA Secretariat and revenue authority) led all aspects of the assessment from developing the terms of reference to preparing the final report. DPs supported the assessment process by sponsoring an experienced international consultant to work as part of the team. This approach built a high level of government ownership, with the international consultant providing assurance on the validity of the findings and scoring.

3.3 In Ghana government staff did not lead the assessment but were particularly well integrated with the consulting team tasked with preparing the PEFA assessment for central government and sub-national governments (SNGs). The result was a comprehensive and detailed assessment which provided the finance ministry with useful insights into areas of the PFM system requiring attention. Active involvement in the main fact finding mission also enabled finance ministry staff to gain a better understanding of PFM issues and capacity constraints in line ministries and SNGs.

3.4 In Moldova the government, having gained a good understanding of the PEFA methodology from the initial assessment, conducted a strong self assessment prior to an independent assessment by a team of international consultants. This dual process allowed the government and the consulting team to have an open and transparent discussion on outlying scores. The result was a robust document which was finalised relatively quickly and which had the endorsement of the government and sponsoring DPs.

3.5 Other governments had less direct involvement in the preparation of the report but a strong commitment to the process. In Vanuatu, for example the government contributed to all aspects of the assessment process, supporting the consulting team with an office in the finance ministry, logistical support in arranging meetings and senior management involvement in opening and closing workshops. The result was a high level PFM assessment tool which provided the government with assurance that the PFM reform agenda was on track.

3.6 In other countries governments were less engaged in the PEFA process. In Barbados the PEFA report was seen as a donor exercise linked to decisions regarding budget support. Consultants had access to government officials during the fact finding mission and management attended the opening and closing workshops; however it had been difficult to engage in a constructive dialogue to finalise the report. Nevertheless, in spring 2011 the Government is using the 2010 Report as an input to the development of a PFM Action Plan. In Trinidad and Tobago the PEFA assessment was also largely seen as a donor exercise linked

to the provision of budget support. However in that case there was better engagement with senior management at the closing workshop which opened the door to a Government-DP dialogue on the development of a PFM reform action plan.

A2. To what extent do donors and government counterparts collaborate in the development and delivery of PEFA assessments; and what form does that collaboration take?

3.7 There were various ways in which donors and government counterparts collaborated in the development and delivery of PEFA assessments. The type of collaboration observed included:

- *Government led – DP supporting role* – observed in Zambia (discussed above).
- *Joint DP-government assessment* – This form of collaboration encompasses a range of different approaches to government engagement in the assessment process. In Mozambique the government and DPs closely coordinated in all aspects of the PFM agenda through a PFM Technical Committee and the PEFA process was seen as an integral part of that commitment. A joint government/DP Steering Committee provided the forum for stakeholders to be fully engaged in all aspects of the PEFA process (from formulating the TORS to agreeing the results). Government officials noted that this engagement provided more assurance on the results than the initial assessment (which they described as being more “donor driven”). Similar institutional arrangements were adopted in Ghana (see above) however this was extended to integrate government officials as part of the assessment team (led by a team of experienced international consultants).
- *Self assessment with validation by team of international consultants (observed in Moldova and Nicaragua)*. The self assessment process in Moldova is outlined above. The self assessment process endorsed government own assessment of their progress on their reforms; however it was also regarded as a time consuming exercise. As a result the government is reported to be less committed to the self assessment route as an approach for future assessments⁷. In Nicaragua an international expert worked closely with the government to prepare a self assessment which was developed into a final draft, with the support of a DP financed consultant.
- *DP driven with less government involvement* – In some countries the Study observed less government involvement, typically limited to cooperating with the DP/assessors in the provision of information and verbal/written comments. This approach was observed in countries which had a low level of analytical capacity (e.g. Congo Brazzaville) and/or were less aid dependent and/or less committed to the PEFA process (for example Barbados and Trinidad and Tobago).

⁷ Government officials in Ghana also questioned the benefits of conducting a self assessment in relation to available capacity.

<p>Conclusions and Lessons Learnt</p>	<ul style="list-style-type: none"> • There are a number of different ways in which government officials can participate in PEFA assessments; the most inclusive processes saw government officials leading the assessment or being fully integrated into the assessment team. • Stakeholders designing assessment processes which engage with government officials need to balance the level of involvement with available capacity. Some approaches (e.g. self assessment) are particularly challenging and resource intensive.
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A3. To what extent – and how – were the PEFA assessments used for reform dialogue and formulation?

3.8 The Study found a number of cases in which PEFA assessments were used as part of the reform dialogue and/or as part of the monitoring and evaluation framework for the PFM reform programme. There was less evidence of direct link between the finalisation of PEFA assessment and the formulation/revision of the PFM reform strategy. However many respondents noted that the PEFA assessment had been a useful (but not exclusive) reference tool in formulating or re-orientating their PFM reforms. The case of Zambia illustrates how the initial and repeat PEFA assessment informed the reform dialogue.

3.9 In Zambia the initial PEFA assessment provided stakeholders with a broad assessment of the entire PFM system, shedding light on areas which may not have previously received attention (for example, weaknesses in commitment controls and expenditure arrears), and which were then addressed by the reform programme. Government and DPs also institutionalised regular PEFA assessments as part of a high level monitoring framework for the PEMFA programme. Attempts to extent the use of the PEFA as a more explicit instrument in support the process of sequencing and prioritising PFM reforms proved to be more challenging. An initial attempt to influence the PFM reform agenda through a workshop at the time the repeat PEFA assessment (in 2008) was finalised did not take place; apparently because rescheduling the reform programme was not part of the policy dialogue at that time. However, nine months later (in 2009) the PEFA assessment was identified as a key input into a working group tasked with simplifying the scope of the reform programme.

3.10 Some government officials cautioned the use of PEFA assessments as a direct input into the reform programme. For example the Government of Vanuatu sees the PEFA PMF as a useful assessment tool, providing assurance that the reform agenda is on track, rather than an instrument which drives policy. The Government regarded DPs insistence on a PFM

reform strategy linked to PEFA results as duplicative and unnecessary, given that they already had their own explicit government strategies and corporate plans in place.

3.11 Unsurprisingly the quality of the assessment also had an impact on its use in influencing the reform process. In Tanzania doubts over the quality of PEFA assessments (discussed below) contributed to the Framework losing credibility as an instrument guiding the policy dialogue on PFM reforms. One DP noted that other documents (particularly the Reports of the Controller and Auditor General (CAG)) were considerably more useful in the discussions regarding the future direction of PFM reforms in fall 2010.

<p>Conclusions and Lessons Learnt</p>	<ul style="list-style-type: none"> • PEFA assessments are being used as part of the reform dialogue and/or as part of the monitoring and evaluation framework for the PFM reform programme. There is less evidence of direct link between the finalisation of PEFA assessment and the formulation/revision of the PFM reform strategy. • The extent to which PEFA assessments impact on governments' reform programmes will depend on different institutional arrangements, the strength of strategic and corporate planning and on the political economy of different governments.
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Element II – A DP coordinated, integrated and multi-year program of PFM work that supports, and is aligned with the government’s PFM strategy.

B. The Dialogue on PFM reform programs between Governments and Donors

B4 What was the trigger for a PEFA assessment (e.g. part of multi-year programme, trigger for GBS programme, part of reform project, or input to preparation of a project)?

3.12 Respondents noted a number of different motivations for instigating a PEFA assessment. These included:

- DPs demands for an up-to-date, internationally recognised PFM assessment as part of its decision making process on the provision of budget support (observed in Barbados, Honduras, Madagascar, Trinidad and Tobago and Vanuatu).
- Evaluating progress in PFM reforms and informing a joint review of the PFM programme by the Government and its development partner (in Moldova).
- PEFA assessments instigated as part of a regular multi-year programme of PFM diagnostics institutionalised between the government and development partners (observed in more aid dependent countries - Ghana, Mozambique, Tanzania and Zambia).

3.13 Government perceptions on the motivations for, or anticipated results of a PEFA assessment sometimes had impact on agreeing to a PEFA assessment, the timing an assessment and/or acceptance of its results. In Moldova the DPs and government had strong expectations that the repeat assessment would show good progress on PFM performance which is reported to have had some influence on the timing of the 2008 assessment. Conversely, in other countries (e.g. Bangladesh and Nicaragua) concerns that PEFA scores might not be in line with the government’s own expectations and how these could be used by DPs in making decisions regarding budget support, may have contributed to a reluctance to conduct regular assessments.

<p>Conclusions and Lessons Learnt</p>	<ul style="list-style-type: none"> • It is important to understand the objectives of stakeholders (whether these are different or pulling in the same direction) in conducting PEFA assessments and recognize pressures which may influence the objectivity of the findings and/or scores; for example through linking PEFA scores directly to BS conditionality’s.
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C. Donor Collaboration and Coordination in Supporting the Reform Effort

C5. What impact did PEFA assessments have on donor collaboration and in supporting the reform effort?

3.14 The 2007 Impact Study noted that the strength of existing cooperation and the existence of a joint framework for dialogue with government was an important factor in DPs using the PEFA Framework as a common source of information on PFM systems.

3.15 In 2010 aid dependent countries in Sub-Saharan Africa continued to exhibit strong donor PFM groups, and generally saw PEFA assessment as a useful “single stop shop” used to inform decisions on general budget support, use of country systems and fiduciary risk (for example Ghana, Mozambique and Zambia). One in-country respondent noted, for example that the scoring mechanism was useful in giving an efficient measure of small changes in the PFM system over time; observing that “sometimes if we work with the system day to day we aren’t aware of small incremental improvements”. DPs in Zambia added that one of the key benefits of the PEFA framework was that it was a shared methodology not tied to a single institution.

3.16 For countries with fewer DPs the Study observed a more inclusive approach to conducting PEFA assessments than was apparent in 2007. Lead donors now seem to be more aware of the benefits of an inclusive approach, including incorporating other DPs into the process of developing terms of reference, conducting opening and closing workshops, and encouraging comments on draft reports (for example see Trinidad and Tobago, Barbados and Honduras). This inclusive process may have contributed to a broader number of DPs seeing results as more credible (see Honduras) and useful than was apparent during the 2007 Study.

3.17 As noted earlier the Study also found some evidence of PEFA assessments providing useful information on weaknesses which were then supported by their DPs. In Vanuatu, for example the 2007 Assessment contributed to a better understanding of PFM system weaknesses which contributed to DP support in the further development of the Government’s IFMIS, systems of reporting and development of the external audit function. Perhaps unsurprisingly repeat PEFA assessments produced less in the way of “new issues” or “quick fixes” than was observed in reviewing the initial assessments in the 2007 Study.

<p>Conclusions and Lessons Learnt</p>	<ul style="list-style-type: none"> • The strength of existing cooperation and the existence of a joint framework for dialogue with government continued to be an important factor in DPs institutionalising the PEFA Framework and using it as a common source of information on PFM systems. • For countries with fewer DPs the Study observed a more inclusive approach to conducting PEFA assessments than was apparent in 2007. This may be a contribution to producing more credible and generally accepted Reports.
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D. Reductions in Number and Overlap of PFM Analytical Studies

D6. Does the government have a multi-year programme of diagnostic instruments; supported by its development partners?

D.7 Is there any evidence of a reduction in total number and overlap of PFM diagnostics since the introduction of the strengthened approach?

3.18 The Study found some evidence of aid dependent countries with a large number of DPs developing basic multi-year programme of PFM diagnostics. For example in Ghana the institutional arrangements provide for an annual External Review of PFM supported with a PEFA assessment every three years. Tanzania's approach is to conduct an annual PEFAR and PEFA assessment. In Mozambique the regular (i.e. every 3-4 years) PEFA assessment has been institutionalised as a common information pool for the government and development partners. Other less aid dependent countries (e.g. Caribbean) and countries with fewer development partners (e.g. Honduras) did not have formal multi-year diagnostic programmes however have seen a reduction in ad-hoc diagnostic work as a result of periodic PEFA assessments being used as a common reference point for DPs.

3.19 Despite the PEFA Framework being used as a common pool of information, the Study found some evidence of duplicative broad based diagnostic work, sometimes with missions conducted shortly before or after PEFA fact finding missions. In Mozambique, despite strong DP cooperation and agreement on the use of PEFA, IMF Fiscal Transparency ROSC and PEFA missions took place only a few months apart. In Moldova two broad based assessments were conducted in 2010⁸, apparently with little reference to the most recent PEFA assessment.

3.20 While the PEFA framework is increasingly seen as an internationally recognised model to assess PFM systems, DPs are still conducting assessments (often built around the PEFA) for operational decisions (e.g. to inform decisions on the provisions of budget support). Government representatives in Ghana noted that this placed a burden on government time, however recognised that the availability of the PEFA assessment as a common pool of reference may have shortened mission times. In Tanzania respondents also suggested that the availability of PEFA assessments may have reduced transaction costs in relation to fiduciary assessments; however these benefits may have been undermined by the number of PEFA updates. Finally, in Vanuatu government officials noted that while the PEFA assessment is broadly accepted amongst DPs, significant transaction costs still arose as a result of parallel and burdensome DP diagnostic procedures for sector programmes and investment projects.

⁸ The OECD Working Party of Senior Budget Officials – Review of Budget Processes and ECFIN –Operational Assessment.

3.21 As noted in the 2007 Impact Study there is still a lack of comprehensive data on the transaction costs of diagnostic instruments, and how these inform their development needs and the fiduciary requirements of their development partners.

<p>Conclusions and Lessons Learnt</p>	<ul style="list-style-type: none">• Despite some evidence that the PEFA Framework is being used as a common pool of information, this does not appear to be translating into a significant reduction in amount of PFM diagnostic work being undertaken.• None of the case study countries had a comprehensive, multi-year strategy describing how diagnostic instruments inform their development needs and the fiduciary requirements of their development partners.
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Element III – A shared information pool through a framework for measuring results that provides consistent information on country PFM performance, including progress over time.

E. Use of PEFA Assessments in Tracking PFM Performance

E8. How has the PEFA Assessment been used as a tracking tool?

3.22 The PEFA PMF Framework notes that “repeated application of the indicator tool will provide information on the extent to which country PFM performance is improving or not”. The Study was able to look at the impact of repeat assessments as tracking tools in nine of the thirteen case study countries.

3.23 In Moldova and Mozambique the PEFA assessment presented a simple but useful diagrammatic comparison of the first and repeat assessment with a qualitative narrative of the changes in performance of the PFM system between assessments. In Ghana the assessment provided a qualitative discussion of the changes; however the assessment team recalibrated nine of the indicators in the initial assessment arguing that this enabled a better comparison of results due to “changed budgetary classifications, differing methodology assumptions, improved availability or access to information, different data sampling and aggregation and possible scoring methodology mistakes”⁹. A detailed explanation of the changes was provided in an Annex to the Report.

3.24 In one case (Trinidad and Tobago); work on the repeat assessment established fundamental weaknesses in the initial assessment which resulted in the EU (the main sponsor of the assessment) rejecting it as an appropriate basis to be used as a benchmark for future assessments. While an attempt was made to compare the 2006 and 2008 PEFA assessments in an Annex to the Report no overall conclusions were drawn because of the limitations of the 2006 Report.

<p>Conclusions and Lessons Learnt</p>	<ul style="list-style-type: none"> Despite some weaknesses in early PEFA assessments the PEFA Framework is being successfully applied as a broad based tracking tool to monitor changes in PFM Performance.
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F. Frequency of PEFA Assessments

F9. What trends have been noted in respect of the frequency of conducting PEFA Assessments?

3.25 The PEFA Secretariat recommends that repeat assessments should be undertaken no more frequently than every three years; principally because they are resource intensive and

⁹ Ghana PEFA Assessment, 2009 Volume I p37.

raise unrealistic expectations regarding improved scores. Of the thirteen case study countries, seven repeat assessments were conducted within three years of the finalisation of the previous Report. Of these, three were conducted within two years of the initial assessment.

3.26 Notwithstanding this finding, there does appear to be a trend towards following PEFA Secretariat guidelines. For example, both Moldova and Mozambique had repeat assessments within two years of their initial assessments, but will conduct a second repeat assessment after more than three years have elapsed.

3.27 One country (Tanzania) conducted annual PEFA assessments until 2008/09. In this case changes in interpretation and judgement by different assessors became important relative to actual performance changes, which resulted in confusing conclusions. This fact, combined with long lead times taken to conclude assessments illustrates the problems which can occur when there is insufficient time between assessments.

<p>Conclusions and Lessons Learnt</p>	<ul style="list-style-type: none"> • Of the thirteen case study countries, seven repeat assessments were conducted within three years of the finalisation of the previous Report. • There is some evidence that stakeholders are beginning to follow PEFA Secretariat guidelines with respect to repeat assessments (i.e. that they are undertaken no more frequently than every three years).
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G. Timeliness of Completing PEFA Reports

G10. What trends have been noted in the timeliness of PEFA reports?

3.28 A key objective of the PEFA methodology is to provide an objective indicator based assessment (or snap shot) of the PFM system with a short time line between inception and finalising the Report. The timely finalisation of a mutually agreed report increases the chance that the document will be topical and quickly feed into the reform processes and provide a common pool of information for governments and DPs.

3.29 Of the eleven countries which prepared PEFA assessments during the period seven countries issued final reports within six months of the main field visit¹⁰. In Zambia the main report was completed within a month of starting the field mission however the Government took a further 6 months to address comments of stakeholders and the PEFA Secretariat. In Nicaragua the PEFA framework did bring the DPs together around a common instrument providing a comprehensive statements of the status of PFM systems, although they became frustrated due to delays in the finalisation and release of the Report. Finally, in Tanzania the process related problems outlined elsewhere in this Study delayed finalisation of assessments and contributed to its lack of impact amongst government and DP officials.

¹⁰ In addition Barbados completed its PEFA Assessment in July 2010 and the report is still awaiting finalisation.

Conclusions and Lessons Learnt	<ul style="list-style-type: none"> • Most countries managed to finalise PEFA assessments within six months of the assessment field mission.
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H. Dissemination of PEFA Reports

H11. To what extent were the results of the diagnostics circulated, disseminated and discussed (e.g. within government, parliament, civil society or in the media)?

3.30 As noted above, the 2010 Study found evidence of stronger and more transparent processes built around the development of PEFA assessments than was apparent in preparing the 2007 Impact Study. This manifested itself in regular opening and end of mission workshops, and more inclusive and transparent processes to feed in comments. However, the Study only found limited evidence of final PEFA PMF reports being widely circulated in government outside the core group of central government finance or planning ministry officials who typically co-sponsor the assessment. There was also no indication of diagnostics being disseminated and broadly discussed across the media and civil society.

3.31 In Zambia the report was circulated to all government officials who participated in the assessment process and 250 copies of the final report were printed. Despite this DP respondents were disappointed that the government had not made more of an effort to disseminate “a positive story” outside government. In Vanuatu the government saw the PEFA assessment as a highly credible benchmark which demonstrates that it has developed a strong PFM system. They made the assessment available to overseas visitors to the finance ministry. In addition the summary assessment has been translated and published into French and Bislama (local language). Respondents in Mozambique also noted that the final PEFA assessment was circulated widely amongst government and were made available to civil society groups.

3.32 The Study found no evidence of the results of PEFA assessments being discussed in parliament or the subject of media attention; however a detailed exploration of this issue went beyond the scope of this assignment.

Conclusions and Lessons Learnt	<ul style="list-style-type: none"> • The Study only found limited evidence of final PEFA PMF reports being widely circulated in government and no evidence of discussion in parliament, civil society or in the media.
Recommendations	<ul style="list-style-type: none"> • Conduct further in-country studies to identify good practices in the circulation, dissemination and discussion of PEFA assessments.

Element IV – Other Overarching Issues

I. Quality Control and the Process of Preparing PEFA Assessments

I12. How important was the quality of the process to Government and DPs?

3.33 The overall quality of the process of preparing the PEFA report had an important impact on whether stakeholders felt ownership of the process and accepted its results. Generally those countries who had conducted a repeat assessment regarded the quality of the process was better and/or the results were more in line with their expectations than the first assessment. It also appeared that a broader cross section of government and development partner officials and assessors had a better understanding of the process of producing the report and the PEFA methodology itself (discussed further in knowledge transfer below). Some of the best practice procedures which improved the quality of the process of preparing PEFA assessments included:

- The development of comprehensive terms of reference; based on templates provided by the PEFA Secretariat;
- Opening workshops involving a broad range of government officials and DP officials to explain the methodology, process and roles and responsibilities of key stakeholders;
- Closing workshops to discuss preliminary results and receive comments from stakeholders;
- Building in time for written and verbal comments to be provided, and ensuring these comments were addressed in an open and transparent manner;
- Ensuring that the draft report was subject to a quality assurance review by the PEFA Secretariat;
- Repeat assessments specifically tracking progress in the performance of PFM systems over time.

3.34 In Vanuatu, Madagascar and Moldova the same consultant teams conducted the initial and repeat assessment. This continuity was valued by the governments who built up confidence in the team which were able to focus on assessment related issues rather than having to get a basic understanding of the system. The involvement of government officials (in Ghana and Zambia) or experienced local consultants (in Moldova and Mozambique) was useful for the same reason. In one case (Ghana) the Study noted that the involvement of government officials had a positive effect on the reform agenda and central governments understanding of capacity constraints in line ministries and SNGs.

3.35 Conversely weaknesses in the process of preparing PEFA assessments will have an impact on the credibility of the assessment itself. In Tanzania the value of PEFA as an assessment tool was affected by process issues relating to inadequate funding, the selection

of the assessment team, methodological issues and protracted timelines for concluding the assessment process.

<p>Conclusions and Lessons Learnt</p>	<ul style="list-style-type: none"> • In general, government and donor officials and assessors have developed a better understanding of the PEFA methodology and “best practice” processes and procedures than was observed in the 2007 Impact Study. This had a direct impact on the credibility of assessments and acceptance of their results.
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J. Knowledge Transfer – Capacity Building

J13. Knowledge transfer – is there an explicit element of capacity building built into the process of producing an analytical report?

3.36 Government officials and their development partners exhibited a better understanding of the PEFA process than was observed during the 2007 Impact Study. This was due to the experience gained in the initial assessment but may also reflect the development of stakeholder training programs, in-country and regional workshops and the availability of support materials on the PEFA Secretariat website (e.g. completed assessments; sample terms of reference etc.).

3.37 A number of respondents to the Study noted that the process of preparing the assessment developed to become more open and transparent. Most terms of reference required assessors to conduct opening and closing workshops. The process typically built in the opportunity of receiving comments from government, DPs (both from headquarters and in-country officials) and the PEFA Secretariat.

3.38 Some senior government officials felt that more time could have been spent on more in-depth PEFA training courses to sensitize their technical staff and plan their inputs prior to the formal assessment mission.

<p>Conclusions and Lessons Learnt</p>	<ul style="list-style-type: none"> • Despite the decentralised implementation of the PEFA methodology and the process for preparing an assessment was better understood by key government officials, DPs and assessors. This had an important impact on the improving the credibility of PEFA assessments.
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4. Conclusions

Overall Conclusions and Linkage to Recommendations of 2007 Impact Study

4.1 Box 4 compares the main conclusions and recommendations of the 2007 Impact Study with the findings of this Report. With regard to the main recommendations of the earlier Study (in italics) the following trends and comments are worth noting:

- *Continue provision of support for the PEFA framework* – The results of the 2010 Study indicate that the PEFA instrument has provided a stable platform for the Government/DP dialogue on PFM performance and increasingly trends over time. It has provided added value and should continue to be supported by DPs.
- *Incorporate lessons in PEFA design.* The 2010 Study provides evidence of increasing attention being paid to the design of PEFA assessments, including active government participation, joint participation by DPs, advance planning and stakeholder participation. In addition, assessments were generally completed in a timely fashion aided in part by a trend towards stand-alone rather than integrated assessments.
- *Develop strategies which encourage government leadership/ownership as this is best way to ensure active participation in the PEFA exercise and on subsequent PFM monitoring using the PEFA instrument (i.e. as part of Government-PFM dialogue).* The 2010 Study supports the view that government participation/ownership is the most critical factor in the PEFA assessment being credible and being an integral part of the dialogue on PFM reforms. Compelling evidence is provided to suggest that there are different ways of securing greater government involvement, and how this is achieved is an important consideration which should be addressed during the design phase. The Study also noted that well designed assessment processes ensured that there was both sufficient government involvement and appropriate checks and balances which provided assurance as to the credibility of the final assessment. Finally the Study confirmed that when the assessment (and the process of preparing the assessment) is seen purely as an external exercise it is less likely secure government involvement or have a positive impact on PFM reforms.
- *A number of strategies may assist DPs to promote government engagement in PEFA exercises and the subsequent monitoring of PEFA indicators.* The 2010 Study confirmed that strong existing DP-DP cooperation meant that PEFA was often readily integrated into the dialogue with government. In a number of countries with fewer DPs, improved processes in integrating donors and governments into PEFA process resulted in improved coordination and may have had some impact on the credibility of the assessments as a whole. The Study also suggests that conducting joint DPs assessments are less important in having the Report accepted as a common pool of information than ensuring that interested DPs are consulted throughout the process of designing and preparing the assessment.

- *Broaden effects beyond central agencies.* The Study provided little evidence of any impact of PEFA assessments beyond central finance/planning ministries (e.g. line ministries, SNGs, SAIs and Parliament). This preliminary finding, uncorroborated by a more comprehensive in-country mission also suggests that more effort needs to be made to address issues of communicating results, public disclosure and improving dissemination workshops which incorporate the media and NGOs.

4.2 In addition to the conclusions and recommendations of the 2007 Impact Study:

- *Further action is needed to address the significant transaction costs resulting from duplicated and overlapping assessments:* Governments should have a coherent, integrated medium term strategy of diagnostic instruments; supported by its development partners. These should indicate the expected time commitments required by donors and government officials, and incorporate fiduciary instruments required by individual donors. In addition there may be further scope for DPs to collaborate on the significant number of fiduciary reviews and risk assessments still being carried out through sharing findings, data gathering and the coordination of assessment missions. International organizations should also develop a systematic way of monitoring DP performance on this area.

Box 4 – Comments and Recommendations and Linkage to the 2007 Impact Study

Conclusions 2007 Impact Study	Comments Based on 2010 Impact Study
1. Evidence that PEFA assessments have made an impact on both governments and DPs, even in the relatively short elapsed time since many of these have taken place....	Based on sample case studies PEFA assessments have made an impact on most but not all countries.
2.although proportionally more of this effect has been indirectly attributable to the PEFA assessment, there have also been a number of cases where the PEFA assessments have led to a direct change in governments' PFM reform programmes	The Study found a number of cases in which PEFA assessments were used as part of the reform dialogue and/or as part of the monitoring and evaluation framework for the PFM reform programme. There was less evidence of direct link between the finalisation of PEFA assessment and the formulation/revision of the PFM reform strategy.
3. PEFA assessments served both to provide governments with a comprehensive view of PFM strengths/weaknesses in a single document as well as to provide perspective on the achievements and challenges of the PFM system, based on evidence rather than perception.	Evidence of PEFA Assessment being used as a common pool of information by government and DP officials in most case study countries.
4. Confirmation of known strengths/weaknesses as well as to the identification of previously unfamiliar areas of challenge and has added to the pressure on government to address PFM challenges.	Solid evidence of PEFA being used as a tool to track performance between initial and repeat assessment. Breath of initial PEFA Assessment helped countries to identify unfamiliar areas needing attention. Unsurprisingly less evidence of new issues arising with repeat assessments.
5. At the same time, the PEFA framework has provided an opportunity to share their experiences with peers.	Some evidence that tripartite of stakeholders has a better understanding of the PEFA framework. More stakeholder workshops to discuss methodology and results. Some regional seminars on PEFA so government officials can learn from peers (Forum Islands and Caribbean).
Effect on Governments	
1. Government participation in the assessment was critical in leading to a directly attributable or not effect; this was found	Government participation/ownership is the critical factor in the PEFA assessment being credible and being an integral part of the

Conclusions 2007 Impact Study	Comments Based on 2010 Impact Study
to be more important than the type of methodology used.	dialogue on PFM reforms. How that is achieved is an important consideration which should be addressed during the design stage.
Effect on DPs	
1. For development partners, the most important factors leading to whether or not the assessment resulted in DPs' use as a common source of information on PFM systems were the strength of existing co-operation amongst DPs and the extent of a joint framework for dialogue with government. In some cases, this joint framework has been centred on a PFM programme or project. Whilst joint co-operation on PEFA assessments was also found to be important, this does not necessarily substitute for DP co-operation in implementing PFM reforms.	Strong existing cooperation meant that PEFA was often readily integrated into the dialogue with government. However improved processes in integrating donors and governments into PEFA process resulted in better coordination in countries which had fewer DPs and less experience of working together. Joint cooperation is less probably less important in having it accepted as a common pool of information than ensuring that interested DPs are consulted throughout the process of preparing the assessment.
Recommendations of 2007 Impact Study	Comments Based on 2010 Impact Study
1. Continue provision of support for the PEFA framework	Results of the 2010 continue to indicate that the PEFA instrument has provided a stable platform for the Government/DP dialogue on PFM performance. It has provided added value and should continue to be supported by DPs.
2. Incorporate lessons in PEFA design.	Evidence that attention has been paid to the design of PEFA assessments, including active government participation, joint participation by DPs, advance planning and stakeholder participation. Assessments generally completed in a timely fashion aided by a trend towards stand-alone rather than integrated assessments.
3. Recognise the way assessments are undertaken can have an effect both on active government participation in the PEFA exercise and on any subsequent PFM monitoring using the PEFA instrument (i.e. as part of Government-PFM dialogue).	Government participation/ownership is the critical factor in the PEFA assessment being credible and being an integral part of the dialogue on PFM reforms. There are different ways of securing greater government involvement and how this is achieved is an important consideration which should be addressed during the design stage. DPs generally use PEFA assessments as a common source of information. Well designed assessment process ensured that there was sufficient government involvement combined with checks and balances to provide assurance as to the credibility of the final assessment. Where the assessment (and the process of preparing the assessment) is seen purely as an external exercise there is less likely to be government involvement in the exercise and less likely to be a positive impact on PFM reforms.
4. A number of strategies may assist DPs to promote government engagement in PEFA exercises and the subsequent monitoring of PEFA indicators.	As noted above strong existing cooperation meant that PEFA was often readily integrated into the dialogue with government. In a number of countries with fewer DPs, improved processes in integrating donors and governments into PEFA process resulted in improved coordination and may have had an impact on the credibility of the assessments as a whole. Joint assessments are less important in having it accepted as a common pool of information than ensuring that interested DPs are consulted throughout the process of preparing the assessment.
5. Broaden effects beyond central agencies.	Still unclear as to what the impact of PEFA assessments has been on line ministries, SNGs, and external scrutiny institutions (SAls and Parliament). Also appears to be further work needed to address issues of public disclosure, improving dissemination workshops incorporating media and NGOs.

Concluding Remarks

4.3 The results of this report are subject to a range of limitations and challenges due to its nature of a desk based study. Firstly, the study was reliant on a limited number of telephone interviews and a review of relevant documents. In three countries it was not possible, despite repeated efforts to discuss the CIN with government officials. Whilst triangulation of views was undertaken to the extent possible, some positions remain without independent verification. Secondly, the report is based only on following up the country case studies conducted in 2007. Since the publication of that Report a substantial number of additional countries have applied the PEFA Framework. Future impact studies might expand the sample beyond the thirteen countries addressed in this Report.

4.4 Notwithstanding the above limitations it is hoped that the Study contributes to a better understanding of the impact of the PEFA Framework on governments and their DPs.

Annexes

Annex A

Summary Matrix of PEFA Impact by Country

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
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Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Bangladesh	<p>Impact of original (2005) PEFA assessment (which was referred to as a “Policy Note” as part of PER) on government was minimal – not referred to by government, not acknowledged by those senior government officials who were responsible at the time.</p> <p>GoB is more involved in process of developing the 2010 Assessment than 2005.</p>	<p>First Impact Note noted that there was relatively little effective donor co-ordination. PEFA assessment didn’t seem to have had an impact on reducing general PFM assessments.</p> <p>2006 PEFA assessment was part of analytical background to development the CAS.</p> <p>Since 2006 other diagnostics have been undertaken to assess the current status of the reform and targets for the reform program.</p> <p>An up to date, internationally recognised diagnostic (PEFA) will complement what has already been done; provide more framed information for DPs to make decisions on budget support programs. (EU and other donors are planning support through Swaps to the health and education sector; and WB and IMF are also planning budget support operation).</p>	<p>2007 Impact Note notes that first assessment was not an open process and that there was a lack of confidence in the team.</p> <p>Government have been more involved in the 2010 exercise however scoring and follow up agreements are a sensitive issue in BD.</p>	<p>PEFA is seen as an opportunity for a candid and fact-based discussion between assessors and GOB, and follow-up agreement.</p> <p>Also necessary exercise if BD is to be considered for GBS or SBS.</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Barbados	<p>Limited engagement by government in PEFA exercise – however some officials have found the assessment to be a useful high level summary of PFM strengths and weaknesses. Seen largely as an external exercise, as requirement for EC budget support.</p> <p>More recently (March 2011) Government has been developing a PFM Reform Action Plan which addresses weaknesses identified in the PEFA Assessment.</p>	<p>Impact on donors was limited. Relatively few DPs operating in PFM; thus, EC was main DP promoting assessment; however IADB also used it to make decisions on the possible use of country systems.</p> <p>Donor coordination has improved. PFM Group for OECS countries meets monthly, if there are issues to discuss (incl. discussion of PEFA).</p> <p>PEFA assessments in Barbados are still largely seen as being used to meet EC requirements</p>	<p>Government had its own reform agenda which predated PEFA and which is largely independent of DPs. Some support to individual PFM reforms is provided by DPs on request from the government.</p> <p>In March 2011 the MOFEA conducted a workshop to develop a draft PFM Action Plan; a condition of the EC Financing Agreement. The PEFA Assessment was a key input into this exercise.</p>	<p>Relatively few DPs in PFM. EC main DP in the region but IADB also engaged in PEFA process.</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Congo-Brazz	<p>PEFA led to the Governance and Anti Corruption Project which explicitly helped the Government meet the conditions of the HIPC Action Plan.</p> <p>PEFA assessment was also an input used to develop the Government's Action Plan for PFM Reforms (2008).</p>	<p>PEFA was funded by the EC and conducted together with the WB CIFA mission.</p> <p>PEFA process enabled DPs to work closer together to identify PFM strengths/weaknesses and prepare the Governance and Anti Corruption Project.</p>	<p>DP reported that the PEFA assessment had a mixed response from government. In 2007 relationship between Government and DPs were difficult and the dialogue tense.</p> <p>Limited engagement by government stakeholders due to low capacity.</p> <p>However dialogue improved later on when preparing the action plan for PFM reforms</p>	<p>The PEFA assessment and its results were seen as very useful and credible.</p> <p>The fact that the teams for the PEFA and the CIFA exercises worked closely together was perceived as a great advantage.</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Ghana	<p>Strong government and DP buy-in to the PEFA assessment has led to its guiding role in the Government's PFM reforms.</p> <p>Government benefited from involvement in the process, including attending all meetings. Involvement in meetings with SNG was particularly appreciated. MoFEP staff became better informed on PFM issues at a local level.</p>	<p>Strong donor PFM group (in the form of the MDBS which represents the overwhelming majority of DP support). PEFA assessment was undertaken as part of the wider MDBS Government-donor dialogue umbrella.</p> <p>No reduction in PFM diagnostics however fiduciary assessments are more efficient as a result of the PEFA report.</p>	<p>Process of preparing the second PEFA was better than the first. Government was more involved throughout the process, coordinated and attended all meetings and the report was extremely thorough technical analysis; making it useful as an internal reference tool for addressing the reform agenda in the MoFEP.</p> <p>Important factors in its direct impact include quality of the PEFA methodology, strong Government involvement throughout the process, well organized DPs supporting the process, transparency of the process and a credible and professional consulting team.</p>	<p>Strong pre-existing government-donor dialogue around PFM.</p> <p>PEFA seen as a useful single stop shop for information on the PFM system which is used to inform decisions on GBS and fiduciary risk.</p> <p>PEFA informed the preparation of new PFM-related Reform Project (GIFMIS).</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Honduras	<p>Government keen to have a clearer picture of PFM performance as a result of reforms and identify potential weaknesses/inefficiencies in the PFM system.</p> <p>Used by the Government as input to broader action plan addressing transparency and the fight against corruption.</p>	<p>PEFA assessment seen as a credible document to give an overview of the current state of the PFM reforms.</p> <p>Used by the EC as part of the decision making process for GBS operation.</p>	<p>Results of the PEFA seen as credible – government were actively involved throughout the process.</p>	<p>Overall process and results seen as credible by EC, WB and IDB.</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Madagascar	<p>The Government used the 2008 repeat assessment to revise its Priority Action Plan for PFM Reforms (PAP); which in turn guided the reform agenda.</p> <p>The Government also established a monitoring and coordination unit to implement and monitor PFM reforms.</p> <p><i>A de facto</i> (unconstitutional) Government resulting from a <i>coup</i> is running the country since April 2009. As a result of the <i>coup</i> bilateral and multilateral cooperation has been suspended.</p> <p>The 2011 Budget Circular includes performance targets for 2011-2013 based on PEFA indicators.</p>	<p>DPs (particularly those involved in Budget Support) were better informed on the level of performance of PFM systems, and at the same time, improved their dialogue with the Government on PFM issues.</p> <p>The PEFA Assessment was triggered by the DPs involved in budget support in order to assess the effectiveness of this support.</p>	<p>Overall the Government was happy with its involvement in each stage of the exercise and particularly when the results were known.</p> <p>The Government was pleased with the results which showed and (overall) improvement in PFM performance.</p>	<p>Overall DP's (WB, African DB, EU, France and Germany) view of the PEFA assessment (quality of the process, team, product, appropriateness of the results) was very positive.</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Moldova	<p>After the 2006 Assessment the GoM took a sound leadership role in preparing a high quality self assessment.</p> <p>Despite the GoM commitment to the 2008 Assessment the Framework has not been fully institutionalised. Some indicators that the GoM will not repeat the self assessment process in 2011.</p>	<p>2008 proved to be a useful tool to demonstrate progress in PFM reforms, driven through the WB public finance project. Also partly used in redesigning the PAF for the project.</p> <p>Despite some efficiency in using the Assessment as common information pool (e.g. in conducting fiduciary assessments) there is also evidence of multiple and overlapping broad diagnostic tools being conducted during the period. This creates duplicative processes and additional transaction costs for the Government.</p>	<p>The 2008 results confirmed progress made in PFM reforms in Moldova.</p> <p>The Government may have seen the exercise as part of the donor requirements for continued budget support. However more recently (2009) MOF used the methodology internally to review PFM Performance in indicators PI 1 to PI-12.</p>	<p>Tool was extensively used as in monitoring progress in the WB public finance project.</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Mozambique	<p>PEFA Framework has been institutionalised as a common information pool for government and development partners.</p> <p>Expansion of the Framework into SNG and Sectors (the latter an adaptation of the methodology). The Government developed Vision/Strategy based in part on the last PEFA Assessment. This has yet to be operationalised as a program of actionable activities. Without a program there are question marks over how well PFM TA is being coordinated.</p>	<p>Strong government-DP partnership in PFM and well organized collaboration in the PEFA Assessment.</p> <p>Despite strong DP cooperation and agreement to use PEFA assessments as a common pool of reference, assessments have been undertaken outside common arrangements.</p>	<p>Exercise was well organized and the team were professional. There was a transparent process of addressing comments of the government, which they felt were adequately reflected in the final report.</p> <p>Results in 2008 were considered appropriate. Scoring also seemed to reflect anticipated improvements in the accounting and budgeting systems between the two assessments.</p>	<p>PEFA is seen as a useful snapshot of PFM systems. Results may have some indirect impact on reform agenda and partially reduce transaction costs of DP fiduciary diagnostics.</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Nicaragua	<p>Limited – the 2006 was never finalised.</p> <p>Repeat assessment planned for second half of 2011 (still awaiting official confirmation). The Government plans to conduct this in parallel with its own PFM self-assessment using a methodology it developed in 2010.</p>	<p>PEFA framework did help to bring donors together around a common instrument. However DPs were frustrated by length of time for PEFA report to be finalised and lack of information on the process.</p>	<p>Government changed.</p> <p>No ownership for what the previous government did.</p> <p>Report took too long to emerge – was overtaken by events (election timing).</p> <p>Reason given for the Government developing its own methodology is that they wanted a more comprehensive methodology which covered elements not addressed in depth in the PEFA Framework (e.g. debt management).</p>	<p>PEFA assessment met a perceived need for a comprehensive statement of status of PFM systems, although delay in finalisation and release of final report led to frustration amongst DPs.</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Tanzania	<p>Limited government engagement with assessments partly due to capacity constraints and staff turnover.</p>	<p>The PEFA Assessment may have indirectly supported the Government in PFM areas which previously did not receive adequate attention e.g. strengthening parliamentary scrutiny, procurement and the auditor general's office.</p> <p>PEFA partially used to monitor progress on PFMRP, alongside other instruments e.g. CAG reports.</p> <p>The credibility of PEFA Assessments have been affected by process issues related to funding, methodological issues and weak quality control which, in turn raised questions regarding its use in tracking PFM systems performance over time. This has undermined the usefulness of PEFA assessments as a tool to monitor progress of the PFMRP.</p>	<p>Difficulties in Government-DP dialogue may have affected the impact of PEFA assessment, which has been seen as a donor driven diagnostic exercise.</p> <p>Recent changes have improved relationship through the Govt/Donor PFM Working Group.</p>	<p>PEFA experience has been disappointing. Compared to other countries assessments have not been high quality.</p> <p>2009 evaluation of PFMRP notes that earlier assessments were not subject to PEFA SEC quality control and 2008 review had not been accepted by government. It also noted respondents suggesting that the scores in early PEFA assessments were overly generous.</p> <p>DPs raised concerns over the length of time taken to finalise assessments and the adequacy of funding of annual PEFA assessments.</p> <p>Tracking has been a particular problem – DPs have found it difficult to use PEFA to compare performance of PFM systems between 2006 and 2010.</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Trinidad and Tobago	<p>In 2008 the PEFA exercise was largely seen as a donor exercise; part of the requirements for budget support.</p> <p>The new Government (May 2010) was elected on a mandate to address good governance, transparency and accountability. This has resulted in a renewed interest in the 2008 PEFA Assessment and PFM reform.</p>	Impact on donors was limited. Relatively few DPs operating in PFM; thus, EC was main DP promoting assessment; however IADB involved in the process and made comments on the Report.	<p>Largely seen as external exercise at the time.</p> <p>The process for developing the draft action plan failed to engage all stakeholders. The plan, which focused on a couple of key areas, was approved by the Minister of Finance in March 2010, but is being revised by the new administration in November 2010.</p>	<p>Relatively few DPs in PFM. EC main DP in the region but IADB also engaged in PEFA process.</p> <p>The 2006 Report was regarded as being of poor quality and was not accepted as a base line assessment. The 2008 Report is being used as the baseline for subsequent assessments.</p> <p>The EC provided support for the preparation of an Action Plan for Improving Public Financial Management. An initial draft was prepared in December 2009 which drew on the PEFA Report and the broader development strategic framework in 2006 – Vision 2020.</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Vanuatu	<p>The PEFA framework is valued by the Government as a useful way of demonstrating the overall strength of the PFM system through an internationally recognised framework. The Government sees PEFA as a useful assessment tool providing assurance that the reform agenda is on track, rather than an instrument which drives policy.</p> <p>The first PEFA Assessment was instrumental in identifying weaker areas of the PFM system and increasing cooperation between DPs.</p>	<p>PEFA has been a useful tool to track progress on PFM reforms. EC needed an assessment as an explicit requirement of assessing eligibility for budget support.</p> <p>Government continues to note problems with parallel and burdensome DP diagnostic procedures for sector programmes, investment projects. In addition DP requirements for a PFM Strategy linked to PEFA results created unnecessary transaction costs in a country with strong strategic and corporate plans.</p>	<p>The PEFA is a credible international benchmark which demonstrates that the Government has developed a strong PFM system.</p> <p>Government doesn't see a direct link between PFM reforms and the PEFA assessment. The Government argues that it drives its own reform agenda independent of the PEFA Assessment.</p> <p>Also seen as a useful comparative tool between other Forum Islands which also generates a degree of inter-Island competition.</p>	<p>DPs noted a direct link between weaknesses identified in 2007 and support to the Government. That Assessment contributed to support in developing the IFMIS, Government statistics and external audit.</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Zambia	<p>PEFA has been useful in providing a high level snap-shot of the performance of the PFM system.</p> <p>While there is no multi-year programme of PFM diagnostics in Zambia there is evidence of a well disciplined approach to broad based diagnostic studies, centred on the PEFA assessment.</p> <p>PEFA Assessment was one input into the simplification of PEMFA components in 2009.</p>	<p>External partners have agreed to use PEFA assessment as a high level monitoring framework for the reform programme.</p>	<p>Strong government ownership and leadership of the PEFA process resulted in an Assessment which was considered to be accurate and in line with expectations.</p>	<p>DPs regarded the involvement of a well respected international consultant and quality control by the PEFA Secretariat as important to the overall credibility of the Report.</p> <p>PEFA is seen as an independent product which does not belong to one institution.</p> <p>Seen as a useful in measuring small changes in the PFM system over time. "Sometimes if you work with the system day to day you aren't aware of small incremental improvements".</p>

Annex B

Stocktaking Study of PFM Diagnostic Instruments – Addressing the Impact of PFM Diagnostics on Government PFM Reform and Development Partners

Introduction

Given the constraints of time and resources the June 2010 draft Report of the Stocktaking of PFM Diagnostics did not conduct an in-depth assessment of the impact of PFM diagnostics on government; and, more specifically the extent to which they have been used as a spur to reform. Neither did the stock take extend to solicit the views of officials of development agencies working at a country level. This short note proposes extending the Stocktaking to provide an analysis of the trends and overall usefulness of PFM Diagnostics to government officials and development agencies.

The approach is twofold; firstly the Study will update the 2007 PEFA Impact Study¹¹ which provided an analysis of the impact of the introduction of the PEFA PMF on Governments and development partners. Second, that Study will be extended to identify the range of other PFM Diagnostics; their inter-relationships, their impact and how they are influencing the countries PFM reform agenda.

Background

OECD/DAC Guidelines on Harmonizing Donor Practices for Effective Aid Delivery introduced three principles that should guide international support for development by emphasizing country-led reform, donor harmonization and alignment around the country strategy, and a focus on monitoring of results. These principles were applied by the OECD/DAC Joint Venture on PFM to develop a strengthened approach to supporting PFM reforms; emphasizing three elements:

- A country led PFM reform strategy and action plan;
- A coordinated IFI-donor integrated and multi-year program of PFM work that supports and is aligned with the government's PFM strategy;
- A shared information pool through a framework for measuring results that provides consistent information on country PFM performance, including progress over time.

There are a number of implications of the strengthened approach:-

- Countries should be leading the PFM reform agenda and be taking ownership for results.

¹¹ Assessing the Impact of the PEFA Framework – A Study for the PEFA Steering Committee (Betley June 2008).

- A common information pool should be established so that all stakeholders use the same data; ensuring that there are fewer duplicative diagnostics.
- More joint donor assessments should be undertaken – again reducing the number of country diagnostics.

This study will provide a better understanding of the extent to which the aims of the strengthened approach have been realised, and provide a more systematic understanding of trends and usefulness of PFM diagnostic studies to governments. The study will address a number of specific questions:

- What is the role of government counterparts in developing and carrying out of PFM assessments?
- To what extent do donors and government counterparts collaborate in the development and delivery of analytical tools; and what form does that collaboration take?
- Knowledge transfer – is there an explicit element of capacity building built into the process of producing an analytical report.
- Does the government have a multi-year programme of diagnostic instruments; supported by its development partners?
- Is there any evidence of a reduction in total number and overlap of PFM diagnostics since the introduction of the strengthened approach?
- What are the perceptions of key government counterparts as to the usefulness of various PFM diagnostic tools?
- What was the trigger for the various PFM Diagnostics (e.g. part of multi-year programme, trigger for GBS programme, part of reform project, or input to preparation of a project)?
- To what extent were the results of the diagnostics circulated, disseminated and discussed (e.g. within government, parliament and in the media)?
- To what extent – and how – were the diagnostic studies used for reform dialogue and formulation?

The 2007 PEFA Impact Study

The 2007 PEFA Study analysed the impact of the PEFA PMF on governments and development partners, based on twelve country cases (see Box 1 below). Data was collected through desk research and a series of structured telephone and face-to-face interviews¹². The Study analyzed both development partners and government's view (perception and experience) of the PEFA assessment.

¹² Face to face interviews were held in Washington DC and were presumably primarily conducted with development partners. Government officials were consulted primarily through telephone interviews.

Box 1 Country Cases – 2007 PEFA Impact Study

Africa	East Europe Central Asia	East Asia Pacific	Latin America Caribbean	Middle East North Africa	South Asia
- Congo- Brazzaville - Ghana - Madagascar - Mozambique - Tanzania - Zambia	- Moldova	- Vanuatu	- Caribbean ¹³ - Honduras - Nicaragua	No country participated.	- Bangladesh

Based on the countries reviewed, the study concluded that there is evidence that PEFA assessments have made an impact on both governments and development partners. Although proportionally more of this effect has been indirectly attributable to the PEFA assessment, there have also been a number of cases where the PEFA assessments have led to a direct change in governments' PFM reform programmes. In terms of more non-directly attributable effects, the PEFA assessments served both to provide governments with a comprehensive view of PFM strengths/weaknesses in a single document as well as to provide perspective on the achievements and challenges of the PFM system, based on evidence rather than perception. This has led both to confirmation of known strengths/weaknesses as well as to the identification of previously unfamiliar areas of challenge and has added to the pressure on government to address PFM challenges. At the same time, the study concluded that PEFA framework has provided an opportunity to share their experiences with peers.

While the 2007 Study was a useful exercise several factors limited the scope of the findings. First, it covered the impact of the PEFA assessment at an early stage of its implementation; as a result there was only limited evidence available of how the PEFA assessment was being used to influence the reform agenda and its use in monitoring progress over time. Secondly, its primary focus was on the PEFA PMF and did not address the impact of other diagnostic instruments on the PFM reform agenda. Finally the Study used telephone interviews with government officials that both restricted the range of officials and the richness of the dialogue.

¹³ The study prepared Country Impact Studies for Barbados and Trinidad.

Scope and Methodology

The 2010 Study will build on the 2007 methodology and cover the period from the preparation of the previous report (Fall 2007) to date. The study will prepare Country Impact Notes for at least 12 countries identified as potentially interesting case studies¹⁴. The impact assessment would consider only PFM assessments for central government and not sub-national government assessments. The 2010 will also have two important refinements to the 2007 exercise:

1. The Study will document (insofar as is possible) the full range of PFM diagnostic tools (i.e. not only the PEFA PMF) conducted in the countries selected for the impact study.

Comment: The Country Impact Notes used in the 2007 Study are fit for purpose and it is not proposed to significantly change their content or focus, except to extend the analysis of how diagnostic work has fed into the reform agenda. The study will identify the range of other PFM Diagnostics which have been used and how useful they have been to Government officials and development partners. This will be done by a supplementary questionnaire completed for those countries selected for field visits (see 2 below). The questionnaire will focus on the usefulness of each diagnostic, whether diagnostics have been conducted in a coordinated fashion and how they have influenced the reform agenda; it would not go into the level of process related detail required for the PEFA Country Impact Notes.

2. The 2010 Study will incorporate two field missions (covering a total of 15 working days) which will enable the Report to be enriched by the views of a broader range of government counterparts and their development partners.

Comment: A well organized field mission could be completed in 2-3 working days needed to meet a range of government officials and development partners. Thus at least 6 of the countries should be subject to a field visit.

In order to ensure that the judgment in the impact assessment is as fair and unbiased as possible, each Country Impact Note shall be based on the views of at least three stakeholders, comprising (i) the government, typically the Ministry of Finance (ii) the lead donor/finance agency supporting the PEFA-based assessment (iii) other donor agencies or

¹⁴ Criteria for selecting countries should better reflect the geographical region/administrative heritage, and could *inter alia* further consider: country size, income level, political stability, aid dependence, number of donors providing aid, and level of general budget support. Access to relevant sources of information may also contribute to determining the final selection of countries.

international finance institutions, providing aid related to the country's PFM systems. At least one such agency, not substantially involved in the assessment work, its technical coordination or financing, shall be consulted in each country. The views of further stakeholders could clarify or reinforce the conclusions – particularly where the initial sources disagree - and should be sought where necessary and to the extent possible.

In accordance with the objectives of the study, each Impact Note shall be structured along the following points:

- Government ownership and use of the assessment.
- Dialogue on PFM reform programs between government and donors.
- Donor collaboration and coordination in supporting the reform effort.
- Reduction in number and overlap of PFM analytical studies.
- Timeliness of completion and dissemination of the reports.

These Country Impact Notes will provide the basis for preparation of the synthesis part of the report, which shall summarize the findings, identify lessons to be learned and highlight good practice examples.

Selection of countries for impact notes will be subject to the following process:

Contacts will be taken to key informants in order to update information on the countries covered by the impact notes of 2007. Where no significant change since 2007 is identified no further work on the country case will be undertaken, other than a light update of the 2007 impact note. These light updates will be additional to the 12 full country impact notes referred to above.

Additional countries will be identified to substitute those where no significant change in impact has occurred. The addition of countries will also seek to enhance the low country coverage in the Eastern Europe & Central Asia, South Asia, East Asia & Pacific as well as Middle East and North Africa regions. Selection will be based on information available to the PEFA Secretariat that would indicate the potential for rich case content and could include countries for which information was gathered in 2009 for the 'Interim Report on Guidance on the Use of PEFA Assessments in Reform Design and Reformulation' (e.g. Samoa, Yemen, Burkina Faso, Mozambique, Kosovo). Proposals from PEFA partner organizations would also provide an important input to selecting country cases.

Countries for field visits will be subsequently be identified on the basis of potential for enhancing knowledge through discussion with government officials in particular. Field visits will focus on countries with complex use of PFM diagnostics and with comprehensive reform programs based on various diagnostic studies.

Expected Deliverables

As noted the overall objective of the assignment will be to provide a richer understanding of the impact of the PEFA Framework and other PFM diagnostic instruments to Government. The consultants will prepare (a) a separate report on the findings of the study and, (b) update the draft Stocktaking Study of PFM Diagnostic Instruments (particularly Chapters 6 and 7) to incorporate the findings of this Report. Specific other deliverables are:

- Inception Report – this report will discuss the existing material available to the consultant at the onset of the assignment, methodological issues such as the selection of countries for impact notes, completion of the questionnaire and the identification of potential informants at country level. The Inception Report will serve as the basis for refining the methodology and firming up the timeframe for completion of the assignment up to Draft Report submission.
- Country Impact Notes – at least 12 notes shall be prepared and shall be submitted as part of the Draft and Final Reports. However, three notes should be completed prior to commencing work on the synthesis for the Draft Report in order to enable the PEFA Secretariat to provide feedback while the work on the notes is still in progress.
- Draft Report – the report will comprise a main report with a synthesis of the impact assessment, the lessons and good practice examples identified as well as an annex containing all of the Country Impact Notes. The report shall also present recommendations, where appropriate, on how to improve the impact of implementation of the Framework.
- Final Report – the Final Report will be a revised version of the Draft Report, addressing the comments received from the PEFA Secretariat.

Timeframe

The study shall start in early September 2010 and be completed within a total of four months.

The Inception Report shall be submitted within two weeks from commencing the assignment. The PEFA secretariat shall submit its comments on the report within 7 working days of receiving the report. At least three draft Country Impact Notes shall be submitted within six weeks of commencing the assignment. The PEFA secretariat will submit its comments within 7 working days of receiving the notes.

The Draft Report shall be submitted within ten weeks of commencing the assignment. A provision for one month is made for submission of comments on the draft report to the consultant.

The Final Report shall be submitted within one month of receiving comments from the PEFA secretariat.