

**FINAL**

# **Assessing the Impact of the PEFA Framework**

**A Study for  
the PEFA Steering Committee**

## **SYNTHESIS REPORT**

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The findings and conclusions found within the report are those of the evaluator 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
CABRI	Collaborative African Budget Reform Initiative
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 (region)
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)
REEAF	Report of Early Experience of the Application of the Framework
S/MTAP	Short and Medium Term Action Plan (Ghana)
SPA	Strategic Partnership with Africa
TORs	Terms of Reference

# **VOLUME I: SYNTHESIS REPORT**

## EXECUTIVE SUMMARY

This study provides an analysis of the specific impact of the PEFA framework on governments and development partners, against the framework's objectives. It is based on analysing the experiences of 12 country cases in a series of structured telephone and face-to-face interviews primarily between October and early December 2007.

The structured interviews, using a standard format, were based around questions centred on five main thematic areas:

- Factual background of the PEFA assessment, covering items such as the dates of the PEFA assessment; the formal institutional involvement of the government and development partners (DPs); whether or not the PEFA assessment is available publicly; and background on the PFM reform programme in the country, and on the government-DP dialogue on PFM.
- Government view (perception and experience) of the PEFA assessment, in terms of the quality of the results, the process and the product, as well as its view of its own involvement in, and management of, the exercise.
- DP view (perception and experience) of the PEFA assessment, in terms of the same issues asked of government stakeholders, plus a discussion of DPs' objectives for participating in or otherwise supporting the assessment.
- How Government has used the PEFA assessment/framework following the exercise, covering issues such as the extent of circulation, dissemination and discussion of the results, details of changes to PFM reforms that resulted from the assessment and the factors influencing this, and any institutionalisation of the PEFA framework.
- Ways in which DPs have used the PEFA assessment/framework following the PEFA exercise, including the success or otherwise of its use as a common reference point for PFM, influence on DP behaviour in terms of the number of PFM assessments and/or the nature of PFM exercises, changes in the government-DP and DP-DP dialogues resulting from the assessment, and reasons for these.

The study's conclusions are based on examining, firstly, the different types of impact found across the case study countries, and secondly, the factors which contributed to these effects.

Regarding the first of these elements, in line with the objectives of the study<sup>1</sup> (in brackets), the impact of PEFA assessments on both governments and DPs was measured in terms of their effects on: (i) government and DP understanding of PFM strengths and weaknesses (contributes to country leadership in preparing/owning the resulting assessment reports); (ii) DP-DP co-operation on PFM (contributes to the co-ordination of support from DPs); (iii) Government-DP co-operation on PFM (use of PEFA for dialogue and governments' adoption of the PEFA framework as the basis for monitoring the results of PFM reforms); (iv) the transaction costs on governments of DP activities on

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<sup>1</sup> Refer to TORs, contained in Annex B of this volume.

PFM (links to the number and nature of PFM assessments); and (v) the alignment of PFM reform programmes with the strengths and weaknesses identified in the PEFA assessments (contributes to alignment of DP support with governments' PFM strategy).

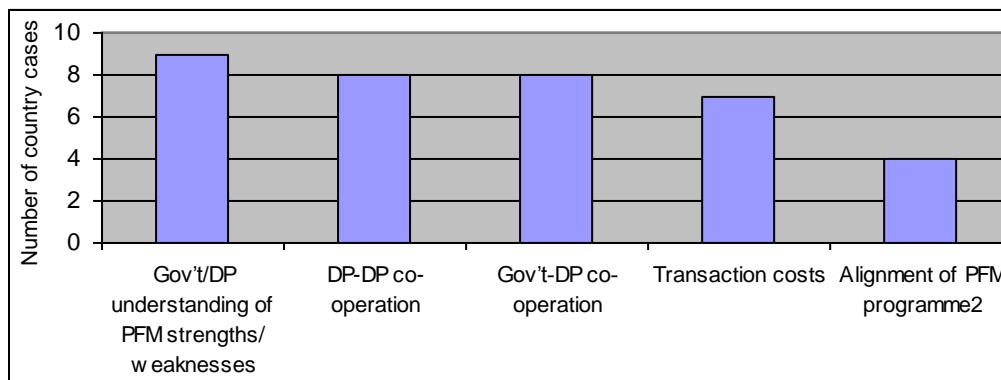
Regarding the second element highlighted above, the main factors contributing to these effects are set out below, based on the experiences of these twelve countries (in some cases regions) in looking at the PEFA impact, followed by a description of the conclusions and recommendations emanating from these results.

## Study conclusions

Based on the countries reviewed, the study has found that there is 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. 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 PEFA framework has provided an opportunity to share their experiences with peers.

A summary of the frequency of each type of impact on both governments and DPs is depicted in Diagram ES-1. Further details are found in the main part of the report and in Volume II.

**Diagram ES-1: Overview of Types of Impact on Government and DPs<sup>1</sup>**



Notes: 1. Further details are given in Box 5 below; all types of impact are shown here (with the exception indicated in note 2).  
 2. As the PFM programmes in Vanuatu and some countries in the Caribbean (e.g. Grenada, St Vincent) were produced as a condition of receiving budget support, and have not been approved by their respective governments, these effects have not been shown in the diagram; this distinction is included in Box 5.

### *Effects on governments*

The factors contributing to an impact on governments included: (i) active government engagement in the assessment (this was the most frequent factor leading to a direct or indirect impact found); (ii) the quality of the PEFA assessment process, including a participatory methodology (as distinct from, but related to, active government engagement); (iii) a genuine openness to reform by governments, involving both an openness to self-criticism and the willingness and ability to reform; (iv) a framework of on-going government-DP dialogue, which can set the framework for defining, redefining and/or supporting such reforms, including active stakeholder preparation in advance (perhaps over a number of months and involving more than simply holding a stakeholder workshop at

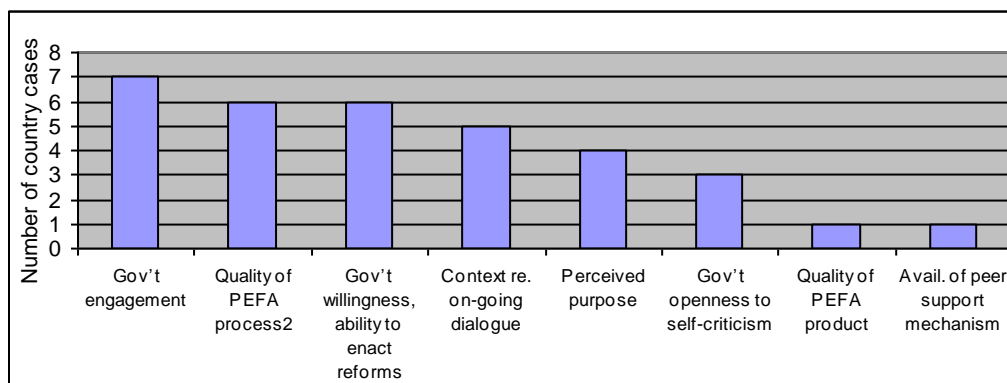


the beginning of the field visit); and (v) perception of the exercise’s objective being to provide value-added to government (clearly linked to assist government) rather than as a DP requirement, e.g. for provision or continuation of budget support. Finally, the quality of the PEFA assessment report itself, as distinct from the process of preparing it, and the availability of a peer support mechanism both were shown to be modest factors in contributing to building a constituency for the PEFA framework.

Above all, Government participation in the assessment was critical in leading to a directly attributable or not effect; this was found to be more important than the type of methodology used, i.e. whether or not the assessment was stand-alone, conducted as an external exercise, or part of a larger analytical piece of work.

The frequency with which these factors were found for governments in the country cases studied is shown in Diagram ES-2 and in more detail in the text of the main report, in Annex A and in the country impact notes in Volume II.

**Diagram ES-2: Key Factors Influencing Impact of PEFA Assessments on Governments<sup>1</sup>**



Notes: 1. Further details are given in the text and in Box 6 below. 2. As distinct from, but related to, active government engagement.

### *Effects on DPs*

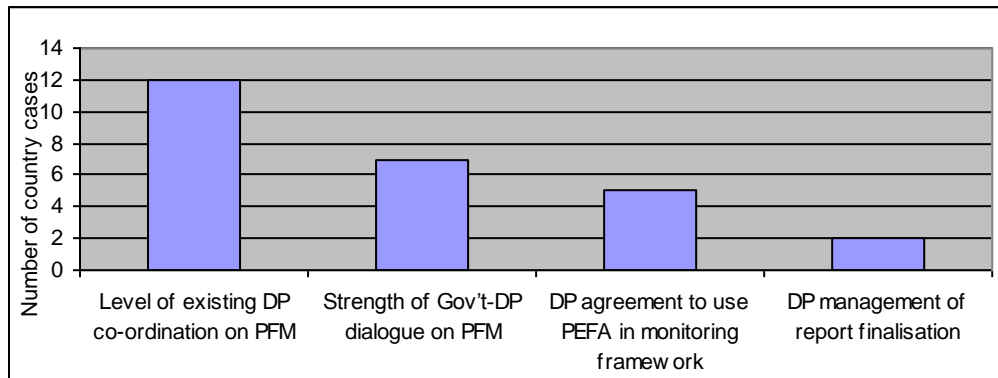
For development partners, the most important factors leading to whether or not the assessment resulted in DPs’ use as a common source of information on PFM systems were the strength of existing co-operation amongst DPs and the extent of a joint framework for dialogue with government. In some cases, this joint framework has been centred around 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. Less important factors were DPs’ policy on using PEFA assessments in their internal monitoring processes (such as DP-required Fiduciary Risk Assessments [FRAs]<sup>2</sup> or regular donor internal reports describing on-going progress in PFM systems<sup>3</sup>), and DP management of the process for finalising the PEFA assessment report, particularly if the assessment is part of a wider analytical review (e.g. PER).

<sup>2</sup> For example, as required by DFID

<sup>3</sup> Such as those prepared annually by EC Delegations in countries receiving budget support.

The frequency with which these factors were found for DPs in the country cases studied is shown in Diagram ES-3 and in more detail in the text of the main report, in Annex A and in the country impact notes in Volume II.

**Diagram ES-3: Key Factors Influencing Impact of PEFA Assessments on DPs<sup>1</sup>**



Notes: 1. Further details are given in the text and in Box 7 below

The quality of the assessment report contributed to a lesser degree for both governments and DPs. The reason why this may have been shown to be less of a factor was the role that the PEFA Secretariat provided in quality assurance and consistent interpretation of the indicators. Without that, it is likely that a greater effect would have been felt on the credibility of scores or that there could have been more rejections of the assessments.

A number of factors have impeded a more direct impact. Significant capacity constraints exist on some governments to undertake the strategic analysis necessary to translate the lessons of strengths and weaknesses into an appropriately prioritised and sequenced reform programme (whether new or revised). There should be a question mark over the true extent of government ownership and sustainability in cases where PEFA assessments have led to action plans which have been produced in response to donor requirements for the provision or release of budget support resources. As many of these Action Plans following PEFA assessments have only recently been produced, the extent of government ownership and sustainability will only be evident in time.

At the same time, direct attribution of PFM reforms to PEFA assessments is difficult when there are on-going PFM reform programmes and projects, supported by previous assessments which indicate similar strengths and weaknesses. This is particularly true given that institutional decision-making processes can take significant time.

Nonetheless, despite these challenges, the PEFA instrument itself appears to be valued by both governments and development partners. It is valued for its transparency, its clear criteria for the indicators, the setting out of international standards, and the fact that it is applicable across countries.

A summary of the lessons from Ghana and Bangladesh, which were found to be the most and least effective cases studied in terms of impact, is provided in Box ES-1.

## Box ES-1: Lessons from Comparing Ghana and Bangladesh<sup>1</sup>

A comparison of the most and least effective cases amongst the case study countries, Ghana and Bangladesh, respectively, in terms of impact provides a useful summary of the characteristics governing the likelihood of impact of the PEFA assessments for all countries studied.

The comparison suggests specific factors more likely to lead to one or more types of impact (and their absence likely to lead to weaker or no impact) include:

- *Strong Government buy-in to, and leadership of, the PEFA exercise* (strong [in the form of the Deputy Minister of Finance] in Ghana; weaker in Bangladesh)
- *Positive expectations of the PEFA assessment* as something to provide value-added. Where governments want (and expect) the PEFA assessment to help them set a PFM baseline and provide input to a (potential) subsequent refinement of the PFM reform programme, the exercise is more likely to lead to an (positive) impact; this was the case in Ghana. In Bangladesh, one may posit that the government (and possibly also DPs) were committed to its pre-existing reform programme, based on an existing reform strategy/path, and thus had lower (or no) expectations of the benefits of the PEFA exercise on designing or refining its PFM reforms.
- *Nature of the reform programme and the role of Government (particularly, MoF) in the reforms.* A PFM reform programme designed and managed by government with DPs aligning their discrete institutional support activities around this programme, such that the reform programme leads the institutional support rather than the other way around (as in Ghana), was more likely to lead to a greater impact, particularly where there was strong government support for the exercise. In this way, as indicated in the point above, the PEFA assessment could provide an input into the reform programme and subsequent DP support. In Bangladesh, the fact that a comprehensive reform programme was already set out and supported/managed under a DP consortium umbrella may have moderated the impact of the exercise.
- *Effective pre-existing co-operative relationship on PFM* amongst DPs and between Government and donors, a relationship which is led and co-ordinated by government, was an enabling factor. This co-operation was particularly strong in Ghana prior to the PEFA assessment. Transparency of the PEFA assessment process, involving both Government and DP stakeholders in the exercise, helped build a constituency for the results.

Note: 1. More details may be found in the Country Impact Notes in Volume II.

## Recommendations

The results of the impact study would tend to suggest that the most effective assessments are: short assessments with back-up support (i.e. as part of overall Government-donor dialogue), those which have active, widespread and transparent government (and DP) participation, and those not explicitly linked to fulfilling a specific DP requirement. Transparency of the assessment process is more likely to lead to an objective assessment and a credible result, and public disclosure of the results is more likely to signal a government which is open to addressing some of the associated reform challenges.

On the basis of the results from examining the country cases in this study, key recommendations for strengthening the impact of PEFA assessments and the PEFA framework include:

- *Continue the provision of support for the PEFA framework.* With the results of the study indicating that the PEFA instrument has brought value-added to both governments and DPs, the PEFA framework should continue to be supported by DPs.
- *Incorporate lessons in PEFA assessment design.* Attention should continue to be paid to the design of PEFA assessments, including active government participation, joint participation by DPs, and sufficient advanced planning and stakeholder preparation. Joint participation by DPs is likely to be easier where there is already an institutional structure in place for government-DP dialogue. Assessments which are accessible (limited in length and clear in language) and which may be completed in a timely fashion are to be encouraged. This would tend to suggest a preference for stand-alone assessments, even if

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part of a wider donor analytical output; this could involve separating the PEFA assessment (provided as a separate volume) from the broader analytical paper. At the same time, the importance of involving government stakeholders should take precedence over an insistence on an “independent” assessment; as indicated above, transparency in the process for both government and DPs appears to ensure sufficient independence of the results. These issues may need to be encouraged explicitly by the PEFA Secretariat during the initial discussions and at the TOR stage of PEFA assessments. Consideration should also be given to circulating guidelines for the timely and transparent process of completing assessments to which all stakeholders are bound.

- *Recognise that 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).* One of the stated aims of the PEFA framework is to provide a common information source on the strengths and weaknesses of PFM systems. In particular, as DPs should use all information sources available in assessing the suitability of providing resources and in what form (e.g. budget and/or institutional support), it is expected that they would use the information on PFM strengths and weaknesses from PEFA assessments in their decision-making process. Indeed, many (but not all) of the cases studied appeared to indicate that DPs were using the PEFA assessments as common sources of information, e.g. as inputs into their risk assessment processes. At the same time, as indicated in the cases studied, government engagement is an important factor for impact and hence it is important to ensure the PEFA assessment is not seen as purely an external exercise (e.g. intended to meet DP requirements). The study suggests that the way that the assessments are undertaken can have an impact on government participation and acceptance of the PEFA framework in the government-DP dialogue.<sup>4</sup> Thus, in relation to the elements of the Strengthened Approach, the implication from this is to avoid focussing relatively more on the accountability aspect (the third point of the Strengthened Approach)<sup>5</sup> to the detriment of the issues of government leadership of the joint approach and a government-led strategy (points one and two, respectively); all are equally important.
- *A number of strategies may assist DPs to promote government engagement in PEFA exercises and the subsequent monitoring of PEFA indicators.* These include: (i) building the PEFA assessment into the on-going government-DP dialogue, e.g. by incorporating an explicit government role in the development and carrying-out of the PEFA assessment and by ensuring that process criteria and related institutional support are built into PFM monitoring (e.g. Performance Assessment Frameworks (PAFs)/conditionality matrices); (ii) increasing the transparency of the decision-making process behind the assessment of government suitability for DP support (e.g. budget support); and (iii) incorporating PEFA assessments into the DP-DP dialogue, e.g. through supporting joint PEFA assessments.

Specifically, it would be valuable to boost the role of government stakeholders in the design and implementation of the assessment. This would involve ensuring that government representatives are actively involved in determining the TORs, selecting the team, and managing the process. Consideration also should be given to supporting greater peer-to-peer training, with training provided to governments considering PEFA assessments by those who have themselves carried out or been involved in positive experiences. These may take the form of regional or country-based training/dissemination workshops.

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<sup>4</sup> As described in Volume II, those cases where the PEFA assessment was seen as an external exercise (e.g. Bangladesh, the Caribbean, and Vanuatu), there was less likely to be government engagement in the exercise and less likely to be a positive impact on PFM reforms.

<sup>5</sup> “The Strengthened Approach to supporting PFM Reforms”, the PEFA Secretariat, 2005. Found in OECD/DAC, “Guidelines on Harmonizing Donor Practices for Effective Aid Delivery”, volume 2, February 2005

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- *Broaden effects beyond central agencies.* The effects (and awareness) of the assessments appear to be concentrated mainly (but not exclusively) in the central agencies (e.g. Ministries of Finance). There is likely to be a ripple effect beyond these agencies although this may take time. As part of the wider discussions surrounding the assessment (e.g. as part of the Government-donor dialogue or as part of a follow-up exercise), it would be useful for attention to be paid to discussing how the benefits of the assessment (and thus the reforms) can be extended beyond the central agencies, to external scrutiny institutions (e.g. Parliament) and to include non-state actors.<sup>6</sup> These discussions should also address the issue of public disclosure, including the possibility of dissemination workshops, including the media and NGOs concerned with budget and PFM issues.
- *There is a need to manage expectations of impact.* The relative speed and extent of the impact of PEFA assessments on governments' reform programmes depend on the different institutional arrangements and on the political economy of various governments; there is a need to take these differences into account when assessing impact. Examples of these differences may be seen by contrasting the different experiences of countries in the Caribbean, where there are limited incentives for immediate reform (e.g. given growing economies and relatively limited aid dependence), with those in sub-Saharan Africa, where high aid dependence and fiscal pressures lead to stronger calls for improving the use of resources. Institutional change takes significant time and requires effective change management processes. It will be when the second generation of PEFA assessments begin to take place in significant numbers that the issue of expectations will come more to the fore. It may be expected that the underlying expectations of the instrument will be tested, particularly if the results do not show significant progress; the broadness of the indicator categories and the difficulties of implementing institutional change quickly as well as government capacity constraints may be factors in hampering rapid progress and thus in showing more limited movement in PEFA indicators over time.

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<sup>6</sup> This reflects the fact that, whilst external scrutiny agencies and non-state actors were often consulted during the PEFA assessments (e.g. Ghana), dissemination of the results appeared to be concentrated in the central agencies of central government (particularly MoF), with less (or no) active dissemination beyond that (including to Parliament).

## 1. Introduction

1.1 The PEFA Steering Committee commissioned an independent consultant 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.

1.2 The current study represents the second part of the Monitoring Framework, which looks at the use and impact of PEFA assessments, specifically in relation to the Strengthened Approach. The first part, for which the Monitoring Report 2007<sup>7</sup> was finalised in March 2008, was aimed at analysing characteristics of the PEFA assessments.

1.3 The present report is in two parts. The first part, Volume I, contains the Synthesis Report, whilst the second part, Volume II, gives the more detailed analyses for each of the case studies. The rest of the Synthesis Report contains: a description of the context and methodology used in the study (Section 2); an account of the types of impact provided by governments and DPs (Section 3); a discussion of the factors contributing to the impact found (Section 4); and conclusions and recommendations (Section 5). A number of annexes following Section 5 in Volume I provide background information, including a summary matrix of impact (Annex A), the Terms of Reference (Annex B), a list of the people contacted as part of the study (Annex C), and a selected bibliography (Annex D).

## 2. Context and Methodology for the Study

2.1 The purpose of the study was to analyse the specific impact of the PEFA framework on governments and development partners, against the framework's objectives. The study is not intended to review how the PEFA framework is being applied or 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, and ideally measurable, effect on governments and on donor agencies.

2.2 In this study, the impact of the PEFA assessments has been measured against the objectives of the PEFA programme in terms of the Strengthened Approach. These include<sup>8</sup>: (i) a country-led PFM reform strategy and action plan; (ii) a co-ordinated programme of support, specifically, a co-ordinated International Financial Institution (IFI)-development partner integrated, multi-year programme of PFM work that supports and is aligned with the government's PFM strategy; and (iii) a shared information pool, specifically, a framework for measuring results that provides consistent information on country PFM performance, including progress over time. The extent to which PEFA assessments have fulfilled these objectives is discussed in Sections 3 and 4 below.

### Study methodology

2.3 The study's methodology focussed on structured telephone and face-to-face<sup>9</sup> interviews with close to 100 officials, supported by the circulation of pre-interview questions. Stakeholders included

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<sup>7</sup> PEFA Secretariat, *PFM Performance Measurement Framework: Monitoring Report 2007 (Part I: Roll-out and Quality)*, Final Report, Washington, March 2008

<sup>8</sup> "The Strengthened Approach to supporting PFM Reforms", the PEFA Secretariat, 2005. Found in OECD/DAC, "Guidelines on Harmonizing Donor Practices for Effective Aid Delivery", volume 2, February 2005

<sup>9</sup> Face-to-face discussions were held during the consultant's visit to Washington during 28<sup>th</sup> October through 1<sup>st</sup> November 2007.

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government officials, primarily from central ministries<sup>10</sup>, and representatives of the donor community, both in-country and in headquarters (policy). In each case studied at least 3 interviews were held, with a balance sought between government and DP stakeholders.

2.4 Twelve country/regional cases were studied<sup>11</sup>; where illustrative, the study also looked at experiences of countries other than the 12 which were studied in more detail. Triangulation of views was sought from as many sources as possible; this was considered to be particularly important given the desk-based nature of the study and the relatively limited amount of documentary evidence available to support the conclusions. In addition to the telephone and face-to-face interviews, a review of relevant documents was undertaken, including the original PEFA assessment and any updates, the documentation on public financial management reform programmes, PFM assessments by development partners, and other donor PFM programme review documentation.

2.5 The study is not a (quantitative or otherwise) survey.<sup>12</sup> This would have been impossible given the desk study nature of the review, the limited documentary evidence, and the difficulties in ensuring consistent and comprehensive responses from officials (many of whom were occupied with finalising their annual budgets) through the use of a written questionnaire. Nonetheless, the study across the diverse countries and experiences has revealed some interesting results.

2.6 The structured interviews used a standard format, based on the areas outlined in Box 1. These areas formed the basis of the country impact notes. The questions were centred on five main thematic areas:

- Factual background of the PEFA assessment, covering items such as the dates of the PEFA assessment, the formal institutional involvement of the government and DPs, whether or not the PEFA assessment is available publicly, background on the PFM reform programme in the country, and on the government-DP dialogue on PFM.
- Government view (perception and experience) of the PEFA assessment itself, in terms of the quality of the results, the process and the product, as well as its view of its own involvement in, and management of, the exercise.
- DP view (perception and experience) of the PEFA assessment itself, in terms of the same issues asked of government stakeholders, plus a discussion of its motivation for participating in or otherwise supporting the assessment.
- How Government has used the PEFA assessment/framework following the assessment, covering issues such as the extent of circulation, dissemination and discussion of the results, details of changes to PFM reforms that resulted from the assessment and the factors influencing this, and any institutionalisation of the PEFA framework.
- Ways in which DPs have used the PEFA assessment/framework following the PEFA assessment, including the success or otherwise of its use as a common reference point for PFM, influence on DP behaviour in terms of the number of PFM assessments and/or the nature of PFM exercises, changes in the government-DP and DP-DP dialogues resulting from the assessment, and reasons for these.

2.7 The specific questions asked of stakeholders are set out in Box 1.

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<sup>10</sup> Attempts were made to interview officials outside of the central agencies, but it proved not possible to gain access to these officials. More widely, going outside of government was beyond the scope of the study, particularly as the emphasis in the study was on how the PEFA had impacted on government's PFM reform programme

<sup>11</sup> Originally, 12 case study countries including Syria were envisaged, as reflected in the TORs. During the Inception Stage, it was felt that including the Caribbean region would be beneficial to the study. During implementation of the study, information was found to be difficult to obtain on Syria, and it was subsequently dropped.

<sup>12</sup> E.g. as in the SPA survey. The conducting of a survey was not envisaged in the TORs.

**Box 1: Questions for Structured Stakeholder Interviews**

**1. Background on PEFA assessment**

When was the PEFA undertaken (e.g. TORs issued, team began work, field visit begun/ended, draft/final reports completed)  
 Institutional involvement of DPs: (i) lead donor(s); other donors. In what ways were they expected to be involved pre-assessment? How were they involved in practice? (14, 15)  
 Institutional involvement of government: Pre-assessment institutional structure (apart from meetings): reference group? If so, who was involved? Actual institutional structure during assessment (1)  
 What was the background to the origin of the PEFA assessment, including perceived motivation?  
 Describe how PEFA was carried out (methodology), including whether or not there was pre-assessment workshop. Stand-alone or integrated assessment?  
 Current status of report (e.g. draft, final)  
 Extent of public availability of PEFA report, e.g. on PEFA website, on Government website, published (public access), other (24)  
 Other background – describe the status of the PFM reform programme. Extent of government management/leadership of PFM reform programme.  
 Describe the nature and institutional structure of the government-donor dialogue on PFM  
 Describe the nature and institutional structure of the donor-donor dialogue on PFM (14, 15, 16)

**2. Government experience of PEFA assessment**

Government’s view of the PEFA assessment, e.g. quality of the process, team, product and appropriateness of the results (3, 4)  
 Describe level of government involvement in assessment process – who was involved, who led the process (involvement in management of process), how were they involved  
 Government assessment of quality/strength of level of government involvement – (pre, during, post assessment)

**3. DP experience of PEFA assessment**

DPs’ views of the PEFA assessment, including quality of the process, team, product, appropriateness of the results  
 Describe level of DP involvement in assessment process – who was involved, who led the process (involvement in management of process), how were they involved (19)  
 DP assessment of quality/strength of level of DP involvement – (pre, during, post assessment), including the level of DP-DP co-operation during the PEFA exercise (19)  
 DP motivations for supporting/leading PEFA assessment

**4. Government use of PEFA post-assessment**

Circulation of PEFA post-assessment (23, 24, 25)  
 Discussion of PEFA post-assessment (2)  
 Citations of PEFA post-assessment  
 What, if any, direct follow-ups to the PEFA have been carried out or are planned (e.g. follow up PEFAs), additional analyses, etc. What were the reasons for undertaking these (7)  
 What, if any, changes/activities have there been in the PFM reform programme since the PEFA assessment? Were these changes directly or indirectly related to the PEFA assessment? In what ways? (5, 6)  
 Describe any government institutionalisation of PEFA framework, e.g. decision to use PEFA in M&E of PFM system  
 In stakeholder’s view, what were the main reasons for any successes/actions in following up/using PEFA?

**5. DP use of PEFA post-assessment**

Describe the circulation/ dissemination and citation of the report amongst DPs (8, 9, 23, 24, 25)  
 What impact or follow-up activities (related to PFM support by DP) have resulted from the PEFA assessment (decisions by DP directly related to PEFA assessment), e.g. new PFM support projects being planned, decisions to/not to give support (e.g. budget support), reductions in PFM assessments (12, 13, 21, 22)  
 What activities which potentially lead to improvements in DP co-operation resulted from the PEFA assessment, e.g. plans to combine/consolidate PFM support/assistance, new institutional structures for DP-DP co-operation (10, 21)  
 Did the PEFA assessment lead to reductions in the number and/or nature of PFM assessments? (17, 18)  
 What activities which potentially lead to improvements in Government-DP co-operation/dialogue on PFM resulted from the PEFA assessment, e.g. new institutional structures for Government-DP co-operation on PFM (20)  
 For DP stakeholder, is PEFA sufficient for PFM assessment? What could it replace? What can it not replace?  
 Describe any DP institutionalisation of PEFA framework, e.g. decision to use PEFA as fiduciary assessment (11, 22)

Note: Numbers in brackets refer to the associated study questions listed in the TORs (Annex 1)



## Caveats to the Study

2.8 There are a number of caveats to the interpretation of the results of the study.<sup>13</sup> Firstly, the study was reliant on the views of those interviewed without first-hand verification. Whilst triangulation of views and a review of documents were undertaken to the extent possible, it still remains the case that some positions remain without independent verification. There is no substitute for in-country investigations, which is clearly not possible in a desk study of this type. The approach in the study has been to indicate these areas by referring to “reported” changes or positions.

2.9 Secondly, in some cases, despite significant numbers of attempts, it did not prove possible to gain access to some officials (e.g. government officials in Madagascar and Honduras). In these cases, alternative approaches were used (e.g. discussions with TA officials in Ministries of Finance). In all cases, triangulation with at least three officials was used.

2.10 Thirdly, the study portrays a snapshot of the situation in each country. The number of countries to be studied in a relatively short amount of time meant that it was important to prioritise the list of officials and to be pragmatic as to whom it was possible to interview; more time would (in theory) have provided the opportunity to conduct further discussions. This has necessarily affected the level of detail which has been possible to analyse. The country impact notes have been designed to extract the maximum detail possible under these conditions whilst at the same time to provide comparability across countries.

2.11 Fourthly, in some cases, relatively little time has passed since the completion of the PEFA assessment (the most recent assessment studied was completed in mid-2006), particularly taking into account the amount of time required for institutional change. In some cases where no impact has yet emerged, it is possible that more concrete effects will be felt in time. Where limited progress has been made, these results have been highlighted.

2.12 Fifthly, some data and analyses envisaged in the Terms of Reference were not available in practice during implementation of this study. These included the SPA survey, which was being compiled during the last quarter of 2007, and the EC’s planned study on PFM monitoring in countries benefiting from EC General Budget Support, which was launched in January 2008. Nevertheless, in the finalisation of the report, some results from the draft SPA survey report have been added.

2.13 Finally, whilst opinions and views were sought from a variety of government officials, it was usually those from the central agencies most involved in the PEFA assessments (i.e. most involved in budget planning and execution) who were most responsive (e.g. Ministries of Finance and/or Ministries of Planning). This appears to reflect the view amongst country representatives that PEFA assessments and PFM reform programmes are in the first instance the preserves of such central agencies. Whilst this view potentially downplays the important role of external scrutiny in the PFM process, it reflects the observed focus in PFM reforms in practice, whereby the initial concentration is on activities to strengthen the central agencies (e.g. Medium Term Expenditure Frameworks [MTEFs] in Ministries of Finance [MoFs], or Integrated Financial Management Information Systems [IFMIS] with their focus on the general ledger), followed by line ministries, thereafter followed by external agencies (such as internal or external audit), followed by Parliament, non-State actors, and the public.

## Choice and Description of Case Study Countries

2.14 As indicated above, twelve country cases were studied, for which Country Impact Notes (CIN) were prepared.<sup>14</sup> The selection was made amongst the eligible countries, which were defined as the 35 countries which had completed a PEFA assessment prior to September 2006 (so that a full year had elapsed between its completion and the current study).

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<sup>13</sup> As will be indicated in the Country Impact Notes, the study’s author worked on PEFA assessments in two of the cases studied, Zambia and Ghana. Nonetheless, the analyses and description of impact in this study have been based on the expressed views of those interviewed and on documentary evidence.

<sup>14</sup> There are found in Volume II.

2.15 The selection of case study countries was based on the following criteria:

- Differences in country background, including geographic area, size as measured by population, per capita income level, and relative political stability;
- Differences in the aid environment, including relative budgetary dependence on external resources and number of development partners active in the country, particularly in PFM;
- Differences in the way that the PEFA assessments were carried out, including different lead donor, relative involvement of key stakeholders, including government, elapsed time since assessment was completed, and the assessment methodology, including stand-alone or integrated product; and
- Differences in types of PFM systems, including administrative heritage (e.g. based on Anglophone, Francophone, etc.) and status of PFM reform programme.
- In addition, recognition was taken of situations where specific follow-on activities under the PEFA framework have been undertaken or are under way.

2.16 Taking these factors into account, the case study countries selected are shown in Box 2, together with the justification for their inclusion. The country cases do not represent a random sample, and they are not intended to be strictly representative of each category, as the selection depended also on the availability of information.<sup>15</sup>

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<sup>15</sup> Hence, the decision to exclude Syria.

<b>Box 2: Country Cases Studied<sup>1</sup></b>	
<b>Country</b>	<b>Main rationale</b>
Bangladesh	Representative of the Asia region A follow-up PEFA assessment has been undertaken and included explicitly in the World Bank's CAS
Caribbean (Barbados and Trinidad/Tobago)	Region of small island economies, with relatively low levels of aid-dependence Strong single-donor influence. Significant time since completion of PEFA assessment
Congo-Brazzaville	Francophone PFM heritage Significant time since completion of assessment Detailed assessment undertaken Potential issue of mineral wealth
Ghana	Anglophone PFM heritage Strong donor-Government dialogue
Honduras	Hispanic heritage Joint lead donors WB-IADB Integrated product
Madagascar	Francophone PFM heritage Significant time since completion of assessment Attempts to track progress
Moldova	Eastern European, FSU PFM heritage Significant time since completion of assessment Assessment carried out in conjunction with in-country donor co-ordination group
Mozambique	Lusophone PFM heritage Significant time since completion of PEFA assessment Follow-up PEFA assessment being undertaken currently
Nicaragua	Hispanic heritage Joint lead donors WB-IADB-DFID-EC Stand-alone product (in contrast to other Latin American examples)
Tanzania	Anglophone PFM heritage Government active in using PEFA methodology – number of PEFA-related assessments being undertaken Active PFM support programme
Vanuatu	Island economy in the Pacific region Significant time since completion of PEFA assessment 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	Anglophone PFM heritage Government-led PEFA assessment PEFA framework explicitly part of M&E framework for PFM reform programme; PEFA follow-up actively planned
Note: 1. In addition to these countries, Syria was originally intended to be included in the study but was subsequently dropped during implementation due to insufficient information.	

2.17 Whilst Box 2 indicates the justification for the selection of case study countries amongst those which were eligible (i.e. those for which there was a completed PEFA assessment prior to September 2006),<sup>16</sup> Box 3 indicates the characteristics of these countries.

2.18 All regions are represented, with the exception of the Middle East/North Africa.<sup>17</sup> Six are from Sub-Saharan Africa, one is from Asia, one is from Eastern Europe and Central Asia (ECA)

<sup>16</sup> Twelve countries were studied out of the 35 which were eligible.

<sup>17</sup> As indicated above, Syria was originally planned to be included in the study but was subsequently dropped due to a lack of available information.

region, two are from the Latin American region, and two small-island regions are represented.<sup>18</sup> Whilst the aim of the study was to include representatives of each of the regions, only two countries were eligible in the Middle East/North African region, and Syria was chosen at the inception stage. However, during the study, it proved difficult to get detailed information on the experience of the PEFA assessment, and the decision was taken to not include a country impact note for it.

2.19 Other characteristics of note include:

- 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 backgrounds.
- PEFA assessments have been undertaken both as stand-alone exercises and linked to a wider DP process (e.g. part of a PER)
- Amongst DPs, the World Bank and the EC have been the primary sponsors (together or individually) of the countries studied, with the majority being undertaken as joint exercises. Other lead donors include IADB, DFID and Sida.
- Regarding the PEFA PFM-PR in the vast majority of countries studied, the reports have been finalised, and most were of medium length, which is longer than is recommended in the PEFA Guidelines.<sup>19</sup>
- The time taken from field visit to finalisation of the PFM-PR in the majority of cases was either relatively short (3 months or less), or significant (more than 1 year in some cases). There was little in between.
- Only 3 follow-up PEFA exercises have been carried out in the countries studied, reflecting the relatively limited time since finalisation, with the majority of PEFA assessments having been completed less than 18 months prior to the start of the study<sup>20</sup>. A number of follow-up exercises are planned for 2008.

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<sup>18</sup> It is to be emphasised that, in some of the regions (e.g. the Middle East), there were only a limited number of eligible countries.

<sup>19</sup> The PEFA Guidelines indicate an optimal length (excluding annexes) of 30-35 pages.

<sup>20</sup> September 2007.

**Box 3: Case Study Countries at a Glance<sup>1</sup>**

	BAN	CAR	CON	GHA	HON	MAD	MOL	MOZ	NIC	TAN	VAN	ZAM	TOT <sup>2</sup>
<b>Region</b>													
Sub-Saharan Africa			x	x		x		x		x		x	6
Mid. East/N Africa													0 <sup>5</sup>
Europe/Cent. Asia							x						1
South Asia	x												1
E Asia/Pacific											x		1
L Amer/Carib.		x			x				x				3
<b>Admin. heritage</b>													
Francophone			x			x					x		3
Anglophone	x	x		x						x	x	x	6
E. European							x						1
Other	x				x			x	x				4
<b>Type of assessment</b>													
Stand-alone/indep.	x	x	x			x	x	x			x	x	8
Integrated/ linked to DP process	x			x	x				x	x			5
<b>Lead donor</b>													
World Bank	x			x	x				x	x			5
EC		x	x			x	x	x			x		6
Other												x	1
<b>Single/multi-donor</b>													
Joint donor			x	x	x	x	x	x	x	x	?	x	9/10
Single-donor	x	x											2
<b>Status of report</b>													
Final		x	x	x		x	x	x		x	x	x	9
Draft	x				x				x				3
<b>Length of final/draft final report (excl annexes)</b>													
<50 pages	x	x			x							x	4
50-100 pages				x			x	x	x	x	x		6
>100 pages			x			x				x			3
<b>Follow-on since original</b>													
Yes	x							x		x			3
No		x	x		x		x		x		x		6
Planned				x		x						x	3
<b>Elapsed time from field visit to final report</b>													
≤ 3 months				x		x		x		x	x	x	6
4-6 months		x <sup>3</sup>					x						2
7-12 months													0
>12 months, or final report not issued		x <sup>4</sup>	x		x				x				4
Unknown	x												1
<b>Elapsed time since final report to Sep 07</b>													
≤ 12 months										x			1
13-18 months		x <sup>3</sup>		x		x	x	x		x	x		7
>18 months	x											x	2
Final report not issued		x <sup>4</sup>	x		x				x				5

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  
2. Where totals exceed 12, these denote cases where there was more than 1 PEFA prepared.  
3. Trinidad  
4. Barbados  
5. Syria was originally included in the study but was dropped during implementation due to insufficient information.

### **3. Description of Impact**

3.1 This section analyses the different types of impacts found in the study countries for both governments and donor agencies. This section concentrates on describing the different types of impact found, whilst Section 4 considers the reasons for these effects. It first sets out a descriptive analysis of the types of impact found in the case study countries.

3.2 It is to be noted that the PEFA studies assessed in terms of impact were those completed prior to September 2006. In some cases (e.g. Bangladesh), an update or semi-update of the PEFA scores was undertaken later (in 2007, in this case); the impact is considered to be in relation to the earlier (first) version. Similarly, the effects of pilot versions of the exercise (e.g. Madagascar in 2005) were not considered for impact; only the later (2006 in this case) official version of the PFM-PR was assessed. For countries where a regular (annual) update has been undertaken (e.g. Tanzania), the impact of the series of assessments has been considered.

3.3 The analyses in this section describe a summary of the effects found. The discussion begins with a description of the types of impact and the criteria used for each. It then moves on to an analysis of the measurement of the different effects on governments and on DPs. The impact on both governments and DPs has been assessed based on documentary evidence, and supplemented by interviews with stakeholders. More information on the impact in each country may be obtained in Annex A, which contains a summary of these effects, together with a description of their contributing factors, and in the more detailed case studies comprising Volume II of the report.

#### **Overview of the Types of Impact**

3.4 The impact of PEFA assessments on both governments and DPs was measured by their effects on (related TOR objectives in brackets): (i) government and DP understanding of PFM strengths and weaknesses (contributes to country leadership in preparing/owning the resulting assessment reports); (ii) DP-DP co-operation on PFM (contributes to the co-ordination of support from DPs); (iii) Government-DP co-operation on PFM (use of PEFA for dialogue and governments' adoption of the PEFA framework as the basis for monitoring the results of PFM reforms); (iv) the transaction costs on governments of DP activities on PFM (links to the number and nature of PFM assessments); and (v) the alignment of PFM reform programmes with the strengths and weaknesses identified in the PEFA assessments (contributes to alignment of DP support with governments' PFM strategy). The specific criteria used to measure each of these types of impact are set out in Box 4.

<b>Box 4: Types of Impact Studied<sup>1</sup></b>			
<b>Type of impact<sup>2</sup></b>	<b>How defined</b>	<b>How measured</b>	<b>Based on</b>
Gov't/DP understanding of PFM strengths/weaknesses	PEFA assessment as providing a more comprehensive understanding of the strengths and weaknesses of PFM systems	Discussions with stakeholders which specifically cite this benefit of the PFM assessment	Discussions with stakeholders
DP-DP co-operation	PEFA assessment being used as a common reference point on defining or monitoring PFM strengths/weaknesses	Agreement to use PEFA framework as part of a common DP monitoring framework. Instances of other types of DP-DP co-operation on PFM (e.g. joint PFM institutional support projects).	Documentation and discussions with stakeholders
Gov't-DP co-operation	PEFA assessment being used as a common reference point for government and DP joint activities on PFM	Agreement to use PEFA framework as part of a common Government-DP monitoring framework (e.g. joint PAF).	Documentation and discussions with stakeholders
Transaction costs on governments	Lower transaction costs of PFM assessments through fewer numbers of (similar) PFM assessments (e.g. by different DPs) and/or a change in the nature of PFM missions (e.g. towards identifying how reforms should be sequenced to address weaknesses identified in the PEFA assessment)	Cases where DPs have indicated that they have used the PEFA assessment for their own internal requirements and decision-making processes, and thereby obviating the need for specific additional missions.  Instances of overlapping PFM missions since the PEFA assessment have been considered to negate any beneficial effects from (other) DPs' use in their own processes.	In the absence of comprehensive data (comprehensive data not available for some DPs), this impact was difficult to measure definitively. Discussions with stakeholders supplemented available data.  A review of the results of the 2007 SPA survey took place during finalisation of this study. <sup>3</sup>
Alignment of PFM programme	Changes to PFM reforms which in some way respond to weaknesses identified in PEFA assessment  Can involve the results of subsequent analyses of sequencing related to the PFM-PR	Revisions to (or new) PFM reform programmes, citing PEFA assessment and based (loosely or strictly) around PEFA-defined weaknesses	Documentation (PFM reform programmes) and discussions with stakeholders
<p>Notes: 1. Further details (including the list of questions asked of stakeholders) may be found in the section on methodology in the text.</p> <p>2. These categories inevitably overlap to some extent. The definitions and means of measurement have tried to identify the unique aspects of each in order to minimise these overlaps.</p> <p>3. The SPA survey results were made available too late for the main analysis in the present study; only brief comments on the results have been able to be included.</p>			

3.5 Based on the results of the structured interviews and documentation reviewed, and discussed in more detail in the Country Impact Notes found in Volume II of the study, Box 5 summarises the frequency of each type of impact found in the country cases studied.

3.6 The results indicate the following:

- The most frequently cited effect (9 countries) was a more comprehensive understanding of the strengths and weaknesses of PFM systems, particularly amongst governments. The comprehensiveness of the PEFA framework in analysing PFM systems as a whole was frequently cited by stakeholders as important.

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- The impact of the PEFA assessment on improving DP-DP co-operation was also shown to be important (8 cases). The use of the information in the PFM-PR and in the baseline analysis of PFM strengths and weaknesses as part of a common DP monitoring framework was noted frequently by stakeholders; this was supported by PFM monitoring documentation. The effect was felt most strongly where DPs already had a strong co-ordination mechanism (e.g. Mozambique, Tanzania).
- A positive effect on Government-DP co-operation (8 cases, of which 6 are potential) is potentially linked to both a better understanding of PFM strengths and weaknesses (and thus an appreciation of the PEFA instrument) by government as well as a strong existing DP-DP dialogue. In countries where the Government-DP dialogue involved a well-co-ordinated group of DPs and where there was more limited government leadership and/or capacities for reform, there was more likely to be a greater positive effect on DP-DP co-ordination than on the wider Government-DP dialogue (e.g. Tanzania).
- The related issue of lower transaction costs from reduced numbers of overlapping PFM assessments was shown to be important (7 cases). DP stakeholders indicated where they used the information in the PEFA assessments for their own decision-making processes in place of a separate PFM assessment mission (e.g. Ghana) or where overlapping assessments by other DPs took place (e.g. Mozambique). However, these results should be viewed with caution as this type of impact has been difficult to measure comprehensively. Hence, only areas where there were positive indications given of reduced transaction costs have been shown with a tick mark, but the lack of a tick mark does not necessarily imply that this effect has not taken place in the given case.
- Alignment of the PFM programme with the results of the PEFA assessment (e.g. as reflected in a newly developed or revised PFM reform programme) was found in 6 countries, although for two of these the PFM programmes were developed in direct response to the requirements for receiving budget support.

3.7 For those countries with relatively more types of impact (four or more), common characteristics include already strong DP-DP and Government-DP co-operation on PFM (Ghana, Madagascar, Mozambique, Tanzania and Zambia). That is, where DPs and governments had a pre-existing framework for joint working on PFM and an emphasis on improving PFM systems, this was more likely to have a beneficial effect and lead to an impact on the reform programme and/or on reducing transaction costs through further joint operations.

3.8 Where there was limited engagement (by governments and/ DPs) in the PEFA exercise, there was less of an impact. In particular, the lack of government engagement with the exercise contributed to the experience of the two countries showing the least number of effects, Bangladesh, referring to the 2005 PEFA assessment, and the Caribbean. As indicated below, the lack of government engagement was the result of specific (but different) reasons.



**Box 5: Overview of Types of Impact on Government and DPs<sup>1</sup>**

Area of impact <sup>2</sup>	Bangladesh <sup>3</sup>	Caribbean	Congo-Brazz	Ghana	Honduras	Madagascar	Moldova	Mozambique	Nicaragua	Tanzania	Vanuatu	Zambia
Type of impact on Gov't <sup>2</sup>	No impact	3	3	1	3	2	3	3	No impact	3	3	2
Type of impact on DPs <sup>2</sup>	No impact	No impact	B	A	No impact	A	B	A	B	A	No impact	A
Gov't/DP understanding of PFM strengths/weaknesses			✓	✓	✓	✓	✓	✓		✓	✓	✓
DP-DP co-operation			✓	(✓)	(✓)	(✓)		(✓)	✓	(✓)		(✓)
Gov't-DP co-operation			✓?	(✓)		✓?	✓?	✓?		✓?	✓?	(✓)
Transaction costs <sup>4</sup>			✓?	✓		✓		✓	✓	(✓)		(✓)
Alignment of PFM programme		(✓)		✓		✓				✓? <sup>5</sup>	(✓)	✓?

Notes: 1. Further details are given in the Country Impact Notes in Volume II. A tick mark indicates the main areas of impact (registering some positive effect) identified by studying documentation and discussions with stakeholders; the absence of a tick mark does not necessarily indicate the non-relevance of a particular area of impact. In the case of DP-DP or Government-DP co-operation, brackets indicate where there already strong co-operation, and it is not clear that the PEFA assessment had an *additional* effect. In the case of alignment of PFM programmes, brackets indicate the preparation of a DP-sponsored (as opposed to Government-owned) PFM reform programme. A question mark indicates where the impact is only beginning and is thus difficult to tell if the impact will be sustained.  
2. Refer to text for definitions of each type of impact.  
3. Refers to 2005 PEFA assessment and PFM-PR  
4. As this type of impact has been difficult to measure comprehensively, only areas where there were positive indications given of reduced transaction costs have been shown with a tick mark; the absence of a tick mark does not necessarily imply that this effect has not taken place in the given case.  
5. Impact relates to local government.

## Measuring the Impact on Governments

3.9 Having set out the types of effects, this sub-section categorises the extent of such effects. For governments, the impact of the PEFA assessments in the case study countries has been assessed on the basis of its impact on the government's own new or revised PFM reform programmes as well as the extent of the government's understanding of the strengths and weaknesses of its PFM systems.<sup>21</sup>

3.10 The criteria used in the typology of impact on governments in the study are set out below. For each impact type, case study countries which meet any of the criteria are considered to fall into that category.

- **Type 1 impact** on governments refers to cases where revisions to, or a new, Government's PFM reform programme were made following the PEFA assessment, and where these revisions explicitly refer to, and are aligned with, the PEFA assessment and the weaknesses therein. Evidence for this type of impact came from examining documentary evidence on revisions to the PFM reform programme, supplemented by discussions with stakeholders. These citations are indicated in the list of references.
- **Type 2 impact** refers to cases where revisions to, or a new, Government's PFM reform programme were made following the PEFA assessment and where the revised PFM reform programme explicitly refers to the PEFA assessment but does not explicitly provide the central framework for the revised/new PFM reform programme. Evidence for this type of impact came both from examining documentary evidence on revisions to the PFM reform

<sup>21</sup> These are summarised in Box 4 above.

programme, and from discussions with stakeholders. These citations are indicated in the list of references.

- **Type 3 impact** refers to cases where: (i) the PEFA assessment was perceived to have added value to the government's understanding of PFM strengths and weaknesses and/or the Government's dialogue on PFM issues within government or with DPs; or (ii) a PFM Action Plan has been prepared following a PEFA assessment but was explicitly DP-sponsored (e.g. as an explicit condition of the provision of budget support) and thus the extent of government ownership of the Plan is not clear.

With reference to (i), due to the lack of a documentary evidence of a direct link between the PEFA assessment and changes to PFM reform programmes, direct attribution of the PEFA assessment to government reform activity in these cases is difficult to assert. This would be the case, for example, in countries where a reform programme was already under way, and the PEFA assessment served to confirm the analysis behind the selection of the reform activities for the programme/project. It would also be the case in situations where the PEFA analysis was one of a number of PFM assessments undertaken in recent years, as part of the Government-DP dialogue, and which together resulted in a PFM reform programme. In these cases, the PEFA analysis could be considered to be part of the overall pressure for reform. Evidence for this type of impact came primarily from discussions with stakeholders.

- **No impact** on governments was recorded where none of the above conditions (i.e. for any of the other types of impact) were met. This could be because the government did not accept the results of the PEFA assessment. Evidence for this type of impact came primarily from discussions with stakeholders.

### *Country experiences*

3.11 Amongst the case study countries, a **Type 1 impact** was found in Ghana.<sup>22</sup> An examination of the Government's updated PFM Action Plan (which was updated following the PEFA assessment), corroborated by Government and DP officials, shows that the priority and sequencing of the strategy's medium term (2006-2009) focal areas are explicitly linked to the weaknesses outlined in the PEFA assessments, and that the PEFA assessment is cited as such. These areas indicate the key priorities for reform measures and are the basis of reform measures currently being undertaken. In this case, the PEFA assessment reportedly has led to a more structured approach to the reforms and a greater explicit focus in the Action Plan (referred to as the Short and Medium Term Action Plan [S/MTAP]) in certain areas related to the PEFA analysis and indicators. According to MoFEP officials, most of the Quick Wins suggested in the report accompanying the PEFA assessment are planned or are being addressed<sup>23</sup>. The issue of quick wins is discussed further in Section 4 below. Finally, the PEFA assessment is one of the few amongst the case study countries to be published on a government department's (MoFEP) website.

3.12 Madagascar and Zambia provide examples of a **Type 2 impact**.<sup>24</sup> In Madagascar, in the President's Action Plan (*Plan d'Action Madagascar*), progress in achieving the objective concerning establishing an efficient and effective budget process is to be measured by the PEFA indicators. At the same time, the government has established a reform unit within the Ministry of Finance linked to the Action Plan. However, it is not clear (there does not appear to be consensus) as to the extent to which the PEFA assessment is actively guiding the reform programme (e.g. as compared to the case of Ghana).

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<sup>22</sup> Further details may be found in the country case study write-ups in Volume II

<sup>23</sup> Specifically, budget reforms currently under way include: (i) improved budget reporting through a renewed effort to improve on reporting, including the timeliness of publication of budget execution reports through the Controller and Accountant General's Department (CAGD) and efforts to improve comprehensiveness of information donor flows; and (ii) increased transparency of the budgeting process: staff member assigned responsibility for ensuring timely publication of budget documents on MoFEP website, dissemination of the Citizen's Budget).

<sup>24</sup> Further details may be found in the country case study write-ups in Volume II

3.13 In Zambia, the PEFA framework was part of the PFM reform programme's M&E framework from the beginning (pre-assessment); indeed, this was explicitly written into the design of the assessment. The PEFA assessment is reported to have resulted in a realignment within (but not across) PEMFA (Government reform programme) components to address the weakest areas. Whilst this is an important effect, the impact appears to be limited to modifying the activities within the pre-existing reform components rather than refining (i.e. prioritising and sequencing the activities within) the programme as a whole. At the same time, and despite the relatively comprehensive nature of the reform programme, some reforms (e.g. the introduction of a Single Treasury Account and effective cash management, an area of weakness identified by the PEFA assessment) are being introduced outside of the reform programme. This would suggest that there is the need (and desire) for a more comprehensive alignment. Hence, since the reform programme is broad-based and implies a similar level of emphasis on all components at once, which is unrealistic, it would be useful for PEMFA to be modified through appropriate prioritising and sequencing of reform activities. This is happening in practice; however, the basis for this sequencing is not clear. As such, given that many of the reforms are long-term in nature, shortening or extending the timeframe for higher/lower (respectively) priority activities would be possible and desirable.

3.14 A **Type 3 impact** was found in the Caribbean, Congo-Brazzaville, Honduras, Moldova, Mozambique, Tanzania, and Vanuatu.<sup>25</sup> In Mozambique, Moldova, and Vanuatu, a DP-supported PFM reform programme was already under way, and the PEFA assessment served to confirm the analysis behind selecting the reform activities for the programme. In these cases, the PEFA analysis was considered by stakeholders to be part of the overall pressure for maintaining PFM reform.

3.15 In some Caribbean countries, such as Grenada, St. Kitts, and St. Vincent and the Grenadines, the development of a PFM reform Action Plan put together following the PEFA assessment was in response to DP (EC, in these cases) requirements (e.g. for provision/release of budget support). These have tended to be carried out by consultants and, since these are required to be approved by the EC, it cannot be stated unequivocally that the Action Plan is government-owned (although they may be).

3.16 In both Congo-Brazzaville and Honduras, whilst the lack of official government endorsement hampered an immediate impact, DP support for PFM reform around the PEFA assessment has helped galvanise government action. Specifically, the Congo Government-DP workshop held in January 2007 led to a draft of the Government's PFM reform Action Plan (PAGGEF). Nevertheless, it is reportedly difficult to separate the individual effects of the three analytical/diagnostic instruments, vis-à-vis the PEFA assessment, the CIFA and the HIPC completion point triggers. In Honduras, the change in government soon after the draft PEFA assessment was completed slowed political momentum on PFM reforms. Whilst some refocusing of reforms took place after the new government came in (January 2006) (e.g. external audit, internal control/audit, and PFM reforms at municipal level), nonetheless, given the reportedly limited attention paid to the PEFA assessment by the incoming government, direct attribution of these changes to the PEFA assessment is difficult to justify.

3.17 Finally, Bangladesh and Nicaragua were found to be examples of **no impact**.<sup>26</sup> In the former, there appeared to be limited awareness or acceptance by government officials of the PEFA analysis itself due in part to its being seen as an external exercise.<sup>27</sup> In the latter, the timing of the exercise coincided with a change in government, and the PEFA assessment was reportedly not used as an input into the new government's programme.<sup>28</sup> This was not helped by the long period for preparation of the draft report (11 months from field mission to date of draft report).

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<sup>25</sup> Further details may be found in the country case study write-ups in Volume II

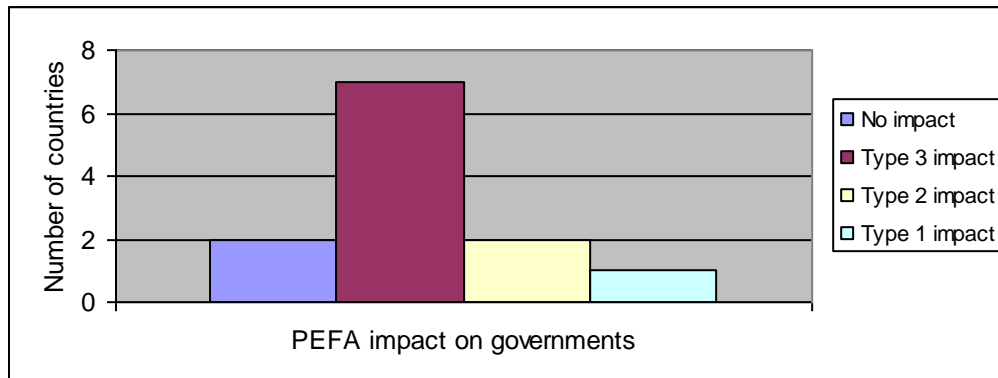
<sup>26</sup> Further details may be found in the country case study write-ups in Volume II

<sup>27</sup> This refers to the 2005 PEFA exercise.

<sup>28</sup> See GoN, *Políticas del Gobierno de Reconciliación y Unidad Nacional Proceso En Construcción Permanente*, August 2007 and GoN, *Programa Económico Financiero (PEF) 2007-2010*, August 2007

3.18 A summary of the distribution of these four types of impact across the countries studied is depicted in Diagram 1. Annex A provides a summary matrix of the different effects found.

**Diagram 1: Impact of PEFA Assessments on Governments**



3.19 It is interesting to note the number of cases where PEFA assessments have been/are planned to be repeated (excluding those [pilot or trial] PEFA assessments which preceded the formal PEFA cases [e.g. Madagascar in 2005 and Ghana in 2005]). These include: Mozambique, which is currently carrying out its first update; Tanzania, which by design has carried out a PEFA assessment every year from 2005-2007; Bangladesh, which updated the scores as part of preparation of its CAS; Madagascar, which planned to carry out an update in January 2008 using the same consultants; and Zambia, which is planning to update its PEFA assessment in June 2008 using the same Government team supported by the same external facilitators. Further ahead, Ghana is also planning to undertake an update of its PEFA assessment in 2009. The fact that nearly half of the countries studied are actively planning updates would appear to indicate that stakeholders have found the instrument useful.

3.20 It is also interesting to note cases where there are potential effects taking place but where the elapsed time since the assessment has been too short to see a sustained effect. In the Middle East region, for example, the recently completed PEFA assessment in Yemen has led to the refinement of the government’s action plan; this reformulation in light of the lessons from the PEFA assessment appears to be motivated by the government’s desire to reform and change its negative external PFM image.

**Measuring the Impact on Development Partners**

3.21 In line with the objectives of the Strengthened Approach, the impact of the PEFA assessments in the case study countries on DPs has been assessed on the basis of: (i) joint working amongst DPs, including the role of PEFA assessments as part of a common pool of information; (ii) reduced transaction costs on government by DP activity, through the number of PFM assessments; and, to a more limited extent on the nature of DPs’ PFM activities; and (iii) greater Government-DP co-operation.<sup>29</sup> The assessment of impact has been based on both examining DP documents as well as discussions with stakeholders.

3.22 It was not possible to measure definitively the number of PFM diagnostic assessments or the nature of PFM missions, as it was not possible to get comprehensive data by DP on these. This aspect was assessed on the basis of discussions with stakeholders and their perception of such effects. Indeed, in the absence of a counterfactual, it would be difficult to assert a causal relationship between the PEFA assessment and the absence of other PFM assessments/diagnostic reviews in the relatively short period following the PEFA assessments. This is particularly true given that PFM missions and

<sup>29</sup> These are summarised in Box 4 above.

assessments/reviews are often planned well in advance. Any further statistically-based analysis of patterns of the numbers of assessments, pre- and post-PEFA assessment, or the specific nature of these assessments, was beyond the scope of this study. However, during finalisation of this report, the SPA draft survey results were consulted.

3.23 The impact of the PEFA assessments on the activities of DPs (e.g. the content or quality of their dialogue and/or the type of institutional support provided) is also beyond the scope of this study and thus has not been assessed.<sup>30</sup>

3.24 The criteria used in the typology of impact in the study are set out below. For each impact type, case study countries which meet any of the criteria are considered to fall into that category.

3.25 **Type A impact:** refers to cases where the PEFA assessment undertaken in the country (i.e. not the framework) has led to a measurable (e.g. documented) effect on joint working amongst DPs involved in PFM. In other words, following the PEFA assessment, DPs have agreed to use the PEFA framework<sup>31</sup> as the basis for singular or joint PFM monitoring, and this agreement has been documented. Specifically, this has been manifested in:

- *Joint working/common pool of information:* Signed agreements or otherwise documented decisions for joint working (e.g. monitoring/assessment processes) in the context of the PEFA assessment;
- Documentary evidence of the PEFA assessment's being used as the basis for internal decision-making, such as assessing eligibility for, or monitoring, budget support decisions, or assessing institutional support requirements, including as a replacement for separate missions;
- Documentary evidence of PEFA assessment's being used as the basis for joint decision-making, e.g. joint decisions for providing institutional support, including as a replacement for separate missions;
- *Number/nature of PFM assessments:* use of PEFA in fiduciary assessments which didn't involve additional missions.

3.26 Evidence for this type of impact came from examining relevant DP documentation supplemented by discussions with stakeholders. Where available, these citations are indicated in the list of references.

3.27 **Type B impact:** refers to cases where there is evidence of joint working (e.g. lack of overlapping assessments) but where it is not possible to assert a causal effect from the PEFA assessment. Specifically, this has been manifested in:

- *Joint working/common pool of information:* Evidence of joint working, such as joint post-PEFA missions, but without signed agreements or other more formalised structures;
- Other evidence (e.g. stakeholder indication) of the PEFA assessment's being used as the basis for internal decision-making, including as a replacement for separate missions;
- Other evidence (e.g. stakeholder indication) of PEFA assessment's being used as the basis for joint decision-making, e.g. joint decisions for providing institutional support;
- *Number of PFM assessments:* Stakeholder perception of a reduction in PFM assessments, and greater joint working.

3.28 Evidence for this type of impact came from examining relevant DP documentation and from discussions with stakeholders. Where available, these citations are indicated in the list of references.

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<sup>30</sup> The EC is supporting a study which looks in part at the coherence between weaknesses in the PFM system and the institutional support provided by the EC.

<sup>31</sup> Based on the initial baseline assessment

3.29 **No evidence of impact:** where there have been cases of overlapping or similar PFM assessments (e.g. ROSC) or fiduciary assessment missions or where it is too early to have a clear impact on DPs. Specifically, this has been manifested in:

- *Joint working/common pool of information:* No evidence of joint working, or evidence of duplicating assessments;
- Overlapping or similar PFM assessment missions (e.g. for assessing budget support eligibility) or otherwise no available documented or other evidence (e.g. stakeholder indication) of the PEFA assessment's being used as the basis for internal decision-making;
- Overlapping or similar PFM assessment missions by different DPs or otherwise no available documented or other evidence (e.g. stakeholder indication) of the PEFA assessment's being used as the basis for joint decision-making, e.g. joint decisions for providing institutional support;
- It could be the case that no documented or other evidence is available due to its being too early to show such an impact;
- *Number of PFM assessments:* Stakeholder perception of no change in the number of PFM assessments, or of continued overlapping assessments.

### *Country experiences*

3.30 Amongst the case study countries, a **Type A impact** was found in Ghana, Madagascar, Mozambique<sup>32</sup>, Tanzania, and Zambia<sup>33</sup>. These results reflect the fact that, in these countries, strong multi-donor co-operation, centred in part on budget support operations, has led to greater efforts at joining forces around PFM issues. In these countries, the PEFA assessments (and framework) are being used in the DPs' budget support matrices, as well as in joint donor reviews of PFMs.

3.31 In Zambia and Ghana, the PEFA was undertaken from the outset with the intention of being part of the joint PFM review structure. In Ghana, the PEFA framework has become an integral part of the annual external review of PFM, whilst in Zambia the PEFA framework is explicitly part of the monitoring framework for the government's multi-DP-supported PFM reform programme. In Tanzania and Mozambique, the impact has been reportedly felt more strongly on DPs than on the government, reflecting relatively stronger DP-DP co-operation on PFM.

3.32 In all of these cases, the PEFA assessments have provided value-added through providing a common reference point for PFM. The assessments appear to have reduced the number of similar assessments, but not to substitute for other analyses (e.g. sectoral). In these cases, whilst DPs may continue to carry out individual PFM assessments (e.g. for assessing initial or continued eligibility for budget support), these are primarily done as desk studies based on the PEFA analyses.

3.33 A **Type B impact** was found in Congo-Brazzaville, Moldova, and Nicaragua<sup>34</sup>, reflecting a more nuanced effect on DP behaviour as well as the difficulty of asserting causality of the PEFA for greater efforts towards joint working on PFM issues in these cases. In Nicaragua, the impetus for the PEFA assessment was to reduce the transaction costs on the government of multiple DP activities; following the PEFA assessment, the DPs agreed to use a single PFM mission calendar. In the absence of a counterfactual, evidence of the impact on reducing PFM assessments is unclear. At the same time, the multi-DP budget support group reportedly integrated the weaknesses identified in the PEFA assessment into the PAF matrix. However, given the extended length of time for revision of the draft

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<sup>32</sup> Nonetheless, there was some evidence of overlapping assessments in late 2007, with a review of the IMF's fiscal ROSC (from 2003) in August 2007 by an IMF FAD team, and an audit ROSC was scheduled to have taken place in October 2007 (although there is no independent confirmation of this last assessment)

<sup>33</sup> Further details may be found in the country case study write-ups in Volume II

<sup>34</sup> Further details may be found in the country case study write-ups in Volume II

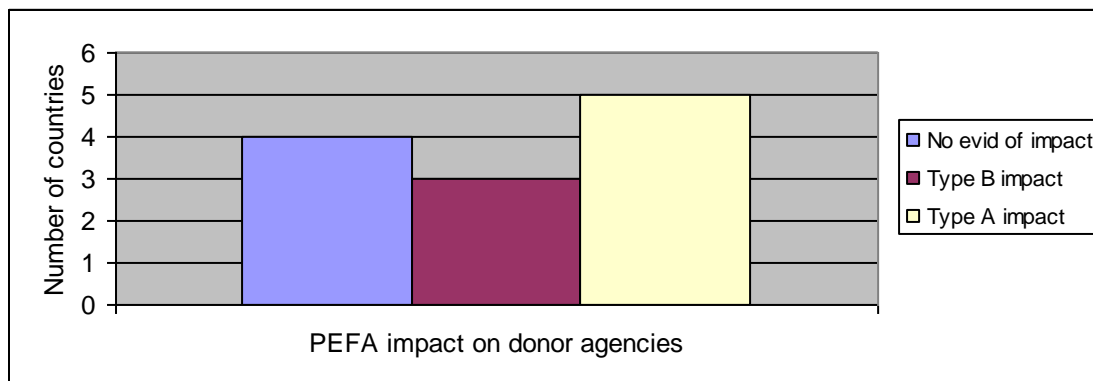
report and the reported lack of information available during this process to other DPs, the effect of the PEFA assessment was more muted.

3.34 In Moldova, the PEFA assessment provided confirmation of the areas to be addressed by the multi-DP supported PFM project and thus provided support to the joint institutional arrangements in place. Other DPs reportedly have used the assessment of PFM strengths and weaknesses in their internal assessment or monitoring processes, thus indicating that it has been used as a common information source on PFM. Whilst other PFM assessments (e.g. ROSC) were undertaken following the PEFA assessment, it does not appear to have increased the transaction costs on government (as far as government officials are concerned), due in part to the relatively limited number of donors operating in the PFM sphere. In Congo-Brazzaville, the PEFA assessment (which was not formally endorsed by the government) has provided a focal point for DPs aiming to support the Government's PFM reform programme (PAGGEF).

3.35 For countries such as Bangladesh, the Caribbean, Honduras, and Vanuatu, a **type C impact** was recorded, reflecting the fact that either the assessment was not widely endorsed or that there was limited prior experience of joint DP co-ordination in the country and that perhaps it was too early to see whether or not the PEFA assessment would help to build such co-ordination.<sup>35</sup> In Honduras, the lengthy finalisation process of the PEFA assessment and the political changes in the country affected the timeliness and arguably the applicability of the assessment. In the island regions, represented by the Caribbean and Vanuatu, the lack of an institutional mechanism for DP co-operation appeared to be an important issue, compounded by relatively few DPs operating in the PFM sphere (in the Caribbean). In Vanuatu, the "Sydney Principles"<sup>36</sup> have led to more joint participation in PEFA evaluations in the region, but reportedly have not yet led to co-ordinated activities on the ground. Finally, in Bangladesh, the relatively limited recognition of the 2005 PEFA assessment meant that it was difficult for it to provide a common source of PFM information for DPs.

3.36 A summary of the distribution of these three types of impact across the countries studied is depicted in Diagram 2. Annex A provides a summary matrix of the different effects found.

**Diagram 2: Impact of PEFA Assessments on DPs**



### SPA survey

○ The results from the most recent SPA survey<sup>37</sup> serve to confirm findings from the present study. In particular, as the present study found some reduction in transaction costs for government, the

<sup>35</sup> Further details may be found in the country case study write-ups in Volume II

<sup>36</sup> *Principles for the Application of the PEFA Performance Measurement Framework in the Pacific Region*, Agreement signed by DPs operating in the Pacific region at a meeting in Sydney, August 2006 (Sydney Principles).

<sup>37</sup> *Strategic Partnership with Africa: Survey of Budget Support, 2007*, first draft, SPA, January 2008.

survey indicates that there has been a slight decrease in the overall average number of PFM reviews per country in recent years, particularly comprehensive diagnostic tools such as CFAAs and CPARs; significant numbers of Public Expenditure Reviews (PERs) and audits by DPs have prevented any greater decrease in the overall average. In fact, in those countries where a PEFA assessment was completed or underway, there was a more pronounced effect, with the average number of PFM diagnostics being slightly lower than for the whole SPA survey sample. In addition, reflecting the effect of PEFA assessments on improvements in DP-DP co-operation (found in the present study), the survey revealed a trend towards greater joint working undertaken amongst DPs. The survey also showed the use of PEFA assessments as the basis for PFM reform programmes, also discussed in this impact study.

- Amongst the countries in the current study, the SPA survey found:
  - Ghana reported an increase in joint donor reviews between the surveys in 2006 and 2007. It also reported that donor TA support was co-ordinated around and centred on the Government's Short and Medium-Term Action Plan, which as indicated above was revised following the PEFA assessment to reflect its findings.
  - Madagascar reported an increase in both joint and single donor reviews, including PERs (both sectoral and general) and donor audits.
  - Mozambique and Tanzania, on the other hand, both reported an overall decrease in the number of donor reviews<sup>38</sup>, which were all reported as being joint donor reviews, reflecting the strength of the multi-donor co-operation in both countries. The more passive role of government in PFM reform in Tanzania, indicated in the Country Impact Note in Volume II, is highlighted by the lack of a single PFM reform programme around which donors supporting PFM can co-ordinate their institutional support efforts (though this may change in the near future, with the preparation of PFM RPIII currently in discussions with government).
  - As with Madagascar, Zambia reported an increase in both joint and single donor reviews, although there was no further information on the types of reviews which had resulted in the increase.

## 4. Factors Contributing to Impact

4.1 Having described the different types of impact that PEFA assessments have had in the case study countries on both governments and development partners, this section examines the factors that have contributed to these effects.

### Government impact

4.2 In particular, the study examined the following factors as potentially important in contributing to an impact of the PEFA assessment for government:

- Level of Government engagement/ownership of the PEFA assessment process;
- Perceived use/motivation of the assessment, e.g. whether seen as external (donor) exercise;
- Quality of process, including methodology;
- Context of the PEFA framework in on-going dialogue/ nature of dialogue;
- Quality of the PEFA assessment;
- Opportunity for discussion through peer support mechanism;

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<sup>38</sup> Although there were reportedly additional IMF diagnostic reports undertaken in the second half of 2007



- Openness of government to self-criticism; and
- Government attitude/ability to enact reforms.

4.3 In the following paragraphs, the relative impact of each of these factors is discussed in turn.

### *Level of Government engagement/ownership of process*

4.4 From the country studies, perhaps unsurprisingly, the most important factor in determining an impact was found to be the level of active government engagement in, and ownership of, the PEFA assessment itself. This was found to have a positive effect on government impact – the greater was government engagement in the processes, the more likely there was to be a direct effect on the government’s subsequent reform programme. The level of government engagement was found to be a factor in nearly all of the cases studied. This positive engagement was represented perhaps in the extreme in the Ghana case, where one of the most senior officials in the Ministry of Finance and Economic Planning, the Deputy Minister, also a Parliamentarian, led the process from the government side, devoting 17 full days to the exercise. It is thus not surprising that Ghana was also the only case where the PEFA assessment had a full direct impact on the Government’s PFM reform programme, with, as indicated above, the focus of the reform programme being modified.

4.5 At the other extreme was Bangladesh, where the government appeared to distance itself from the original 2005 exercise for a variety of reasons discussed below. This was also the case for the original assessment in Ghana (2005), where the government remained detached from the exercise, indicating that, as a purely donor exercise, it had “had nothing to do with them”. Otherwise, government engagement ranged from appointing a government team to undertake the assessment (Zambia) to individuals’ attendance at bilateral meetings to discuss the background surrounding the indicator areas (many cases) so that the external team could determine the scoring itself based on these discussions. In most cases, the scores were discussed with stakeholders during the initial or subsequent field visits.

4.6 The interesting issue is why governments did or did not engage actively in the exercise. The reasons are varied and are often linked to methodology – the more engaged (and consulted) is the government at the beginning in understanding the PEFA framework and in agreeing how it will be used, the more likely was there to be a positive engagement during the assessment. Conversely, the less government stakeholders were consulted prior to the assessment the more difficult it was to engage them during the assessment. The marked difference in the Ghanaian government’s reaction between the first and second exercises is illustrative of this point. The underlying factors leading to the active engagement or otherwise of government stakeholders are addressed below.

4.7 Active engagement is also due partly to an internal desire for reform, whilst the lack of engagement may reflect capacity constraints, particularly in countries where there is a strong group of donors which is seen in part to facilitate the gathering of this information for its own requirements. In this case, government engagement has been somewhat incidental, e.g. Tanzania in the recent past.

4.8 Also interesting are the cases where there was initial scepticism of the exercise (e.g. Moldova and Madagascar), as it was initially perceived to be a primarily donor-imposed activity, intended to meet donor requirements. However, attitudes reportedly changed when government stakeholders became more familiar with the PEFA instrument and worked with it directly.

### *Perceived use of assessment, e.g. whether seen as external exercise*

4.9 The perception that the exercise was a DP-motivated one, either to meet DP requirements e.g. for the provision of budget support, or in cases where the assessment was seen as a separate DP institutional activity (i.e. not part of the Government-DP dialogue), had a potentially negative effect on the government’s response and thus on the use of the PEFA assessments. Examples of this are the first (2005) exercise in Ghana, and the initial (2005) assessment in Bangladesh. A number of Caribbean countries, as did Vanuatu, Moldova, and Congo, also saw it as a donor requirement, primarily linked to the provision of budget support. As discussed in more detail below, whilst Moldova and Madagascar initially saw the exercises in this way, seeing the potential benefits to them as stakeholders led to a change in government attitude towards the assessment.

4.10 By contrast, where governments felt that the assessment was to be used primarily for the benefit of government stakeholders, i.e. to identify areas of strength and weakness (e.g. to identify potential DP-supported PFM institutional support activities) and to set a current benchmark for PFM systems against which government (not necessarily DPs) could measure its future progress, governments were more likely to have responded to the assessment results. This was found to be most clearly the case in Zambia (by design) and in Ghana.

### *Quality of process, including methodology*

4.11 The quality of the assessment process was found to be an important factor in determining whether or not there was an impact on government. In particular, factors examined included: (i) the type of methodology used, including, as indicated above, the degree of government involvement explicitly included in the methodology; (ii) the extent of pre-assessment preparedness, including whether or not an initial self-assessment was undertaken; and (iii) the role and interaction of DPs in the assessment (i.e. a joint exercise).

4.12 Firstly, the greater the degree of joint working in the design and implementation of the assessment, the greater was the likelihood of a subsequent impact (either direct or indirect). As indicated above, the methodology used in the country experiences studied ranged from pure externally-led assessments, e.g. Bangladesh, and the Caribbean, which involved government participants mainly in bilateral meetings and where the report was owned by the external team (either consultants or DP representatives), to one in which the assessment was carried out by a government team, e.g. Zambia, where the final assessment was a government report. In between, there were varying levels of government participation, from leading the discussions on the government side and involving multiple stakeholders in open-access discussions (e.g. Ghana) to joint discussions in the assessment of the scores (e.g. Mozambique). In no cases studied did the government carry out a self-assessment purely on its own, which potentially runs the risk of misinterpretation or inflation (or even deflation) of scores.<sup>39</sup> In cases where there was a self-assessment exercise (e.g. Moldova, Mozambique, and Madagascar), this was accompanied or followed by external validation.<sup>40</sup>

4.13 As indicated, the greater the degree of joint working and participation in the design and implementation of the assessment, the greater was the likelihood of a subsequent impact (either direct or indirect). Where assessments were designed without the participation and agreement of governments, this often led to a feeling by government of a donor-imposed approach (e.g. Caribbean) which impeded government engagement. If both the design and the implementation were donor-driven (e.g. Bangladesh), the result was that the assessments tended to be ignored and/or governments distanced themselves from the results.

4.14 Secondly, related to this first point, the greater was the preparation of government stakeholders before the assessment, the more likely was there to be an impact. In fact, as indicated above, the direct experience by government of working with the instrument appeared to help overcome initial opposition to the exercise in Moldova and in Madagascar. This preparation took the form of: undertaking a self-assessment first (e.g. Madagascar and Mozambique), or of discussions (over an extended period of time) by DPs in explaining how the instrument can benefit (provide value-added to) the government (*before* the assessment itself and its timetable are agreed), combined with reviewing the methodology in detail (e.g. Ghana), but it is unlikely to be sufficient simply to hold a workshop at the beginning of the assessment field visit. In the case of Moldova, following an initial familiarisation workshop, the government carried out its own self-assessment, before the external consultant team returned to review the results. In the case of Zambia, the familiarisation workshop preceded the field visit, but in this case the government had already taken the lead in the management of the assessment.

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<sup>39</sup> The potential for misinterpretation of scores is also relevant where the assessment is carried out by those (governments, donors or external consultants) with limited experience of PEFA assessments.

<sup>40</sup> In none of the cases studied was there purely a donor-carried out desk study without a follow-on exercise which involved more participants.

4.15 Finally, there is a trend towards involving joint DPs in PEFA assessments. Whilst the majority of the assessments studied were led by the World Bank, IADB, or the EC, in most cases (with the exception of the Caribbean), other DPs (e.g. DFID and France) were actively involved (including the EC or the World Bank when the other was leading). This had the effect of providing peer review for the exercise as well as encouraging the use of the resulting assessment by participating DPs (thereby also its use in the common information pool). These joint arrangements appear to have encouraged the preparation of TORs which included a greater role by government in the upcoming assessment update in Madagascar. As found with the experience of Ghana, it is likely that the influence of joint arrangements have had an effect on broadening an assessment's objectives beyond those of a single DP (cf. the experience in the Caribbean where a primary objective was to meet a key conditionality for the provision of budget support) and of increasing the transparency of both the process and the results.<sup>41</sup>

### *Context of PEFA framework in on-going dialogue; nature of dialogue*

4.16 Whether or not the assessment was undertaken as a stand-alone exercise or part of an integrated broader analytical product in itself was found to have a relatively limited effect on whether or not there was an impact on government behaviour (although, as indicated above, a list of recommendations or a separate [subsequent] diagnostic analysis [as took place in Mozambique] could be a factor in overcoming strategic capacity constraints). What was more important was whether or not the exercise was undertaken as part of an on-going PFM Government-DP dialogue. This tended to engender trust in the exercise (this point was explicitly made in the case of Ghana) and provide a framework for support and follow-up (e.g. Mozambique, and Zambia). In the case of Mozambique, the separate analysis following the PEFA assessment was valued, although it may not have led to a more direct effect by the government.

### *Quality of the PEFA assessment report, including quality of PEFA instrument*

4.17 The quality of the PEFA assessment report has been a factor related to impact mainly in terms of: (i) government agreement or otherwise of the scores; (ii) the accessibility of the report; (iii) the status of the report, in terms of the timeliness of the finalisation of the report; and (iv) the quality of the PEFA instrument itself and the role of the PEFA Secretariat. The extent of disclosure of the report appears not to be directly related to the degree of impact of the PEFA assessment. This separate issue is discussed further below.

4.18 Firstly, in relatively few of the cases was there an issue that the government or DPs did not accept the PEFA scores.<sup>42</sup> This appeared explicitly to be the case in Bangladesh, where the government seemed to distance itself from the scores in the 2005 exercise; however, the situation was complicated by the fact that a non-official and non-transparent methodology for the scoring was used.<sup>43</sup> In a few other cases (e.g. Congo-Brazzaville, and in the Caribbean, such as Barbados), the government chose not to give its comments on the report reportedly because it was seen as an external exercise. In other cases, the lack of finalisation of the reports has prevented governments from acting on the reports and in some cases from commenting on it. This issue is discussed further below.

4.19 Secondly, the accessibility of the report has also been found to be a more minor factor in impact. This was not found to be a factor where the report was presented as a stand-alone PFM-PR report, but rather in more integrated products with long lists of recommendations, such as those in a CIFA and CFAA. The feeling is that long recommendations could preclude accessibility of the report to government stakeholders. Separating the PFM-PR report from any broader analysis and

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<sup>41</sup> An examination of the results of the coherence analyses undertaken by the PEFA Secretariat could indicate the extent to which PEFA assessments undertaken jointly fare better, in terms of quality, than those undertaken by a single DP.

<sup>42</sup> Although it was not possible to undertake an analysis of the degree of accuracy of the assessment scores (e.g. using an index of compliance), it did not appear, from conversations with stakeholders, that non-credibility of the assessment results (with some exceptions, described below) was an important factor in affecting impact.

<sup>43</sup> Indeed, the PEFA Secretariat does not consider this exercise to be a true PEFA assessment for this reason. However, the subsequent assessment used in the World Bank's CAS shows a summarised version of the scores as it does not show the scores for each sub-dimension.

recommendations (such as in the case of the two volumes of the External Review of PFM [ERPFM] in Ghana) has helped ensure that the assessment itself can remain succinct (following PEFA Guidelines) and that the recommendations remain a separate exercise.

4.20 Thirdly, the lack of finalisation of the report has impeded the ability of some governments to engage fully with, and thus to react to, the assessments. This has been particularly the case where there has been a long elapsed time between the field visit(s), on the one hand, and the draft and final reports, on the other. This has been the case in Nicaragua (11 months between field visit and date of latest draft report) and in Honduras (9 months between field visit and date of latest draft report). The delays in producing the reports meant that finalisation of the reports was overtaken by political events; in both cases there were significant changes in the respective governments before the reports were finalised. In both cases, the reports were never finalised (the latest versions are still shown as “draft”), in effect thereby undermining the exercises since they were not discussed with the previous governments, and the current governments regard them as something associated with the previous government (not to mention the fact that the new government meant that few staff associated with the assessments remained). Contributing to the delays in these cases appeared to be: the longer editing requirements of the broader analytical outputs (CIFA/CFAA), and a desire to avoid timing that immediately preceded the elections to avoid the sense of politicising the analysis. However, in the end, the timing required to put together a large analytical paper made this inevitable. This would seem to suggest that, in cases where government continuity is an issue, a separate, stand-alone PEFA assessment would potentially be more effective, given its potential for a relatively shorter time period required for finalisation.

4.21 The lack of finalisation of reports was also the case in Tanzania in 2006, where the full PFM-PR report (i.e. including central government) was never produced (only the central government PEFA scores and justification matrix was provided as an annex to the local government report).

4.22 Fourthly, the PEFA instrument itself was frequently cited as a key positive factor contributing to the acceptance of the PEFA assessment by governments. Particularly appreciated were: (i) the transparency of the framework, in terms of the clear criteria for the indicators; (ii) the description of international standards provided by the instrument; and (iii) the comprehensiveness of the instrument, covering all phases of the budget cycle, which for the first time enabled governments to have a full view of their PFM strengths and weaknesses in one place. These factors were cited explicitly by governments in Vanuatu, Moldova, and Ghana. In particular, in Vanuatu, the ability to have all weaknesses set out in a single document, although many of these weaknesses were familiar, was said to be important for giving perspective to the PFM challenges. The availability of accompanying documentation may also have helped with government’s own self-assessment exercises, which were undertaken in Madagascar, Mozambique, and more recently also elsewhere, including Azerbaijan and Tajikistan.

4.23 There did not seem to be an overriding concern or consensus amongst stakeholders about gaps in the coverage of the indicator set. Whilst the coverage of procurement systems was recognised as being limited in the PEFA framework, the availability of the OECD-DAC procurement assessment tool was seen as providing adequate supplementary analyses.<sup>44</sup> The opportunity of undertaking other drill-down analyses was valued.

4.24 Finally, the role of the PEFA Secretariat was found to be valued as providing an important advisory and quality assurance role for PEFA assessments. Its role was explicitly mentioned as being a factor in Moldova and in Mozambique. In the case of the former, the Secretariat’s intervention in the beginning (pre-assessment) helped to allay government fears of an inappropriate linkage of a minimum level of scores to the provision of the EC’s Food Security Programme (FSP) budget

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<sup>44</sup> A procurement review based on the OECD-DAC assessment tool was undertaken in Ghana in May 2007, as part of the annual External Review of Public Financial Management (ERPFM). This complemented, but did not replace or update, the assessment of the PEFA procurement indicator (PI-19), which was not scored during the 2006 PEFA assessment, due to the too-recent introduction of institutional changes in the procurement system.

support; in addition, during the assessment, several rounds of interaction between the government and consultant team helped clarify differences between the government's own self assessment scores and those suggested by the external team; in a number of cases, the government's scores were lower than those given by the consultants. Elsewhere, it also provided important clarification to the interpretation of the requirements for scoring of individual indicators, including in Mali. Its clarification role is likely to be particularly important in areas where there are fewer DPs in PFM or less exposure to donor operations in PFM, such as in the FSU. In some cases, the PEFA Secretariat's role was impeded by either not being given the reports to review (e.g. Bangladesh, and Trinidad and Tobago), or not having the final report (Nicaragua and Honduras). The reasons for these were explored above.

### *Opportunity for discussion through peer support mechanisms*

4.25 The fact that the PEFA indicators are based on consistent international standards has enabled cross-country comparisons to be made. Whilst this practice is not encouraged as individual country circumstances are very different and the underlying factors can be quite different, it was found that the opportunity to discuss the PEFA framework with neighbouring countries or countries within the region has been valuable for some countries. In particular, in Moldova, discussions through the PEMPAL initiative helped make sense of the PEFA framework for the government. In other words, the opportunity to exchange experiences and compare areas of PFM strengths and weaknesses with other governments in the region, colleague to colleague, enabled them to see the value-added of the exercise for the governments themselves; the advantage of such a regional gathering in the former Soviet Union is that, since these countries have come from a similar tradition, they are more than likely to show similar areas of strength and weakness.

4.26 Such discussions also help with familiarisation with the framework. Indeed, the Moldovan government first became aware of the PEFA framework during a regional seminar a few months before an assessment was first mooted for the country. The value of regional discussions as part of peer support mechanisms has also been the case in Africa with the CABRI initiative, where the Zambian experience was presented by the Government and discussed at the CABRI annual meetings in Addis Ababa in November/December 2006. In other regions, such as the Pacific or the Caribbean, the equivalent groups have been more recently established and, as such, are not yet providing the same role.

### *Government ability/willingness to enact reforms*

4.27 In some cases, limited capacities affect the Government's ability to enact reforms in response to a PEFA analysis. These capacity constraints may take the form of: (i) limited management personnel (e.g. in the case of Tanzania, where personnel changes in the Ministry of Finance have left the management cadre down to one Permanent Secretary (PS) and one Deputy PS), or in the case of small island economies where very few senior staff are tasked with undertaking the majority of work); (ii) limited strategic capacity to look at reforms holistically rather than in a more *ad hoc* manner or in relation to particular DP interests, which may be related to time or capacity (examples include Zambia as well as other countries where several reform activities are being implemented in parallel across too many broadly-defined areas, indicating a need to prioritise *across* the strategic reform areas); and/or (iii) constant reform syndrome, which can be exacerbated in situations where governments are working with many donors operating in the same area.

4.28 This effect on strategic capacity may exist even where DPs work relatively closely together by agreement and design (e.g. Tanzania, Mozambique, Zambia and Ghana). In Ghana, for example, a concern expressed both by some government officials and by DPs has been that individual DP interests have led to an expanding and arguably increasingly unwieldy list of performance indicators in the jointly-agreed Performance Assessment Frameworks (PAF), which can detract from the overall strategic focus of, and ability to implement, the reforms. This concern has also been expressed in Tanzania.

4.29 Willingness to enact reforms may also have an effect. In small island economies or in less aid-dependent countries, there may be less willingness to enact reforms in line with a perhaps perceived notion of a DP-sponsored PEFA assessment. This has been cited as a factor in some countries (e.g. Barbados) for the lack of comprehensive reform action where a government may not see an urgent need for PFM reform (i.e. where there is no fiscal crisis due e.g. to a strong economy or where PFM systems are generally already considered to be working well, as in Grenada<sup>45</sup>). In the latter case, the completion of a PEFA assessment was a condition for obtaining EU budget support.<sup>46</sup>

4.30 Dramatic changes in government have also affected the willingness of governments to undertake reform based on a PEFA assessment undertaken under a previous administration. These changes can also affect the pace or direction of reform. Changes in government appear to have contributed to a limited government impact for the PEFA assessments in Nicaragua and Honduras. This is particularly true where much of the management team is changed following a change of government. For Nicaragua, it was reported that there was only one official from the management cadre remaining in the Ministry of Finance from the time of the previous administration. This makes continuity of reform difficult and the conclusions or recommendations from any wider assessments (such as a CIFA, including the PEFA methodology) difficult to sustain.

4.31 On the other hand, the fact that PEFA assessments as stand-alone analyses are *not* supposed to include such recommendations, and are intended to show a snapshot of the situation as it is based on existing documentary evidence, strengthens the case for stand-alone assessments in situations where the potential for comprehensive government change is a concern.

4.32 Concern for the potential political implications of the CFAA/PEFA assessment appeared to motivate the Honduran analysis, which included a retroactive analysis of 2002 compared to 2006 (both carried out in 2006 using information that was available at the time). The analysis showed significant progress in a number of areas in the four years studied, including in budget reporting and the capture of previously unreported government operations. The motivation was apparently aimed at both countering a general feeling amongst observers of a lack of progress as well as shoring up support to continue with the reforms which began in 2003. However, this would appear to be a risky strategy, as it is difficult to ensure that like-for-like comparisons have been made whilst at the same time the exercise could be seen as politically motivated.

### *Openness of government to self-criticism*

4.33 As the PEFA framework may be viewed by stakeholders (arguably, unjustly) as a judgement on a country's PFM systems (in one case, it was viewed as a kind of a report card), another interesting factor on impact is the relative level of openness of governments to self-criticism. Whilst it should be emphasised during the assessment that the intention is not to assess any institutions or staff in those institutions but instead to benchmark the *systems*, another important factor in government acceptance of, and engagement with, the framework, and thus impact, also appears to be the level of relative openness of governments to self-criticism and a genuine desire to learn about identified areas of weakness.

4.34 Where this degree of openness is higher, there is a greater level of government engagement and of a longer-term impact. It has also appeared to have a role in overcoming initial scepticism to the exercise, particularly where it was initially viewed as donor-imposed. This genuine curiosity appeared to help the Moldovan government overcome its initial reluctance to engage with the exercise and has subsequently assisted its own learning process. Other countries where there was genuine curiosity to learn about its strengths and weaknesses are Ghana and Madagascar. In both cases, a genuine ambition to improve their systems towards international standards helped them to use the assessments to learn about areas of weakness holding them back. This helped overcome natural pride

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<sup>45</sup> See forthcoming EC study on PFM coherence in budget support countries, June 2008.

<sup>46</sup> This lack of reform initiative has also been found to be a factor in the past (pre-military take-over) in Fiji, as evidenced during discussions during a joint World Bank-AsDB-AusAid mission in mid-2005.

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in one's systems and an understandable reluctance to admit weaknesses to itself and DPs. Indeed, in the case of Ghana, for example, the PEFA assessment revealed some surprising results in how some systems worked in practice, supported by documentary evidence.

4.35 In summary, the most frequently cited factors leading to an impact on governments are set out in Box 6.

Box 6: Key Factors Influencing Impact on Government of PEFA assessment <sup>1</sup>												
	Bangladesh	Caribbean	Congo-Brazz	Ghana	Honduras	Madagascar	Moldova	Mozambique	Nicaragua	Tanzania	Vanuatu	Zambia
Gov't engagement	✓	✓	✓	✓	✓	✓						✓
Perceived purpose		✓	✓			✓					✓	
Quality of process <sup>2</sup>	✓				✓		✓	✓	✓		✓	
Context re. on-going dialogue				✓	✓?			✓		✓		✓
Quality of product			✓									
Avail. of peer support mechanism							✓					
Gov't openness to self-criticism				✓		✓	✓					
Gov't willingness, ability to enact reforms		✓		✓	✓ <sup>3</sup>				✓ <sup>3</sup>	✓		✓
Type of impact on Gov't <sup>4</sup>	No impact	3	3	1	3	2	3	3	No impact	3	3	2
Notes: 1. Further details are given in the Country Impact Notes in Volume II. A tick mark indicates the main factors (having a positive or negative effect) identified by documentation and discussions with stakeholders; the absence of a tick mark does not necessarily indicate the non-relevance of a particular factor. 2. As distinct from government engagement 3. In this case, ownership by new government of PEFA assessment under previous government 4. Refer to text for definitions of types of impact.												

### Donor impact

4.36 As discussed above, the impact of the PEFA assessments in the case study countries on DPs was assessed on the basis of: (i) joint working amongst DPs, including the role of PEFA assessments as part of a common pool of information; (ii) reduced transaction costs on government by DP activity, through the number and nature of PFM assessments; and, to a more limited extent, on the nature of DPs' PFM activities; and (iii) greater Government-DP co-operation.

4.37 The specific factors leading to a greater or lesser impact on donor behaviour was found to be related primarily to:

- the level and quality of the pre-existing degree of DP-DP co-ordination;
- the strength of the Government-DP dialogue on PFM;
- DPs' decision(s) to use the PEFA framework for their own PFM monitoring;
- DP management of the finalisation of the PEFA assessment report.

4.38 The relative impact of each of these factors is discussed in turn in the following paragraphs.

### *Level and quality of pre-existing degree of DP-DP co-ordination*

4.39 One of the most common factors for a measurable impact of the PEFA assessment on DPs was the level and quality of the pre-PEFA DP-DP co-operation. In a number of cases studied, the PEFA assessment has given DPs working together a framework on which to base their regular PFM monitoring efforts (e.g. Annual PFM Reviews around budget support). This is the case particularly where a strong DP co-ordination mechanism (e.g. joint budget support group) on PFM was already in place, including in Ghana, Mozambique, Tanzania and Zambia. In Ghana, Tanzania, and Zambia, the PEFA framework is explicitly cited in the Joint Assistance Strategy, and in the Performance Assessment Frameworks (PAFs). In Mozambique, whilst the Joint Annual Review referred to the PEFA assessment in its Aide-Mémoire, the framework has not been explicitly included in the PAF. Whilst the effect is most pronounced where there was already good co-ordination amongst DPs, however, in the absence of strong existing co-ordination, it not clear to what extent the PEFA framework would have helped to build such co-ordination.

4.40 In these cases, there is already a framework in place to ensure appropriate (or at least discussion of) the division of labour for work on PFM. These arrangements (particularly in Tanzania, Ghana, Mozambique, and Zambia), which mainly surround DPs providing budget support, appears to provide peer pressure for ensuring that there is appropriate buy-in for the PEFA assessments.

4.41 Outside of these cases, examples of impact may be found where a number of DPs have supported the PEFA exercises (i.e. where the PEFA exercise has had joint DP support), e.g. Moldova. Where joint working on PFM has been less effective has been where there are fewer DPs supporting PFM or where there is less experience of joint-working. Cases of this may be found in the Pacific and the Caribbean. For example and unsurprisingly, where there are relatively few DPs working in the PFM sector (e.g. the Caribbean), the PEFA assessment was found not to have an effect on greater DP co-operation. A similar lack of impact was found in cases where the PEFA assessment did not have a high profile amongst DPs or government (e.g. Bangladesh's 2005 PEFA assessment).

4.42 In some cases, DPs are working to overcome the existing lack of effective co-ordination. For example, in Bangladesh, the World Bank is leading in the preparation of a multi-donor trust fund to support a major PFM reform programme, which builds on both the government's medium-term vision and an updated PEFA assessment (shown in the CAS).

4.43 The Pacific region represents an interesting case where the proliferation of PEFA exercises in the region under different DPs has led these DPs to get together explicitly to agree to principles of operation; these are referred to officially as the Principles for the Application of PEFA Assessments, and informally as the Sydney Principles. Signed in June 2006, the agreement sets out how the DPs in the region will work together in terms of the PEFA assessments. These are intended to provide peer review and promote joint working amongst the leading agencies operating in the region. Under this framework, the DPs working in the region (AsDB, AusAid, the EC, the IMF (represented by the Pacific Financial Technical Assistance Centre [PFTAC]), NZAid, and the World Bank) get together every six months to review progress and share progress and plans for upcoming PEFA assessments. This formal agreement appears to have led to more joint working in the region, particularly on PEFA assessments (e.g. Tonga and Samoa). However, according to government officials and others in the region, it is not clear to what extent this arrangement is yet leading to better co-ordination more broadly, e.g. in approach (beyond undertaking joint assessments or joint donor missions). There are also arrangements which operate separately from these bilateral agencies (e.g. the multi-government-supported Regional Assistance Mission to the Solomon Islands [RAMSI] and the Australian Treasury and Finance Departments' assistance in PNG) and which may not be explicitly included in these agreed arrangements.

### *Strength of the Government-DP dialogue on PFM*

4.44 In some country cases studied, the PEFA framework has provided a focal point for strengthening the Government-DP dialogue on PFM. As with DP-DP co-operation, this effect was strongest where there was already an active Government-DP dialogue and where there is an existing



PFM reform programme/action plan behind which DPs could align themselves. In some cases (e.g. Ghana and Zambia), this effect has been demonstrated in the agreement by both sides to use the PEFA framework as part of a common Government-DP PFM monitoring mechanism (e.g. joint PAF). In the case of Zambia, the baseline PEFA assessment was the first evaluation exercise for the Government's DP-supported PFM reform programme. In Ghana, the matrix showing how DP support is allocated by PFM issue and by DP is based on the Government's Action Plan, whose revised and sequenced version incorporated PFM weaknesses identified in the PEFA assessment.

4.45 The PEFA framework has also assisted in increasing government's role in the dialogue even in cases where the DPs have traditionally taken relatively more of a lead. In Tanzania, the raising of the profile of the PEFA by DPs has helped to increase the government's attention on the PEFA framework, and where, as in Ghana, DPs align their PFM assistance around the Government's Mkukuta (PRSP) programme and the PFM Reform Programme.

4.46 Where no sequenced, prioritised PFM reform programme and Action Plan exists, or where it is outdated, the challenge for governments and DPs is to use the baseline information on PFM weaknesses to support the development of such a programme. This programme can provide the basis for government-DP dialogue on PFM. In cases, where the Action Plan is prepared in response to a DP requirement (e.g. in some countries in the Caribbean and in Vanuatu), the extent to which there is sufficient government ownership to form the basis for a sustained dialogue is not clear (in the relevant case study countries, it is too early to tell since the Action Plans are currently being developed).

#### *DPs' decision(s) to use the PEFA framework for their own PFM monitoring*

4.47 An emphasis by DPs on using the information in the PEFA assessment as an integral part of their regular internal monitoring processes appears to have contributed to reducing transaction costs in some countries. It is still the case that some DPs have their requirements to undertake their own (separate) FRAs (e.g. DFID and EC). DFID's current guidelines on conducting FRAs indicate that they should be based on PEFA analyses, where these are available. Other bilateral donors have also included explicit reference to using the information in PEFA assessments where available. In many cases (e.g. Zambia, Tanzania, and Ghana), these have tended to be done as desk studies, using information from the PEFA assessments. In other cases, including where the PEFA assessment has been less accepted by government (and perhaps other stakeholders) (e.g. Bangladesh), a separate team was fielded to carry out the FRA. In Moldova, the EC's FRA was carried out as a separate exercise to the PEFA assessment but contracted using the same consultancy team and timed to follow the PEFA assessment.

4.48 Before the PEFA framework, separate PFM missions may have been used. Nonetheless, the deployment of separate PFM missions even where there is a PEFA assessment was found in some countries, e.g. an EC operation in Moldova.

#### *DP management of the finalisation of the PEFA assessment report*

4.49 Finally, the management of the process of finalising the PEFA assessment report, in most cases by DPs, was found to be a factor relating to impact in a few cases. In particular, situations (e.g. Honduras and Nicaragua) where there was a long delay in the emergence of the draft report and limited communication about the finalisation process with other DPs hampered DP-DP co-operation and thus also the use of the PEFA assessment in the wider DP-government dialogue. As indicated previously, the political changes in these countries also had a detrimental effect on the use of the PEFA assessment.

4.50 In summary, the most frequently cited factors leading to an impact on DPs are set out in Box 7.

Box 7: Key Factors Influencing Impact on DPs of PEFA assessment <sup>1</sup>												
	Bangladesh	Caribbean	Congo-Brazz	Ghana	Honduras	Madagascar	Moldova	Mozambique	Nicaragua	Tanzania	Vanuatu	Zambia
Level of existing DP co-ordination on PFM	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Strength of Gov't-DP dialogue on PFM	✓?	✓?		✓			✓?	✓		✓?		✓
DP agreement to use PEFA in monitoring framework	✓?			✓				✓		✓		✓
DP management of PEFA report finalisation					✓				✓			
Type of impact on DPs <sup>2</sup>	No impact	No impact	B	A	No impact	A	B	A	B	A	No impact	A

Notes: 1. Further details are given in the Country Impact Notes in Volume II. A tick mark indicates the main factors (having a positive or negative effect) identified by stakeholders; the absence of a tick mark does not necessarily indicate the non-relevance of a particular factor.  
2. Refer to text for definitions of types of impact.

## Other issues

4.51 The analyses of impact have highlighted a number of other issues which have an indirect effect on the assessment exercises and may affect how the assessment results have been used. These issues include: (i) the impact of disclosure of the PEFA results; (ii) the role of the PEFA framework alongside other PFM analytical reviews; and (iii) the frequency of undertaking PEFA updates.

### *Disclosure of PEFA results*

4.52 In theory, dissemination of the assessment's results to stakeholders and ideally beyond those immediately involved in the assessments can help build a constituency for reform. For example, external actors, including the Auditor-General's office, Parliament (e.g. through Parliamentary Accounts Committees [PACs]), NGOs who monitor PFM and budget outcomes and the media, can help maintain pressure on the central and line agencies and hold them to account for maintaining progress on reforms. It can provide the basis for understanding the critical weaknesses in the PFM system. Conversely, it can also act to provide perspective on areas which are believed to be weak but in fact may be stronger than perceived.

4.53 Of the countries assessed, four (Ghana, Moldova, Mozambique and Zambia) have made a public disclosure, specifically, through making it available to the public on websites, with the central government PEFA summary matrix for Tanzania provided on the World Bank's website, together with the report of the assessment of local government PFM systems provided on the Government's local government information website. In three of these cases (Ghana, Moldova and Zambia), public disclosure is provided on the main Ministry of Finance website; in others (Mozambique and Tanzania), they are provided on the website of the donor group. In some cases (e.g. Zambia), the reports were also published, with the publication funded by either the lead donor or another DP. In most other cases, dissemination was limited principally to the stakeholders involved in the assessment. In those cases where there was little government involvement or agreement (e.g.

Bangladesh) or where the report was not finalised (e.g. Nicaragua, Honduras), obviously no dissemination took place.

4.54 In practice, the issue of disclosure and general dissemination of the reports was an area which was difficult on which to get traction, as participants found it difficult to recall this aspect specifically and there was no obvious documentation related to it (e.g. dissemination lists). The issue of disclosure *may* (but not necessarily) signal: (i) how committed the government is to the assessment; (ii) the openness of the government to self-improvement/self-criticism; and/or (iii) the level of openness/transparency in the country, and may relate to the presence of an active media. However, it could not be determined with certainty that the issue of disclosure itself was a factor in whether or not the PEFA assessment had an impact on government (as opposed to a signal of other factors which did have an impact).

### *Role of PEFA assessment in relation to other PFM analytical reviews*

4.55 A second issue that was raised in a number of cases<sup>47</sup> was the role of the PEFA framework alongside other PFM analytical instruments. It was emphasised that the PEFA framework does not provide a comprehensive diagnostic since it does not analyse the reasons behind identified weaknesses, and it does not provide recommendations. This leads to the debate about the relative benefits of stand-alone assessments as against assessments which are part of a larger analytical body of work (such as an annual or semi-annual PER). Its inclusion as part of a larger analytical body of work can have the advantage of embedding it within a broader Government-DP dialogue, which can support and provide a framework for follow-up. It can allay government concerns about the purpose of an assessment and provide a response to the situation where limited capacities prevent governments from undertaking the additional analyses required to respond strategically to the lessons from PEFA assessments. The follow-on work in Mozambique which followed (and was separate from the external, stand-alone assessment) was seen as valuable by stakeholders.

4.56 On the other hand, a longer piece of analytical work can result in overburdening governments with too many (and non-prioritised) recommendations. At the same time, the institutional requirements of certain analytical products, as well as a longer output, can overburden the PEFA assessment, potentially reducing its accessibility, preventing it from being finalised quickly and thereby potentially making the analysis less useful.

4.57 Some assessments (e.g. Ghana) have included a limited number of recommendations in the form of “quick wins” that may be achieved in the short term and serve to boost the performance of PFM systems. Whilst this may potentially distort government reform priorities towards indicators which are relatively easy to achieve, at the same time, it nonetheless can provide a focus for governments on immediate activities intended to improve their PFM systems.

4.58 Some have questioned whether or not having assessments which are undertaken in conjunction with a DP team (e.g. as part of broader analytical work) compromises the independence of the assessment. From the cases studied in the current exercise, there appears to be little evidence of this. In particular, the greater was the transparency of the assessment (i.e. through joint participation by government and DP stakeholders) the more likely were the assessment results to be credible and accepted by stakeholders.

### *Frequency of PEFA updates*

4.59 A related issue is that of the frequency of PEFA updates. In the limited number of actual or planned cases to date (of those studied), some have had a gap of around three years from the first assessment (e.g. Zambia is planning an update for June 2008 following the original assessment in October 2005; Ghana is planning its update for 2009, following the original exercise in 2006). The gap for Mozambique and Madagascar are slightly shorter (at 2-2 ½ years, respectively). By contrast,

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<sup>47</sup> In at least seven of the twelve case study countries.

the case of Tanzania has involved an annual assessment exercise on a planned 3-year cycle, as designed from the beginning in 2005.<sup>48</sup>

4.60 These cases contrast with the PEFA framework's recommended minimum gap of three years. The potential problems with more frequent assessments are that full updates take considerable government stakeholder time and they risk undermining confidence in the instrument if they don't show notable progress year-on-year (given that institutional changes take time, significant changes would not be expected in a short space of time). On the other hand, there seems little harm in either DPs or government stakeholders informally monitoring its own progress using the framework (e.g. calculating the budget deviation index each year is relatively easy and can show the impact of specific efforts to reduce such deviations, such as restricting the use of contingency expenditures).

## 5. Conclusions and Recommendations

### Conclusions of study

5.1 Based on the countries reviewed, the study has found that there is considerable evidence that PEFA assessments have made an impact, even in the relatively short elapsed time since many of these have taken place. 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 indirect 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 through providing confirmation of known areas of strength and weakness. At the same time, the PEFA framework has provided an opportunity to share their experiences with peers.

5.2 It appears that there has been a relatively greater direct impact on development partners than on governments. This is perhaps an unsurprising result, given that the initiative was begun initially by DPs and that, for the vast majority of PEFA assessments, the original idea for undertaking an assessment came from one or more DPs. For development partners, the main factors leading to whether or not the assessment has resulted in facilitating its use by DPs as a common source of information on countries' PFM systems has been 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 around 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.

5.3 The PEFA instrument itself appears to be valued by both governments and development partners. It is valued for its transparency, its clear criteria for the indicators, the setting out of international standards, and the fact that it is applicable across countries.

5.4 The most frequent factors contributing to impact for governments included:

- Active government engagement in the assessment (this was the most frequent factor leading to a direct or indirect impact found);
- A genuine openness/curiosity to reform/learning about and addressing strengths and weaknesses;

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<sup>48</sup> The focus of the first year (2005) was on central government as part of a wider PER/PEFAR exercise; the second year (2006) involved an assessment of local government, whilst the third year (2007)'s focus was on parastatals. Nonetheless, in each case, an update of indicators for central government was undertaken.

- Primary perceived motivation as providing value-added to government (clearly linked to assist government) rather than as DP requirement or linked to fiduciary risk/provision or continuation of budget support;
- The quality of the process, including a participatory methodology (as indicated above as part of active government engagement);
- On-going Government-DP dialogue which could provide the framework for both active stakeholder preparation in advance of the PEFA assessment and follow-up support to the PFM reform process.

5.5 Above all, Government participation in the assessment was critical in leading to a direct or indirect effect; this was found to be more important than the type of methodology used, i.e. whether or not the assessment was stand-alone, conducted as an external exercise, or part of a larger analytical piece of work.

5.6 The factors contributing to impact for DPs included:

- the strength of existing co-operation amongst DPs;
- the extent of a joint framework for dialogue with government, including those centred around a PFM programme or project;
- DPs' policy on using PEFA assessments in their internal monitoring processes, e.g. DP-required Fiduciary Risk Assessments (FRAs)<sup>49</sup> or regular donor internal reports describing on-going progress in PFM systems<sup>50</sup>;
- DP management of the process for finalising the PEFA assessment report, particularly if the assessment was part of a wider analytical review (e.g. PER).

5.7 The quality of the assessment report had a more limited effect on both government and DPs. The reason that the former may have been shown to be less of a factor was the role that the PEFA Secretariat provided in quality assurance and consistent interpretation of the indicators. Without that, it is likely that a greater effect would have been felt on the credibility of scores or that there could have been more rejections of the assessments.

5.8 A number of factors have impeded a more direct impact. Significant capacity constraints exist on some governments to undertake the strategic analysis necessary to translate the lessons of strengths and weakness into an appropriately prioritised and sequenced reform programme (whether new or revised). There should be a question mark over the true extent of government ownership and sustainability in cases where PEFA assessments have led to action plans produced in response to donor requirements for the provision or release of budget support resources. As many of these Action Plans following PEFA assessments have only recently been produced, the extent of government ownership and sustainability will only be evident in time.

5.9 At the same time, direct attribution of PFM reforms to PEFA assessments is difficult when there are on-going PFM reform programmes and projects, supported by previous assessments which indicate similar strengths and weaknesses. This is particularly true given that institutional decision-making processes can take significant time.

5.10 The results of the impact study would tend to suggest that the most effective assessments are: short assessments with back-up support (i.e. as part of overall Government-donor dialogue), those which have active, widespread and transparent government (and DP) participation, and those not explicitly linked to fulfilling a fiduciary or other DP objective. Transparency of the PEFA assessment process is more likely to lead to an objective assessment and a credible result, and public disclosure of

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<sup>49</sup> For example, as required by DFID

<sup>50</sup> Such as those prepared annually by EC Delegations in countries receiving budget support.

the results is more likely to signal a government which is open to addressing some of the associated reform challenges.

### Recommendations

5.11 The results of the impact study would tend to suggest that the most effective assessments are: short assessments with back-up support (i.e. as part of overall Government-donor dialogue), those which have active, widespread and transparent government (and DP) participation, and those not explicitly linked to fulfilling a specific DP requirement. Transparency of the methodology is more likely to lead to an objective assessment and a credible result, and public disclosure of the results is more likely to signal a government which is open to addressing some of the associated reform challenges.

5.12 On the basis of the results from examining the country cases in this study, key recommendations for strengthening the impact of PEFA assessments and the PEFA framework include:

- *Continue the provision of support for the PEFA framework.* With the results of the study indicating that the PEFA instrument has brought value-added to both governments and DPs, the PEFA framework should continue to be supported by DPs.
- *Incorporate lessons in PEFA assessment design.* Attention should continue to be paid to the design of PEFA assessments, including active government participation, joint participation by DPs, and sufficient advanced planning and stakeholder preparation. Joint participation by DPs is likely to be easier where there is already an institutional structure in place for government-DP dialogue. Assessments which are accessible (limited in length and clear in language) and which may be completed in a timely fashion are to be encouraged. This would tend to suggest a preference for stand-alone assessments, even if part of a wider donor analytical output; this could involve separating the PEFA assessment (provided as a separate volume) from the broader analytical paper. At the same time, the importance of involving government stakeholders should take precedence over an insistence on an “independent” assessment; as indicated above, transparency in the process for both government and DPs appears to ensure sufficient independence of the results. These issues may need to be encouraged explicitly by the PEFA Secretariat during the initial discussions and at the TOR stage of PEFA assessments. Consideration should also be given to circulating guidelines for the timely and transparent process of completing assessments to which all stakeholders are bound.
- *Recognise that the way that the assessments are undertaken can have an effect on government participation in the PEFA assessment and in any subsequent PFM monitoring using the PEFA instrument (i.e. as part of Government-PFM dialogue).* One of the stated aims of the PEFA framework is to provide a common information source on the strengths and weaknesses of PFM systems. In particular, as DPs should use all information sources available in assessing the suitability of providing resources and in what form (e.g. budget and/or institutional support), it is expected that they would use the information on PFM strengths and weaknesses from PEFA assessments in their decision-making process. Indeed, many (but not all) of the cases studied appeared to indicate that DPs were using the PEFA assessments as common sources of information, e.g. as inputs into their risk assessment processes. At the same time, as indicated in the cases studied, government engagement is an important factor for impact and hence it is important to ensure the PEFA assessment is not seen as purely an external exercise (e.g. intended to meet DP requirements). The study suggests that the way that the assessments are undertaken can have an impact on government participation and acceptance of the PEFA framework in the

government-DP dialogue.<sup>51</sup> Thus, in relation to the elements of the Strengthened Approach, the implication from this is to avoid focussing relatively more on the accountability aspect (the third point of the Strengthened Approach)<sup>52</sup> to the detriment of the issues of government leadership of the joint approach and a government-led strategy (points one and two, respectively); all are equally important.

- *A number of strategies may assist DPs to promote government engagement in PEFA exercises and the subsequent monitoring of PEFA indicators.* These include: (i) building the PEFA assessment into the on-going government-DP dialogue, e.g. by incorporating an explicit government role in the development and carrying-out of the PEFA assessment and by ensuring that process criteria and related institutional support are built into PFM monitoring (e.g. PAF/conditionality matrices); (ii) increasing the transparency of the decision-making process behind the assessment of government suitability for DP support (e.g. budget support); and (iii) incorporating PEFA assessments into the DP-DP dialogue, e.g. through supporting joint PEFA assessments.

Specifically, it would be valuable to boost the role of government stakeholders in the design and implementation of the assessment. This would involve ensuring that government representatives are actively involved in determining the TORs, selecting the team, and managing the process. Consideration also should be given to supporting greater peer-to-peer training, with training provided to governments considering PEFA assessments by those who have themselves carried out or been involved in positive experiences. These may take the form of regional or country-based training/dissemination workshops. Strong consideration should also be given to providing greater flexibility to securing experienced and appropriate team members (including consultants). Lead DPs and governments should prioritise the selection of appropriate team members over and above sticking to a pre-set timetable for the exercise.

- *Broaden effects beyond central agencies.* The effects (and awareness) of the assessments appear to be concentrated mainly (but not exclusively) in the central agencies (e.g. Ministries of Finance). There is likely to be a ripple effect beyond these agencies although this may take time. As part of the wider discussions surrounding the assessment (e.g. as part of the Government-donor dialogue or as part of a follow-up exercise), it would be useful for attention to be paid to discussing how the benefits of the assessment (and thus the reforms) can be extended beyond the central agencies, to external scrutiny institutions (e.g. Parliament) and to include non-state actors. These discussions should also address the issue of public disclosure, including the possibility of dissemination workshops, including the media and NGOs concerned with budget and PFM issues.
- *There is a need to manage expectations of impact.* The relative speed and extent of the impact of PEFA assessments on governments' reform programmes depend on the different institutional arrangements and on the political economy of various governments; there is a need to take these differences into account when assessing impact. Examples of these differences may be seen by contrasting the different experiences of countries in the Caribbean, where there are limited incentives for immediate reform (e.g. given growing economies and relatively limited aid dependence), with some in sub-Saharan Africa, where high aid dependence and fiscal pressures lead to stronger calls for improving the use of resources. Institutional change takes significant time and requires effective change management processes. It will be when the second generation PEFA assessments begin to take place in significant numbers that the issue of expectations will come more to the fore.

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<sup>51</sup> As described in Volume II, those cases where the PEFA assessment was seen as an external exercise (e.g. Bangladesh, the Caribbean, and Vanuatu), there was less likely to be government engagement in the exercise and less likely to be a positive impact on PFM reforms.

<sup>52</sup> "The Strengthened Approach to supporting PFM Reforms", the PEFA Secretariat, 2005. Found in OECD/DAC, "Guidelines on Harmonizing Donor Practices for Effective Aid Delivery", volume 2, February 2005

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It may be expected that the underlying expectations of the instrument will be tested, particularly if the results do not show significant progress; the broadness of the indicator categories and the difficulties of implementing institutional change quickly as well as government capacity constraints may be factors in hampering rapid progress and thus in showing more limited movement in PEFA indicators over time.

5.13 This review of impact was based on the first round of PEFA assessments following the finalisation of the instrument and the publication of the final Guidelines in June 2005. As more and more PEFA assessments are being completed and it is possible to study more cases, it will be important to continue to review the impact and draw common lessons from these experiences.



# **Annexes**

**Annex A**

**Summary Matrix of PEFA Impact**

**Summary Matrix of PEFA Impact by Country**

<b>Country</b>	<b>Impact on government behaviour</b>	<b>Impact on donor behaviour</b>	<b>Factors for government behaviour</b>	<b>Factors for donor behaviour</b>
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. Brief (unofficial) comments were provided on text of early draft version, but comments were not provided on the scores.</p> <p>Very little awareness of this PEFA assessment</p> <p>Covering note to MoF Finance Secretary (SF) suggested that “we would like to work with you on establishing a baseline”</p>	<p>Limited from earlier (2005) PEFA exercise – relatively little effective donor co-ordination</p> <p>PEFA assessment doesn’t seem to have had an impact on reducing general PFM assessments</p> <p>Update of PEFA indicators (2007) incorporated in joint-CAS. Different methodology used to that in 2005 version =&gt; difficult to compare two versions.</p> <p>Updated PEFA assessment was part of analytical background to development the CAS, the multi-donor Trust Fund and the PIM</p> <p>Multi-donor trust fund being prepared to support PFM project (PIM) as successor to the Financial Management Reform Programme</p> <p>Donor-initiated CAS and PFM reform project: part of on-going Government-donor dialogue on PFM. Not linked to previous PEFA exercise</p>	<p>Government refusal to engage – seen as external exercise (was done as Policy Note for PER)</p> <p>Methodology was not open, there was a lack of confidence in the team</p>	<p>(note that focus is on 2005 PEFA exercise) In the recent past, there has been relatively little effective donor co-ordination (only that occurring through FMRP), lacking an effective mechanism to do so. Now, WB is trying to change that with the Multi-Donor Trust Fund, centred on the PIM project (successor to FMRP). Too early to see impact.</p>

<b>Country</b>	<b>Impact on government behaviour</b>	<b>Impact on donor behaviour</b>	<b>Factors for government behaviour</b>	<b>Factors for donor behaviour</b>
Caribbean	<p>Impact appears to be largely related to the EC’s conditions for continuing with budget support (i.e. completing a PEFA assessment and drafting a PFM reform programme). In this situation, there is a question of the government’s relative commitment to these reforms.</p> <p>Impact on government reforms was limited. Governments in the region don’t see the need to reform (little impetus for reform in fast-growing, non-aid-dependent countries) or put together Action Plans in response to donor requirements (e.g. for provision/release of budget support)</p>	<p>Impact on donors was limited. Relatively few DPs operating in PFM; thus, EC was only DP involved in PEFA assessments</p> <p>No institutional mechanism for co-ordination on PFM. Limited joint working. PEFA assessments in the region appeared to have been limited to meeting EC requirements</p>	<p>Limited specific impetus for reform in absence of fiscal or other crises.</p> <p>Limited capacities for undertaking reform</p> <p>Seen as external exercise.</p>	<p>Relatively few DPs in PFM. EC main DP in the region</p>
Congo-Brazz	<p>Limited impact. Government didn’t give comments officially on PEFA report (nor on the accompanying CIFA); reportedly not accepted officially by government. Difficult to find government stakeholders willing/ able to talk about PEFA exercise. Report still a draft.</p> <p>PEFA exercise undertaken in conjunction with a Bank-financed CIFA</p> <p>Government-DP workshop held earlier this year to discuss a Government PFM reform Action Plan (PAGGEFP). Government reasonably active in this process. Reportedly difficult to attribute reform programme directly to PEFA assessment or to the HIPC completion point triggers. Reform programme is drawing on a number of analyses.</p> <p>PFM-PR not available on EC’s website</p>	<p>Already quite good donor co-ordination</p> <p>Relatively few DPs working in PFM (World Bank, EC, France and AfDB). There are discussions and agreements in place to co-ordinate their areas of support.</p> <p>DPs aiming to focus their support on the PAGGEFP.</p>	<p>Limited engagement from government – seen as an external exercise</p> <p>Impact (putting together of Action Plan) was donor-initiated/inspired (related to wanting to achieve HIPC completion point). There was an issue around acceptance of the scores (due to credibility?)</p>	<p>Already effective DP-DP co-ordination mechanisms.</p>

<b>Country</b>	<b>Impact on government behaviour</b>	<b>Impact on donor behaviour</b>	<b>Factors for government behaviour</b>	<b>Factors for donor behaviour</b>
Ghana	<p>According to Government and DP officials, changes to PFM Action Plan were directly related to the PEFA assessment (according to government officials. This is supported by linkage of the PEFA analyses to the updated (following the PEFA assessment) Government’s PFM Action Plan, covering 2006-2009 (known as the S/MTAP). Section on priority and sequencing of the focal areas in the strategy was added in the updated version and is explicitly based on the PEFA areas of weakness.</p> <p>According to MoFEP officials, most of the Quick Wins in the report accompanying the PEFA assessment are planned/being addressed (e.g. budget reporting, transparency of budget process).</p> <p>Reportedly “frequently referred to” by government in budget/ PFM workshops, meetings</p> <p>PFM-PR is published on MoFEP’s website</p> <p>Actively planning PEFA update in 2009, under ERPFM framework</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>DP activity is linked to the S/MTAP, which itself is explicitly based on the PEFA indicators.</p> <p>The DPs involved in PFM have put together a matrix showing how each of their activities relates to the S/MTAP focus areas.</p> <p>MDBS partners have explicitly agreed to use the PEFA assessment/framework for their PFM assessment requirements.</p> <p>Indeed, the PEFA assessment has provided the basis for DPs’ own separate, HQ-required assessments (e.g. DFID’s FRA)</p> <p>Reportedly “frequently referred to” by DPs in discussions about PFM</p>	<p>Strong Government ownership/leadership of exercise through senior official (Deputy Minister) in MoFEP</p> <p>Real/genuine desire for reform – desire to benchmark itself and move forward</p>	<p>Strong pre-existing government-donor dialogue around PFM</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Honduras	<p>Relatively limited impact due to timing of assessment and delay in finalising the report (became overrun by political events). Contributing factor was that report took a significantly long time to get to final draft stage (12-13 months from field mission to date of final report). No opportunity to discuss with government officially before government changed. Discussed informally with both governments.</p> <p>Effect on government reforms was much stronger following 2003 CFAA. On government side, motivation to reform at that point appeared to be linked to achieving HIPC completion point. PEFA assessment continued the messages that had been highlighted in the 2003 CFAA. Reforms were continued (though the extent of commitment to reform in the new government is not clear)</p> <p>There has been some refocusing of reforms, supported by donor activity (e.g. external audit, internal control/ audit). However, attribution to PEFA assessment is difficult.</p>	<p>Limited. There does not seem to be a problem with overlapping assessments – WB and IADB already work together to co-ordinate dialogue with Government on reform programme, including on SWAp for PFM. Use common analyses, including PEFA assessment, as common reference points. Donor co-ordination on PFM seems mainly confined to these DPs.</p>	<p>Government changed. Little ownership for what previous government did – current government not as committed to reform. Report took too long to emerge – was overtaken by events (election timing)</p>	<p>Reportedly reasonably good co-operation amongst the relatively limited DPs operating in PFM</p> <p>Delay (lack?) of release of final report potentially impeded the specific use of the 2006 PEFA assessment as a common reference point.</p>

<b>Country</b>	<b>Impact on government behaviour</b>	<b>Impact on donor behaviour</b>	<b>Factors for government behaviour</b>	<b>Factors for donor behaviour</b>
Madagascar	<p>President's Action Plan - in PFM reform area, PEFA indicators are listed as part of monitoring process</p> <p>There is reform unit in MoF on this programme; covers whole of programme, wider than just PFM</p> <p>In addition, there has been some impact on PFM processes, e.g. including adding a column for last year's budget to the budget document</p> <p>Jury still out as to whether is explicitly guiding PFM reforms in practice</p> <p>PFM-PR report available on EC website</p>	<p>Major value-added for PEFA assessment was on DPs by providing common reference point.</p> <p>The main DPs in PFM (World Bank, EC, AfDB, and France) produce joint annual reviews of progress on PFM</p> <p>Donors signed an MoU (<i>Cadre du Partenariat</i>) with the Government on a harmonised approach to budget support</p> <p>PEFA framework is used for donor matrices. Appears to have reduced number of assessments, but not to substitute for other analyses</p>	<p>Initially sceptical, but then worked with the instrument, began to understand it</p> <p>Jury out on whether explicitly guiding PFM reforms or whether satisfying donors</p> <p>Genuine sense of wanting to reform, improve</p>	<p>Pre-existing good co-operation amongst the DPs operating in PFM</p>

<b>Country</b>	<b>Impact on government behaviour</b>	<b>Impact on donor behaviour</b>	<b>Factors for government behaviour</b>	<b>Factors for donor behaviour</b>
Moldova	<p>Found assessment useful as way of benchmarking themselves, way of using international standards for guiding/responding to PFM actions, donor behaviour. Identified internal audit as a need for greater attention.</p> <p>Welcomed the opportunity to share experiences with other countries in region (PEMPAL initiative)</p> <p>Relatively limited direct impact on PFM reform programme since the reform programme is, by design, in the form of the umbrella PFM project funded by the World Bank and other donors</p> <p>May have helped to facilitate inter-institutional dialogue on PFM through identifying areas of common institutional concern</p> <p>There are no explicit plans to undertake a PEFA update</p> <p>PFM-PR report available on MoF website and on EC website</p>	<p>Provided confirmation of the areas to be addressed by the PFM project, supported by multiple donors.</p> <p>In the absence of a counterfactual, evidence of the impact on reducing PFM assessments is unclear. Whilst there have been other PFM assessments (e.g. ROSC), the government does not believe that these are a problem for them (relatively limited number of donors on PFM).</p>	<p>Initially sceptical but then saw that it could be useful for benchmarking, learning (good instrument)</p> <p>Genuine sense of self-criticism</p> <p>Genuine desire to benchmark itself</p> <p>But immediate, attribution effects limited because of pre-existing project addressing main weaknesses (PEFA assessment served to confirm weaknesses)</p>	<p>Pre-existing project.</p> <p>Limited number of donors operating in PFM</p> <p>Informal agreement to use PEFA analysis as common reference point. Limited numbers of other similar analyses and credibility of exercise helped with this point.</p>



Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Mozambique	<p>In the context of the G-19, specific attribution of the PEFA assessment to PFM reforms is difficult</p> <p>Part of overall Government-donor pressure for undertaking PFM reforms</p> <p>Indirect impact (“difficult to say direct result”) – as part of the overall (donor and elsewhere) pressure on government. Served to confirm weaknesses that were familiar.</p> <p>PEFA assessment was one of a number of impetuses (broad pressure) on PFM reforms. Reminded government of what it said it would do. Led to joint PFM Action Plan (in response to DP requirement) [status in guiding PFM reforms in practice is unclear] – but “don’t make too much of the Action Plan”, as it is not a PEFA Action Plan.</p> <p>Separate activity/workshop reviewing was seen as valuable</p> <p>PFM-PR report available on EC website and on joint DP website</p> <p>PEFA update currently being undertaken.</p>	<p>Donors were seen to be the main constituency for the PEFA assessment. Impact has been greatest on DPs. Appears to have contributed to joint information pool – common reference point</p> <p>Strong PFM donor group in the form of the G-19 group of countries. Basis of strong government-donor co-operation, which preceded the PEFA assessment (e.g. PAP, information on donor disbursements – ODAMoz, etc). Supported by extensive network of sector-level working groups, several taskforces set up to address specific issues, project management units or SWAp arrangements.</p> <p>Results shown in Annual Joint Review mechanism</p> <p>PEFA assessment used for DP own appraisals, e.g. FRA</p> <p>G-19 intended PEFA framework to replace multiple assessment tools (e.g. PERs) – some have questioned to whether or not it has done so. Seems that other analytical products are still valued.</p>	<p>Already reforms in place. PEFA assessment added to the pool of analyses highlighting weaknesses</p> <p>Separate exercise setting out where to go after PEFA assessment was seen to be useful</p>	<p>Strong Government-DP dialogue and DP-DP co-operation on PFM in the form of the G-19</p> <p>Agreement to use PEFA assessment as common reference point</p>

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Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Nicaragua	<p>Limited – report never finalised (11 months from field mission to date of draft report)</p> <p>PEFA assessment intended to be used as pre-election platform for government, but got overtaken by events (caused in part by delay in getting draft out). Thus, no opportunity to discuss with government before government changed. New government reluctant to use analysis undertaken under old government.</p> <p>PFM reforms started before PEFA assessment – reforms carrying on. PEFA analysis reportedly did not have an input into the new reform programme.</p>	<p>Had impact on donors working in PFM (in the Budget Support [BS] group), who agreed to use a single calendar for missions on PFM and use of multi-donor missions.</p> <p>Common information pool: BS group taking PEFA matrix as PFM matrix. PEFA results integrated into PAF of BS</p> <p>PEFA framework helping to bring donors around a common instrument However, donors were frustrated by length of time for PEFA report to be finalised and lack of information on the process.</p>	<p>Government changed. No ownership for what previous government did Report took too long to emerge – was overtaken by events (election timing)</p>	<p>PEFA assessment met a perceived need for comprehensive statement of status of PFM systems, although delay in finalisation and (lack of?) release of final report led to frustration amongst DPs</p> <p>Following PEFA assessment, there was agreement by DPs to use a single mission calendar and to co-ordinate PFM missions helped DP-DP co-ordination</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Tanzania	<p>Limited government engagement – seen as DP exercise (scoring carried out by DPs as part of sector groups). Until last year, government was reportedly “hardly aware” of exercise. This year, presentation on PEFA framework was made to government stakeholders at the Annual Review</p> <p>Annual updates were in the original design: at beginning (in 2005), DPs agreed to undertake a 3-year cycle of PEFA evaluations (2005 - central government, 2006 - local government, 2007 - parastatals)</p> <p>PFM Reform Programme (PFMRP) III currently being revised (DP-led exercise), using the results from the PEFA exercises. Not yet approved by government so too early to say what will happen.</p> <p>Recent areas of reform include procurement and external audit. Attribution to the PEFA assessment is difficult.</p> <p>Has had some impact on local government – government responding following a 1-year lag (letter from the PS in charge of local government) with a list of actions and measures to address weaknesses.</p> <p>Parastatal exercise was not seen as very successful</p>	<p>Strong DP-DP institutional structure for co-ordination with network of sectoral and other sub-groups.</p> <p>PEFA evaluations used as common information pool</p> <p>Has helped to focus PFMRP discussions with government</p> <p>Still doing individual assessments (e.g. FRA) but as desk studies based on PEFA analyses</p>	<p>Limited capacities for undertaking reform</p> <p>Not clear that there was genuine desire/ownership for reform</p> <p>As pressure has grown (DPs raising profile of PEFA framework), this has served to increase attention on it for government</p>	<p>Strong pre-existing DP-DP dialogue around PFM</p> <p>Agreement to use PEFA assessment as common reference point</p>

Country	Impact on government behaviour	Impact on donor behaviour	Factors for government behaviour	Factors for donor behaviour
Vanuatu	<p>PEFA exercise useful to government in highlighting PFM strengths/weaknesses in a single document</p> <p>Initial motivation for assessment was in response to DP requirement.</p> <p>Whilst the PFM challenges were known, the PEFA analysis added to the pressure on different parts of government to act (e.g. agencies of external scrutiny). Helped push the momentum along.</p> <p>Both Government and DP stakeholders indicated that the PEFA analysis had an indirect effect; one estimated that the impact (in terms of direct attribution) of the PEFA assessment on government was between 10-30%. Others indicated that it was difficult to quantify.</p> <p>Preparation of Action Plan was seen as DP requirement and carried out by a consultant. Government indicated that its reforms in practice operate in line with its own priorities. On DP side, this is interpreted as donors appearing to impose reforms.</p> <p>PFM-PR report available on EC website. Circulated widely to stakeholders, including civil society. Has helped them to criticise the government (additional pressure on government).</p>	<p>Relatively limited impact – there is the perception that donors don’t work particularly well together on the ground in the region. Some DPs continue to operate separately in accordance with their own agendas.</p> <p>Agreement on Joint Principles for Application of the PEFA Performance Measurement Framework (Sydney Principles) have led to more joint participation in PEFA evaluations in the region, but has not yet led to co-ordinated activities on the ground. Co-ordination appears to be more in intention than practice.</p> <p>EC planning an update of the PEFA assessment in 2009.</p> <p>Despite attempts, no institutional mechanism for Government-DP dialogue in place; no mechanism for common decisions. Donors are continuing to do their own country strategy reviews, etc. SWAp have separate financing agreements for different donors – leads to greater transaction costs.</p>	<p>Seen as external exercise, as was preparation of reform programme. Not necessarily reflecting government’s own priorities and reforms</p> <p>Other internal pressures in play.</p>	<p>Limited effective donor co-ordination in practice. Some DPs continuing to follow their own procedures, agendas. In region, there is dispersal of DP initiatives even those funded by same government (e.g. AusAid as separate from RAMSI and as separate from Australian Government Departments (e.g. Treasury and Finance/ Administration)</p> <p>Agreement on Sydney Principles are first step and appear to have had most impact on encouraging joint PEFA missions</p>

<b>Country</b>	<b>Impact on government behaviour</b>	<b>Impact on donor behaviour</b>	<b>Factors for government behaviour</b>	<b>Factors for donor behaviour</b>
Zambia	<p>PEFA assessment was used to help focus individual PEMFA components, as evidenced by annual work plans. Led to a realignment of PEMFA reform programme (within components) to address the weakest areas. Areas of poor scoring (Cs and Ds) are reported to be being used as the basis for work planning within PEMFA components. Less impact on prioritising and sequencing across PEMFA reform areas (limited strategic capacities).</p> <p>Explicitly part of the M&amp;E framework for PFM reform. This has taken the form of an additional column added to the PEMFA for reporting/monitoring progress on PEFMA components</p> <p>PFM-PR published on the MoFNP's website</p> <p>Actively planning PEFA update in June 2008</p>	<p>There is a strong PFM donor group based around the PEMFA programme.</p> <p>The PEMFA provides the overarching framework for donor-Government dialogue on PFM.</p> <p>External partners active in the PEMFA programme have agreed to use the PEFA framework (with the 2005 PEFA assessment as the baseline) as their on-going monitoring framework for the programme. PEFA indicators are explicitly included in the monitoring framework.</p> <p>The PEFA framework has had the effect of reducing competing general PFM assessments, as the DPs agreed to use the PEFA assessment as their common information pool on general PFM assessments. DPs indicated to Government that it should not allow any other general PFM assessments whilst PEFA assessment was in place.</p> <p>Joint Assistance Strategy, signed by all key aid agencies, indicates agreement on a division of labour amongst DPs.</p> <p>For example, the PEFA assessment was used in the joint appraisal of the Poverty Reduction Budget Support (PRBS)</p>	<p>Strong government ownership through fielding a government team</p> <p>Explicit incorporation into the monitoring framework for the PFM reform programme</p> <p>Limited capacities for defining strategic priorities (as opposed to everything being a priority)</p>	<p>Strong pre-existing government-donor dialogue around PFM</p> <p>Agreement to use PEFA assessment as common reference point and as basis for M&amp;E framework for PEMFA</p>



**Annex B**

**Study Terms of Reference**

**MONITORING IMPACT OF THE IMPLEMENTATION OF THE PEFA FRAMEWORK  
ON THE OBJECTIVES OF THE STRENGTHENED APPROACH**

**TERMS OF REFERENCE**

**Background**

1. PEFA is a partnership between the World Bank, the European Commission, the UK's Department for International Development, the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, the International Monetary Fund's Fiscal Affairs Department and the Strategic Partnership with Africa.

2. PEFA aims to support integrated and harmonized approaches to assessment and reform in the field of public expenditure, procurement and financial accountability.

3. The PEFA program is aimed at improving aid effectiveness - in terms of harmonization and alignment - through the Strengthened Approach to Supporting PFM Reform which has three components:

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

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

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

5. In 2006, a first report on monitoring the application of the PEFA Performance Measurement Framework – the "Report on Early Experience from Application of the PEFA Framework" (REEAF) – was prepared. It is available on the PEFA website [www.pefa.org](http://www.pefa.org). A follow-up monitoring exercise is being undertaken in two stages during 2007 with the following objectives:

## Stage 1

- a) follow-up on findings from REEAF in order to monitor trends in compliance with the Framework and developments in process parameters;
- b) provide firmer conclusions as the number of reports – and particularly ‘finalized’ reports - will be significantly higher than in early 2006;
- c) identify further ‘good practice examples’ for use in dissemination and training;
- d) analyze rating data according to country clusters, if it proves useful for identifying specific problems to be addressed for such clusters;

## Stage 2

- e) provide information on the actual use of the PEFA based assessments, a subject only marginally touched on in the REEAF;
- f) explore – to the extent possible – the assessments’ contribution to achieving the objectives of the Strengthened Approach.

6. The Interim Monitoring Report presented the findings from stage 1 and a proposal for the approach and methodology to be used for stage 2 of the monitoring exercise.

7. These terms of reference are aimed at allowing the delivery of the second part of the Monitoring Report 2007.

## **Objective of the Consultancy**

8. The objective of the consultancy is the preparation of the second part of the Monitoring Report 2007 constituting a PEFA Impact Assessment i.e. to assess the impact of adopting the PEFA Framework for PFM performance assessments at the country level. The PEFA Impact Assessment shall specifically explore (but not be limited to) the impact on:

- The number and nature of PFM assessments being undertaken;
- Country leadership in preparing the PFM assessments and ownership of the resulting assessment reports;
- Use of the PFM assessment for dialogue on the need for and content of PFM reforms and related action plans;
- Coordination of support from donor agencies and finance institutions and the support’s alignment with the government’s PFM strategy;
- The government’s adoption of the PEFA Framework as a basis for monitoring the results of the PFM reform program;

The target is to have a full draft report submitted to the PEFA Steering Committee in time for its meeting during the first week of December.

## **Scope and Methodology**

9. This PEFA Impact Assessment will be based on a series of Country Impact Notes to be prepared for selected countries. The impact assessment would consider only PEFA assessments for central government and not sub-national government assessments. The countries incorporated in the sample should be those where sufficient time has lapsed since the PEFA-based PFM assessment was completed to allow an evaluation of the impact of the PEFA-based approach. An initial list would constitute countries where a PEFA-based assessment was substantially completed a year prior to this impact assessment i.e. by September 2006, and includes by region:



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Region	Countries
Sub-Saharan Africa	Congo Brazzaville, Gabon, Ghana, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mozambique, Tanzania, Uganda, Zambia
Middle East & North Africa	Syria, West Bank & Gaza
Europe & Central Asia	Albania, Armenia, Kyrgyz Republic, Moldova, Serbia, Ukraine
South Asia	Afghanistan, Bangladesh
East Asia & the Pacific	Fiji, Lao PDR, Papua New Guinea, Vanuatu
Latin America & the Caribbean	Barbados, Grenada, Guatemala, Honduras, Nicaragua, Panama, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago

10. It is expected that the PEFA Impact Assessment 2007 includes at least 12 short Country Impact Notes, based on countries selected from this list of 36. Criteria for selecting countries must include 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.

11. 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 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. Such additional sources of information may include chairpersons of parliamentary committees, external audit institutions or civil society institutions in the country. To obtain these views it is envisaged that interviews take place mainly by telephone/video-conference with a key informants at country level, supported by a questionnaire sent to the informant in advance (an example of the questions to be covered is included in annex to these terms of reference).

12. In addition to the above sources of information, the consultants should make as much use as possible of the ongoing 'SPA 2006 Survey' (which in particular would provide information on number of PFM diagnostic studies by country in Africa) and the planned 'Analysis of the European Commission's PFM Monitoring in Budget Support Countries'<sup>53</sup> (which covers 32 countries, many of which are included in the country list above).

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

- Government ownership and use of the assessment

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<sup>53</sup> This study may not commence until November 1, 2007

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- Donor 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 of PFM analytical studies
- Timeliness of completion and dissemination of the reports.

14. 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.

### **Expected Deliverables**

15. Inception Report – this report shall discuss the existing material available to the consultant at the onset of the assignment, coordination with the SPA (and EC studies, if applicable) as well as 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.

16. Country Impact Notes – at least (12) such notes shall be prepared and shall be submitted as part of the Draft and Final Reports. However, a few notes should be completed prior to commencing work on the synthesis for the Draft Report in order to enable the PEFA Steering Committee to provide feedback while the work on the notes is still in progress.

17. 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 impact of implementation of the Framework.

18. Final Report – the Final Report will be a revised version of the Draft Report, addressing the comments received from the PEFA Steering Committee.

### **Reporting**

19. The consultant will report to the Head of the PEFA Secretariat on the day-to-day management/administration of the contract.

20. All of the consultant's deliverables shall be submitted to the PEFA Steering Committee, which includes the seven partner organizations and the Secretariat. The Steering Committee will review the deliverables and comment on them directly to the consultant

21. The consultant will be expected to present his/her findings to the PEFA Steering Committee at its meeting in December 2007.

### **Timeframe**

22. The consultancy assignment will commence upon signing of the contract and should be completed within a total of four months.

23. The Inception Report shall be submitted within two weeks from commencing the assignment. The PEFA Steering Committee shall submit its comments on the report within 7 working days of receiving the report.

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24. At least three draft Country Impact Notes shall be submitted within six weeks of commencing the assignment. The PEFA Steering Committee will submit its comments within 7 working days of receiving the notes.

25. 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.

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

### **Consulting inputs**

27. The consultant selected according to the present terms of reference will be overall responsible for preparing and delivering the PEFA Impact Assessment. The PEFA Secretariat will support the consultant with any relevant information it may possess. Minor supplementary inputs may be provided, however, as required and upon agreement with the Head of the PEFA Secretariat, as follows:

28. It is appreciated that the consultant may not master the official language of all the countries that may be selected for Country Impact Notes. It may be necessary, therefore, to contract minor inputs from translation services or another consultant to assist in this respect.

29. This consultancy does not provide for field visits to the countries for which Country Impact Notes shall be prepared. The assignment is supposed to be carried out on the basis of existing written information combined with interviews by email, telephone or video-conference. The PEFA Secretariat will assist the consultant with access to video-conference facilities at the World Bank offices to the extent possible.

30. The overall input for the consultant is estimated at 45 days, based on

- Five days for initial briefings, collection of existing information with the Secretariat, methodological fine-tuning, country selection and preparation of the Inception Report.
- Thirty days for interviews, data analysis and drafting of the Country Impact Notes.
- Six days for preparing the Draft Report;
- Four days for presentation and discussion of the Draft Report as well as its revision into a Final Report.

### **Payments**

31. Payments will be made in relation to completion of the deliverables, satisfactory to the PEFA Steering Committee, and be based on time spent within the limits set out below:

- Up to 20% of the total contract value upon completion of the Inception Report.
- Up to 40% upon submission of three Country Impact Notes
- Up to 80% upon completion of a Draft Report.
- Up to 100% upon completion of the Final Report.

### **Profile of the consultant**

32. To accomplish the consultancy's objectives, the consultant should have the following skills:

## **FINAL REPORT**

- Extensive international experience in public financial management analysis and reform;
- Extensive experience in aid management, harmonization and alignment
- Extensive experience in research, evaluation and comparative analysis;
- Excellent communication and reporting skills;
- Knowledge about the PEFA Framework approaches and principles;
- Fluency in oral and written English, with capability to work in any of the French, Spanish, Portuguese and Russian languages being a distinct added advantage.

PEFA Secretariat  
August 14<sup>th</sup>, 2007

## Annex 1 Example of Questionnaire on Impact of Implementation of the PEFA Framework

### a) Introduction of the PEFA Framework

- Why and how was the PEFA assessment initiated, whether by a specific request from the authorities, a proposal by the donors, etc.

### b) Government use and ownership of the assessment

- Which entities of the Central Government (ministries and departments within ministries ) have been involved in the process so far (input in drafting the ToR, participation in workshops, coordinating donor work, assisting assessors' team, review of preliminary drafts Performance Report...)?
- Were the findings discussed in internal governmental meetings? At what level: intra-ministerial or inter-ministerial; technical, managerial, political...?
- What was the government's reaction with regard to the overall findings (scoring and its justification)?
- In the case of disagreement with the findings, did government representatives articulate their positions and present additional data to question the original findings?
- How did the findings contribute to provide the government with additional information on PFM reforms?
- Did the government further elaborate in writing on the PFM reforms as a result of additional information provided by the PEFA assessment?
- Does the government plan to have another PEFA assessment carried out in the future? What is the rationale for this decision?

### c) Donor use of the assessment

- Has the PEFA assessment been widely shared among all bilateral and multilateral donors in the country?
- How was the report disseminated within donor agencies (through electronic means, hard copies, executive summary only, all report, preliminary drafts, final version, etc)?
- Did the findings feed into programmatic papers?
- Did the findings feed into other analytic products?
- How did the findings impact on operational practices at country level (additional TA, training and equipment in PFM areas to be strengthened)?
- Were the findings used to decide on opportunity, modalities or volume of aid (direct budget support or other use of country systems for managing aid resources)?

### d) Donor collaboration and coordination in supporting the reform effort.

- Is there a formal coordination structure among donors in PFM (joint donors' committee meeting on a regular basis)? At what stage of the PEFA process has it been established (preparation of TOR, facilitation of PEFA workshop prior to the assessment, participation or support during the assessment, review of the draft reports)?
- Is there a pooled funding for PFM reforms in the country (multi-donor trust fund)? If yes, what was its role during the PEFA assessment and at what stage of the process has it been established?

- Is there a division of labor between donors in the country? If yes, what are the arrangements for PFM? Was there any donor's intervention during the PEFA assessment and at what stage of the process was it established?

### **e) Reduction in number of PFM analytical studies**

- How many PFM analytical reports were implemented in the country during 2006 compared to earlier years?
- What types of PFM analytical reports were implemented in 2006? Do they overlap in content with the PEFA-based assessment?
- Was a specific division of labor agreed for the PEFA-based assessment in relation to other PFM analytical reports?

See also SPA survey 2006 as regards countries in Sub-Saharan Africa.

### **f) Dialogue on PFM reform programs between government and donors**

- Did the report enhance dialogue between the government and donors at country level?
- How did this dialogue materialize (the elaboration of an Action Plan for PFM reforms, improvement of the existing one, more direct or joint interventions in financially supporting PFM reforms)?
- Is there a common strategic paper on PFM reform shared by donors and government based on PEFA findings?

### **g) Timely completion and dissemination of reports**

- What is the status of sharing of the report with government and other donors (Executive summary shared, preliminary/final drafts, final version, means used such as electronic, hard copies, etc)?
- Has the report been made public (through a website, through the Government bookshop)? Is this publication envisaged?
- What are the main reasons for sharing/disseminating (or not sharing/disseminating) the report?

**Annex C**

**List of Persons Consulted for the Study**

<b>Person consulted</b>		<b>Organisation</b>	<b>Country affiliation</b>
Kwabena	Adjei-Mensah	MoF	Ghana
Richard	Allen	IMF	
Jean-Francois	Almanza	Coopération Française	
Pedro	Alonso Isabel	EC	Nicaragua
Marcelo	Andrade	World Bank	Ghana
Matthew	Andrews	KSG, World Bank	Armenia
Peter	Ashton	EC	Caribbean
Iaroslav	Baclajanschi	MoF, World Bank	Moldova
T	Balakrishnan	World Bank	
Barbara	Bamanya	MoF	Zambia
Ruby	Bentsi	DFID	Ghana
Nicholas	Berlanga-Martinez	EC	Vanuatu
Robert	Beschel	World Bank	Syria
Franck	Besette	PEFA Sec	
Pamela	Bigart	World Bank	
David	Biggs	World Bank	MENA
Daniel	Boakye	World Bank	Ghana
Arnaud	Borchard	EC	Congo
James	Brumby	World Bank	
Andrei	Busuioc	World Bank	Moldova
Ranjit	Chakraborty	MoF	Bangladesh
Mauricio	Chamarro	MoF	Nicaragua
David	Chandler	World Bank	Vanuatu
Kylie	Coulson	AusAid	Pacific
Bill	Dorotinsky	IMF	
Angela	Farhat	MoF	Ghana
Emile	Finateu	World Bank	Madagascar
Emmanuel	Fourmann	AFD	Madagascar
David	Gray	DFID	Bangladesh
Guenther	Heidenhof	World Bank	Madagascar
Frederick	Hosea	MoF	Vanuatu
Dr.	Ibara	MoF	Congo
Lyuba	Ivaniucova	MoF	Moldova
Marlene	Johnson	MoF	Caribbean
Suhas	Joshi	IMF/PFTAC	Vanuatu
Alma	Kanani	World Bank	Bangladesh
Odile	Keller	SECO	Madagascar
Salahuddin	Khan	EC	Bangladesh
Mahiuddin	Khan	MoF	Bangladesh
Zakir	Khan	MoF, World Bank	Bangladesh
Joseph	Kizito	World Bank	Congo

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Person consulted		Organisation	Country affiliation
Florence	Kuteesa	IMF/E.Afritac	Tanzania
Smile	Kwawukume	World Bank	Ghana
Florian	Lang	MoF TA	Madagascar
Stevan	Lee	DFID	Tanzania
Juergen	Lovasz	EC	
Eva	Lovgren	SIDA	Zambia
Brandon	Lundberg	PEFA Sec	
Perniel	Lyimo	MoF, Min Agric	Tanzania
Riccardo	Maggi	EC	
Catriona	McHugh	MoF TA	Bangladesh
Eva	Mends	MoF	Ghana
Serge	Mihailov	EC	Madagascar
Allister	Moon	World Bank	Tanzania
Morgan	Mumbwatasai	DFID	Zambia
Viorica	Neclea	MoF	Moldova
Elena	Nikulina	World Bank	Moldova
Speranta	Olaru	EC	Moldova
Jolke	Oppewal	Netherlands	Mozambique
Dieter	Orlowski	MoF TA	Mozambique
Patricia	Palale	World Bank	Zambia
Monica	Peiro-Vallejo	EC	Nicaragua
Barry	Reid	AsDB	
Frans	Ronsholt	PEFA Sec	
Monica	Rubiolo	SECO	
Mr.	Sakib	MoF	Bangladesh
Maya	Sandu	MoEc	Moldova
Carlos	Santiso	AfDB	Nicaragua
Benjamin	Shing	MoF	Vanuatu
Fily	Sissoko	World Bank	Caribbean
Susana	Sitja Rubio	IADB	Honduras
Nicola	Smithers	World Bank	
Mike	Stevens	World Bank	
Jose	Sulemane	Min Plan, IMF	Mozambique
Rajiv	Swami	World Bank	Honduras
Cecile	Tazzin-Pelzer	EC	Caribbean
Laura	Trimble	US Treasury	
Rene	Van Nes	EC	Tanzania
Sanjay	Vani	World Bank	
Tony	Verheijen	World Bank	Congo



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Note: Documents in bold indicate those in which the PEFA assessment is explicitly cited.

**VOLUME II: COUNTRY IMPACT NOTES**

