Evaluation of the PEFA Initiative Phase 5

Final Report

Client: PEFA Steering Committee

Rotterdam, July 2022

List of Abbreviations and Annotations

AA	Administration Agreement
AB	Advisory Board
ADB	African Development Bank
AFD	Agence Française de Dévelopement
AFRITAC	African Regional Technical Assistance Centre
CG	Central Government
CN	Concept Note
CRPFM	Climate Responsive Public Financial Management
DAC	Development Assistance Committee of OECD
DP	Development Partner
EC	European Commission
EFO	Externally Funded Operation
EQ	Evaluation Question
EU	European Union
FAD	Fiscal Affairs Department
FCDO	Foreign, Commonwealth & Development Office
FGD	Forum Group Discussions
FLR	Forward-Looking Review
FTE	Fool Time Employee
FTE	Full Time Equivalent
HIC	High Income Country
HQ	Headquarter
HR	Human Resource
IaDB	Inter-American Development Bank
IBP	International Budget Partnership
IFAC	International Federation of Accountants
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
ISAR	International Standards of Accounting and Reporting
LICs	Low Income Countries
M&E	Monitoring and Evaluation
MAPS	OECD Methodology for Assessing Procurement Systems
MOF	Ministry of Finance
MIC	Middle Income Country
MTDF	Multi-Donor Trust Fund
NGO	Non-Governmental Organization
OBI	Open Budget Index
OC	Outcome
OECD	Organization for Economic Co-operation and Development
OLC	Open Learning Campus
OP	Output
PD	Program Document
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PI	Performance Indicator
PM	Program Management
RF	Results Framework

PPP	Public-Private Partnership
RF	Results Framework
QA	Quality Assurance
SAI PMF	Supreme Audit Institution Performance Measurement Framework
SC	Steering Committee
SECO	Swiss State Secretariat for Economic Affairs
SC	Steering Committee
SD	Service Delivery
SDGs	Sustainable Development Goals
SMART	Specific, Measurable, Attainable and action-oriented, Relevant, and Time-bound
SN	Sub-National
SNG	Sub-National Government
TADAT	Tax Administration Diagnostic Assessment Tool
TL	Team Leader
TF	Trust Fund
ToC	Theory of Change
ToR	Terms of Reference
UMIC	Upper Middle Income Country
UN	United Nations
UNDCC	United Nations Development Cooperation Cycle
UNDCP	United Nations Drug Control Programme
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNICEF	United Nations International Children's Emergency Fund
US	Unites States
WB	World Bank
WHO	World Health Organization

Summary

Overall conclusions

The overall performance of the Program phase was largely positive especially when considering the implications of the Covid-19 pandemic on program implementation. The rapid response from the Steering Committee (SC) and the Secretariat during Covid-19 is commendable.

In particular, the program succeeded to:

- Firmly consolidate the PEFA framework as the “gold standard” for the assessment of the overall PFM framework and performance, as well as the preferred diagnostic tool to design and continue to support policy dialogue on PFM reform at country level, despite the increasing number of specific diagnostic tools;
- Further capitalize on the credibility and success of the PEFA methodology, to extend the application of the framework into new policy areas, building informal institutional alliances and partnerships with international organizations in the areas of gender, local development, service delivery and climate change;
- Contribute to the improvement of the overall quality of the PEFA assessments that have been subjected to the quality assurance process of the Secretariat;
- Provide a wealth of PFM learning and knowledge sharing products to facilitate the use of PEFA by partner countries in the design and implementation of PFM reforms, as well as other stakeholders for internal processes and related research; and
- Maintain an effective governance structure that allows a consensus-based decision-making process by the Steering Committee (SC) and accountability by the Secretariat that is satisfactory to all contributing partners.

These show that the Program had the capacity to provide adequate responses to emergency situations such as the pandemic crisis with the same level of reliable and timely support that established its credibility since 2005.

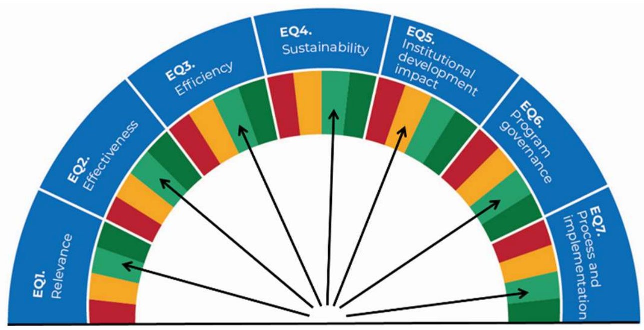
Unfortunately, the high degree of success of the program achieved in leading to PEFA assessments did not in all cases lead to an equally strong impact on PFM performance. In the majority of the countries, PEFA assessments have been reported to trigger and contribute to the formulation of PFM reform roadmaps, which often lead to measurable improvements in PFM systems. However, the transition from PEFA findings to improved PFM systems is not automatic and always assured as many determinant factors for an effective PFM reform process are not under the control of the PEFA process.

Overall, the Program has generally performed efficiently and effectively. It can benefit further from adjusting or fine-tuning some of its internal processes, systems, and mechanisms in order to accommodate the developments of phase 5 as well as better target the needs of specific users. The following aspects could be considered in the next phase:

- Rationalize and streamline the results framework to capitalize more on and benefit from PEFA outputs, by targeting the needs of specific categories of users (with emphasis on ownership and engagement of partner countries’ institutions), and focusing on the determinant factors that facilitate the contribution of PEFA program outputs to the impact on PFM performance;

- Draw lessons from the activities of Phase 5, in particular for the “learning and knowledge sharing” component, to better target the needs of specific users and country-related contexts and facilitate the use of PEFA;
- Encourage major donors involved in the success of PEFA to further strengthen the link with their financing of PFM reforms in beneficiary countries;
- Further strengthen the consensus-based governance of the Program and facilitate a more meaningful and inclusive feedback from the users’ “voices” in partner countries. The recent initiative launched to set-up an Advisory Board is a first step in this direction. Other alliances can be established for specific objectives (regional networks, policy support, etc.).

The diagram shows the evaluators’ assessment in respect to each evaluation question (EQ). Overall, the program performance was assessed as satisfactory (i.e., in line with the expectations[1]). A summary of the main findings per EQ follows.



Relevance

The overall assessment on relevance is generally positive. PEFA retains a significant number of its recognized strengths, including: 1) a public good that continues to foster the policy dialogue at technical level, especially, from non-government sources; 2) a comprehensive assessment of the entire budget or fiscal framework; 3) an increasing level of ownership and use by governments; 4) an assessment process that is backed by professional assessors and a committed PEFA Secretariat. In general, although not explicitly embedded in the program document, the strengthened approach remains on course for these conventional or core aspects of the overall PEFA objective.

PEFA is proving to be dynamic in its response, reaction and collaboration to make the framework relevant to emerging global trends. PEFA has proven to be particularly versatile and responsive to COVID-19, which had a direct impact on the entire fiscal management process. The rapid response from the SC and the Secretariat is commendable. In this context, PEFA remains on course to serve an important fiscal goal that remains more comprehensive than other PFM-related assessment tools.

An important response of Phase 5 to emerging trends is the development of new supplementary frameworks that offer new perspectives and opportunities to facilitate better decisions for better outcomes. Compared to the core PEFA framework, the supplementary frameworks are narrower in PFM scope and cover elements of PEFA fiscal organization (e.g., SNG) and specific fiscal policy goals (e.g., climate, gender mainstreaming). The traction of the PEFA brand has opened opportunities for the framework to evolve as a PFM performance platform to integrate PFM performance into the broader SDG agenda.

However, there are stakeholders who consider that the enlargement of PEFA to include new modules on gender, climate, SNG service delivery, etc. is “a step away” from the traditional

---

[1] Performance with regards to the evaluation questions and Phase 5 targets has been assessed using a four-grade scale: excellent (performance is above target or expectations), satisfactory (in line with expectations/targets); moderately satisfactory (below expectations/targets); unsatisfactory (serious deficiencies).

PEFA and PFM agenda and makes PEFA instruments more complex. The expansion of the program faces emerging challenges that need consideration:

(i) With the development of new modules, PEFA - as a policy neutral instrument - is becoming associated with broader development policy and financing issues linked to SDGs;
(ii) New supplementary frameworks create a more comprehensive and complex set of results that can be challenging for countries with weak PFM systems and only more developed countries, with stronger fiscal frameworks, will be able to absorb and act upon;
(iii) Without a meaningful analysis of the determinant factors in the Theory of Change conducive to reform at country level, PEFA may be delivering relevant outputs (including through the new supplementary frameworks like PEFA gender, climate, etc.) that may not necessarily lead to stronger PFM performance improvements; and
(iv) Without a meaningful engagement of countries' "voices" in the strategic steering of the program, as the key users of PEFA, it risks feeding even more the perception of PEFA being predominantly a donor-driven instrument that may not necessarily foster country ownership.

The opportunities and risks in the emerging PEFA+ tools[2] require additional technical support and continuous quality assessment to maintain its overall relevance. This is of particular importance in a potentially challenging dynamic where it needs to attract more users for PEFA, without eliminating its most traditional users who lack a "voice" and remain outside the core PEFA design and decision process.

As lessons learned, the team reiterates the need for an examination of the strengths of the framework with a view to identifying standard procedures for governments and the global community to remain responsive to future inevitable changes. This could include the identification of, and collaboration with, other agencies and institutions which develop or deploy their own PFM tools in response to some of these emerging trends. Hence, the team recommends that, in assessing the benefits from consolidating the progress made in the emerging areas, more effort be made in collaborating with such institutions. Besides collaboration, the SC and its Secretariat can adopt a stratified approach that would enable a more targeted response to its enlarging constituency by addressing the individual needs and capacity of different user groups. Provided resources can be made available but not be at the expense of the core PEFA approach, this needs not be difficult since most of the emerging areas are "off-shoots" of the conventional comprehensive PEFA framework.

The Secretariat established a solid and robust internal monitoring system to safeguard relevance and effectiveness of the Program efforts, though the RF that it is based on needs further strengthening. The established structures and mechanisms, which rely on the Results Framework (RF), are adequate to ensure satisfactory monitoring of the implementation and reporting on the progress against the objectives and targets of the RF. Nonetheless, the relevance of certain performance indicators and targets, as well as the underlying activities, is questionable and require further consideration.

Effectiveness at the output level

The performance of results has been mixed across the expected outputs:

2 PEFA+ refers to the PEFA assessments which combine PEFA products i.e. supplementary frameworks such as PEFA Climate and/or Gender in addition to the core PEFA assessment.

Output 1: Continued and expanded use of PEFA

The use of PEFA framework during phase 5 has been substantially expanded with the development of new products. Yet, the number of PEFA assessments has been below target even after the downward amendment of the respective target in the RF by the SC. The decrease is particularly notable in the number of CG PEFAs (i.e. from 108 in phase 4 to 73 in Phase 5 until December 2021) and less in SNG PEFAs (i.e. from 90 to 88 respectively). The demand for PEFA assessments during phase 5 was generated mainly by countries that are interested to expand their SNG assessments, or by countries that want to conduct successive CG assessments with respect to a specific area of the overall PFM framework.

One of the possible explanations for the decrease of assessments, beyond the potential implications of Covid-19 pandemic, is that the program is reaching its maximum potential. About 154 countries have already conducted PEFA assessments, thus there is limited possibility to expand the application of the tool to new countries at CG level (e.g. this is illustrated by the fact that 100% of the assessments during the last two years were successive assessments).

The periodicity of the PEFA assessments cycle is another factor determining demand for assessments. As more advanced PFM reforms are required, they will not yield immediate results, and if the pressure from donors through Budget Support is expected to decrease, the number of CG assessments may decline further. Furthermore, depending on specific needs, countries may opt to replace formal and costly assessments with internal exercises / self-assessments that are not "fully-fledged" and may not necessarily go through the PEFA quality assurance process. Also, successive assessments are useful provided they are the result of PFM reforms that improve the overall PEFA score - as opposed to a response to pressure from particular donor, including budget or sectoral support.

Such factors need to be carefully considered when setting performance indicators and targets and assessing the level of effort required by the Secretariat.

Output 2: Improved PEFA report quality

Overall quality of assessments improved as reflected by compliance rates and the number of reports that were reviewed by the Secretariat and received a PEFA check. This is a result of learning and knowledge sharing activities that have contributed to improved capacity of assessors and governments. Most of the activities included in Output 2 were targeting quality in a broader scope focusing on learning and knowledge sharing activities to promote the use of reports.

An in-depth analysis of the compliance rate index (above 85%) could be useful in the future to design specific measures targeting the most common challenges to further improve the quality of the reports. The respective lessons could be translated into technical notes or specific training materials to increase the understanding and technical capacity of assessors (e.g. on PI-6, PI-10, on the scope of CG, etc.). These lessons could also provide more insights into the extent to which further investments towards increasing the compliance rates are feasible and/or desirable given the marginal benefits it can have on the use of reports. The priority would be to maintaining and consolidating the achieved quality standards, along with facilitation of the use of PEFA reports, rather than aiming to increase the compliance rates further.

Output 3: Increased use of PEFA information

The visibility of the program received a boost during the Phase 5. There has been an increasing emphasis of the Program on promoting and facilitating the use of PEFA during Phase 5. This is reflected by very good performance in respect to the (targeted) number of events facilitated by the Secretariat and other initiatives such as Global PFM report, research competition, modernization of the PEFA website and increasing use of social media, etc.

Although the target in respect to the expected output i.e., bringing down the "number of requests for PEFA data" was not met and is still above the 2016 baseline benchmark, it shows a decreasing trend. This can be a result of improved accessibility through website and enabling stakeholders on direct access of information, which is commendable, but can also indicate issues in the user-friendliness of the website or the information provided. Given the diversity of requests received from the users and the incidence of COVID-19, it is questionable if the number of requests from users is a relevant indicator for measuring the use of PEFA data and information for analysis and knowledge sharing. A survey on the actual use of PEFA data by the PFM community of practitioners may be more useful and provide valuable feedback to improve the quality and access to PEFA data.

Overall program effectiveness

It is obvious that during phase 5 PEFA set steps to expand. This was possible given its established credibility and global uptake, and reflects the flexibility and adaptability with which the SC and the Secretariat showed they can respond to new activities (i.e., the most notable ones being PEFA climate and gender) which were not included in the PD but arose with the emerging needs of development policies.

However, there is no comprehensive survey yet to reach a uniform opinion among stakeholders in respect of the relevance (and potential impact) of the supplementary frameworks to the core philosophy of the PEFA, namely their contribution to strengthening overall PFM performance. Although the development of the supplementary frameworks was approved by the SC as a way forward, it is somewhat questioned by some other stakeholders as it is seen as distancing from the core PEFA framework. The team recommends a careful analysis and discussion on how to sustain their future relevance and increase potential impact on strengthening PFM systems. Given that it is still new and given the fact that many experts believe that future global crisis will impact overall fiscal performance, this recommendation is particularly relevant to the Lower Middle Income Countries (LMICs) which are resource-rich but are the most affected by major risks of deficits, expensive borrowing and risk of debt distress.

Therefore, based on the experiences and lessons learned, PEFA should assess how to safeguard and maximize its added value as the key instrument to inform PFM reform actions and decisions that could influence the policy agenda. This may include a more systematic collaboration with other tools and agencies - as indeed, is emerging with the UN agencies, UN Women, etc. on PEFA climate and gender. The opportunity offered by the PEFA database for the PEFA Secretariat, in joint collaboration with the WB, to collect data from the PEFA framework structure to monitor SDG data (i.e. SDG 16.6.1) and inform the SDG agenda is an illustration of the fruitful cross-institutional cooperation. Such initiatives are welcome as long as the PEFA framework's key objectives do not suffer the opportunity cost.

In addition to strengthening the collaboration with other diagnostic tools and agencies, PEFA could expand its mechanism for collecting feedback on the application and use of PEFA framework. This will allow a more targeted response of the Program to the needs of all its different users (i.e. assessors, donors, countries, researchers, etc.) and a more targeted approach in communications with different groups. The customized responses provided by the Secretariat to all requests received illustrates its commitment, however, a more targeted use of existing or new tools to disseminate PEFA information can be envisaged to reduce the number of requests from users.

Quality of assessments continues to be an important factor, among other things, determining the use of the PEFA assessments. The Secretariat's role in improving quality remains very important. In addition to consolidating the achieved quality standards for core PEFA assessments, PEFA should look for ways to address potential threats to the quality of new emerging products such as a restricted pool of assessors and expertise, a heavy and cumbersome review process, longer timeframe, etc. Although the evaluation team considers that a "fully-fledged" accreditation of assessors is not feasible, a pragmatic form of accreditation (e.g. exam-based or mandatory online training, etc.) may add value, particularly for the role of the Team Leader or the role of PEFA advisor to governments in self-assessments. It will also increase the transparency of the pool of assessors and offer an opportunity to expand the pool of assessors with regional expertise, broader language skills, etc.

In order to strengthen the program's effectiveness and its contribution to the expected impact, more attention should be paid to country ownership and in-country engagement. This can be achieved through promotion and facilitation of self-assessments, cross-fertilization with other PFM diagnostics tools and engagement with key accountability structures such as SAIs and PACs which have an integral role to play as part of the PFM process. To this end, there may be more opportunities for specific in-country engagement of both the Secretariat and the PEFA partners.

Further, PEFA's collaboration with regional and global institutions remains relevant to the quality of the process. While the trend is generally positive, the various reporting and collaboration initiatives need further strengthening. A communication strategy has been developed but little progress in respect of peer learning and exchange beyond traditional training and workshops has materialized so far. This can be improved through a more extensive and systematic outreach to regional / functional peer-to-peer organizations such as PEMPAL, CABRI, INTOSAI, OECD, IFAC, IPSAS, etc. (e.g., to collaborate more closely on PFM research work and capitalizing on their direct engagement with the partner countries). The role of the Secretariat in liaising and facilitating the institutional dialogue on the use of PEFA has proven instrumental and effective, and we see an opportunity for the Secretariat to be even more active in the PFM fora, etc.

Institutional impact and (technical) sustainability

The RF targets for Phase 5 outcome performance indicators were partially achieved. The targets for the impact indicators were not achieved even though (i) the PEFA program has largely been able to contribute to improvements in approaches to PFM reforms in beneficiary countries (especially in planning, implementing and/or monitoring stages of PFM and budget reforms and improvements); and (ii) the results were mostly satisfactory as shown in overall gradual improvements in PEFA assessment scores across different PFM functions.

The extent to which the Program can have an impact on PFM performance has its limitations and depends on many factors that are largely beyond the control of the Program. The program results framework is predominantly focused on interventions that fall under the control of the Secretariat i.e., maintenance of the framework as a public good and promotion of the PEFA Initiative. A possible reason for not achieving the impact target is that the RF is probably overly ambitious, and the targets could be given a more careful consideration. At the same time, there could be more opportunities for the Program to contribute to impact by analyzing the determinant factors (i.e., causal link between the program outputs and outcomes, and outcomes and expected impact) and target Program interventions and the way they address these factors.

Many countries make only incremental progress in PFM performance and even suffer reversals in implementing PFM reforms, with the primary reason being the difficulty in sustaining revenue, expenditure and debt management reforms. This is particularly relevant for the countries that transition from a LIC status to LMIC status and face harder borrowing terms that lead to debt distress. Hence, this focus on sustaining support from donors for PFM reforms could be lost with the emerging interests in relatively affluent states with stable PFM frameworks with needs for more advanced and specialized forms of PFM implementation.

Despite the increasing number of diagnostic tools, PEFA maintains its comparative advantage and remains the only holistic diagnostic tool of its nature, allowing for comparisons to be made over time. The tool and the initiative in general have gained credibility and strong reputation with all stakeholders over time. The institutional capacity of the users of PEFA in partner countries and capacity to steer the reforms are determinant for its comparative advantage vis-à-vis similar tools such as TADAT, SAI PMF (which target a single institution).

There is a lot of evidence on the use of PEFA. This applies not only to the development partners (i.e., for planning of support to PFM and other internal purposes) and other international organizations (i.e., using specific PEFA indicators in internal scorecards), but also increasingly to partner countries for the design and implementation of PFM reforms. From interviews with the Secretariat staff, it is clear that even more non-traditional users are accessing the PEFA website and database (e.g., from parliamentary groups, research institutes, etc.). The status of PEFA as “public good” that is easily accessible may also account for its popularity. Yet, the interviews suggest that its use is more conditioned by donors’ support than by country partners own initiative.

Despite the wealth of information provided by the PEFA Secretariat, there seem to be less evidence of using PEFA data for research not sponsored by the Program, than experienced in the previous phases. While a lot of effort has been invested in promotion of the PEFA initiative and its products as well as promotion of research, the PEFA Program could do more to optimize the benefits from these investments. There is limited insight into how the research competition products are used and what their contribution to the international policy dialogue on PFM can or will be. More targeted research can probably feed better into such initiatives as the Global PFM report and be better used for specific purpose and audiences. To this end, there might be scope for further rationalization of the use of such tools and initiatives as the regular stocktaking exercise, forward look reviews and end-of-phase evaluations of the PEFA program as well as re-establishing the discontinued practice of “impact of PEFA” studies. They all have value but come at a cost not only to the partners countries, but also to the Program as such.

Efficiency

The Program Document was designed to ensure that established objectives are met with the available funding, and flexible enough to accommodate additional funding and expend activities beyond the original plans. Phase 5 started with a shortfall of financial commitments and uncertainties around program funding. The World Bank played an important role in securing a smooth transition and start of the Phase 5 implementation until funding was secured.

As of the end of 2021, program expenditure of USD 11.2 million represented 80.2% of the amount budgeted in the Program Document and 67.9% of the total program budget calculated as the sum of the budgets presented in the annual work plans. This was to al large extent a result of Covid-19 restrictions and the shift to remote work. Contributions outside the TF arrangements (e.g., secondments, in-kind contributions, EFOs) constitute an important share of program funds. Actual in-kind contributions (USD 3.6 million) represented 144% of the originally budgeted amount of USD 2.5 million.

Expenditure for *Framework Maintenance* (1st workstream) accounted for the largest share of Phase 5 expenditure at 37% of the total; *PEFA and PFM Impact* (3rd workstream) held 30%, while *Learning and Knowledge Sharing (2nd workstream) held* 27%. Expenditure for PEFA staff accounted for the largest share, or 61%, of the total Phase 5 expenditure; this expenditure type also had the highest budget utilization rate of 78.2%.

The overall absorption rate of 67.9% was low, especially when considering utilization for activities that were not envisaged at the start of Phase 5 (e.g., SNG, Gender, Climate) and the program extension. Of the three groups of activities linked to the ToC outputs/outcomes, "*PEFA and PFM Impact" (*3rd group) recorded the highest budget utilization rate at 82.3%, whereas "*Learning and Knowledge Sharing"* (2nd group) the lowest at 54.5% (mainly due to the shift to remote work and decrease in travel costs). Approximately 73% of the resources budgeted for "*Framework Maintenance"* (1st group) were used.

The low budget absorption rate is explained by several factors, including, staff shortages during the first year of implementation (i.e., notably during August 2017-August 2018), the impact of the Covid-19 pandemic and respective savings on travel and training costs in 2020 and beyond, and various delays in implementation that affected the usage of consultant fees and translation budget lines.

PEFA has adapted remarkably to the new working environment by increasing the delivery of online/virtual events and expanding its reach while reducing its costs. The number of participants at PEFA learning events increased eight-fold from 2017 to 2021, whereas the costs declined by 17% in 2021 from the start of Phase 5. Similarly, PEFA's other activities were delivered with reasonable success against the program's results framework and with limited usage of the budget.

Cost-effectiveness gains at the MDTF level were achieved primarily because of the increasing use of virtual services by the Secretariat for learning and knowledge sharing (i.e., Output 2). Other measures targeting improvements in cost-effectiveness of the PEFA Program overall (e.g., agile PEFA) lead so far only to "marginal" cost-effectiveness gains. The experience with the agile PEFA pilot assessments suggests that the potential time reduction (and therefore cost savings) can be achieved only if certain pre-conditions are in place (i.e., when data collection can be safeguarded). There is however not sufficient evidence yet under which criteria agile PEFA assessments can be more effective and/or lead to cost-reductions. Going forward, bundling assessments in packages (i.e., SNGs, CG/SNG, PEFA + or ++) would not only make the policy dialogue more effective, but could lead to lower transaction costs and make the assessments more cost-effective. The use of remote PEFA assessments should be avoided and used only as an exception as they do not encourage a meaningful engagement with country authorities and thus country ownership.

Program governance

PEFA has always had a structure that has donor-states and institutions (e.g., IMF, European Commission, World Bank) monitoring its governance through the SC. It is important to note that most SC members are also the main donors for PFM reforms in developing and lower middle-income countries. The proposed Advisory Board, envisaged to provide advice to the SC, is expected to complement and enhance the SC structure by making the PEFA governance more representative. Hence, this evolution and enlargement of the governance and oversight of PEFA must be given serious attention to ensure that the SC and the Secretariat continue to win the confidence of the beneficiary states that drive their own country PFM agenda and will want to use the PEFA assessments to improve their PFM performance.

The current arrangements of the PEFA Program with the SC technically supported by the PEFA Secretariat have proven to be effective. This is particularly relevant in both: (i) agreeing and supporting the development of the PEFA tool as a ”gold standard” and global brand in the PFM arena and among other diagnostic tools; and (ii) maintaining the original funding partnership and members with a flexible financing structure (e.g., in-kind, secondment, financial contribution, EFOs). SC meetings serve as an effective platform for in-depth and open strategic discussions among SC members as well as engagement with stakeholders outside the SC. In this regard, the frequency and timeliness of SC meetings, as well as the timeliness and adequacy of decision-making and oversight of the implementation are considered adequate.

All stakeholders with whom the team interacted expressed their high appreciation of the quality of the Secretariat's human resources and value their engagement. At the same time, the expanding scope and complexity of PEFA products (e.g. PEFA Gender, PEFA Climate, SNG service delivery, etc.) demands a different slant of technical skills and knowledge. Furthermore, it increased the workload of the Secretariat, which may not be sustainable in the future. The secondment of staff of experienced and qualified staff from contributing partners was appreciated as an effective mechanism for facilitating transparency of operations and continuing engagement of a group of partners which are ready to support the initiative through other ways than only financial contributions. Going forward, the PEFA Secretariat will only be able to maintain its high standards on all the existing and new/enhanced products, if the number of staff and their skill-sets are commensurate with the increasing scope of work.

The current arrangements for the hosting of the Secretariat in the WB premises is one of the major factors that contributes to the credibility of the program. It allows the Secretariat to leverage on WB resources and facilitates access to high-level expertise and knowledge in respect to the latest developments and research in the PFM arena. There is also a genuine appreciation of the SC members for WB's flexibility and agreement to keep PEFA outside the WB umbrella TF, as a result of which the SC arrangements remained intact. This illustrates the effectiveness of the PEFA program governance and the capacity of the SC to reach a consensus in the interest of the Program even though some SC members argue for more flexibility.

The advantages of being housed in the WB premises have been made even more apparent with the increased reliance on WB staff given the increasing technical scope and knowledge requirements imposed by the evolving PEFA Instrument. At the same time, the Strengthened Approach calls for continuing to appreciate PEFA as a World Bank "housed" program as distinct from a World Bank "operated" program. It would be helpful to continue to maintain confidence in this distinction if a purposeful inclusion of externally recruited staff was continued. The perception of this distinction would be further clarified by formally acknowledging the value of "cross-support", by continuing secondment of staff as well as by the inclusion of SC and AB representatives in the selection committee and increasing their engagement in all stages of the recruitment process i.e., from determining staffing needs and profiles to identifying the long- and short-lists, and participation in the final interviews.

TF Covenants and financial sustainability

The evaluators did not find any evidence of material breaches of the Trust Fund Covenants and therefore consider that the Trust Fund Covenants have been met. Despite the administrative hiccups associated with financial challenges at the start of Phase 5, all contributing partners expressed their satisfaction with the overall operational and financial management of the TF, established processes and quality of implementation, as well as progress reporting.

The financial sustainability of phase 6 seems to have been secured with the contributions of the two new SC members, the additional contributions of the established partners and the Phase 5 savings as result of Covid-19 on travel, training, etc. All contributing partners expressed their intention to continue funding the Program. There are thus no factors that undermine the short-term financial sustainability. The longer-term financial sustainability will be maintained if the program (as an Initiative) will preserve its consensus-based governance allowing for integration of the "voices" of the country partners (as intended with the Advisory Board) and manage to elevate its results at the impact level to safeguard its continuous relevance.

New ways of cost-sharing and joint-funding with other agencies should be explored to consolidate the technical strengths of the Program and its future financial sustainability under expanded implementation.