

Program-for-Results Fiduciary System Assessment (FSA) - World Bank



Objective and features

1. Objective

An FSA conducted during the preparation phase of the Program-for-Results (PforR) operation aims to ensure that program funds are used for the intended purposes with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The assessment highlights fiduciary risks that may affect program development outcomes and outlines measures to mitigate these risks.

2. Institutional coverage

Program level (national and subnational governments and local government units, depending on the program structure). The tool application is aligned with the program design and can be used at all institutional levels.

3. Technical coverage

FSA assesses the following critical PFM functions relevant to the PforR program and implementing agencies:

- Planning and budgeting
- Procurement planning
- Budget execution
- Internal control
- Auditing.

4. Application method

Custodian.

Methodology

5. Methodology

FSA adopts an objective and evidence-based approach. It applies to the PFM architecture of the country but at a scale that is specific to the context and framework of the program. FSA is designed based on a set of principles that look at three broad areas: procurement, financial management, and fraud and corruption.

WB has laid out a set of recommended data points or evidence that teams need to collect to assess the performance of the procurement and financial management systems within the context of the program. The recommended evidence or data points collected at the time of an FSA is specific to the program, geography of the program, and activities that influence the program results. FSA could draw upon the findings from other diagnostics, such as PEFA (A01) and MAPS (B17), to gather an understanding of the country systems. The assessment adopts a drill-down approach to focus on specific program systems.

There could be more than one PforR programs running in parallel in a country and the FSA corresponding to each of these programs is customized to the program implementation and transfer of resources across the value chain of stakeholders.

To arrive at substantiated risk ratings, the review team focuses on the underlying data and evidence on the performance of the program systems, the rationale for the risk categorization, and the suitability of the proposed program action plan to mitigate the key risks.

6. Benchmarking system

The overall fiduciary risk rating for the operation is the final assessment output which can be presented as a medium-, low-, or high-risk rating.

7. Linkage to PEFA framework

There are no direct linkages, but the FSA guidance refers to PEFA assessments as a source of information for the risk assessment. Also, a “D” rating in any of the PEFA indicator can trigger a risk assessment in that specific area within the program systems.

8. Complementarity with PEFA framework

FSA extends to identification of risk practices in the PFM and procurement cycle which are topics not directly covered by PEFA. The FSA approach is customized to the PforR operation and is limited to the boundaries of the program systems.



Development and use

9. Development and coordination

WB introduced the lending instrument, Program-for-Results (PforR), in early 2012. The bank’s policy framework for PforR operations was released in July 2015 along with the bank directive on Program-for-Results Financing to provide additional direction to teams on carrying out the FSA. The internal guidelines to assist task teams in conducting the FSA were published by WB in June 2017. The development of the financing instrument (PforR) and the integral FSA was an internal WB process.

Participation of other donors may occur in government-managed programs wherein all the development partners follow the same implementation program arrangements (e.g., a single set of financial statements, and a single set of reports); however, WB will not participate in the procurement of these programs (in PforR model). The FSA findings could be used by other donors in a joint-funded program where WB leads the due diligence process (technical, fiduciary, environmental, and social), thereby avoiding multiple assessments.

10. Assessment management

The key steps involved in the initial phase of a PforR operation are as follows:

- At the project preparation phase, all the required due diligence (technical, fiduciary, environmental, and social), economic analysis, and desk review of various assessments are conducted. FSA is a part of this preparatory due diligence process, which is conducted prior to project approval by the management, followed by the negotiations that lead to final approval by the board.
- Developing the result framework anchored in the “theory of change” and establishing the disbursement indicators.
- Collecting data throughout the PFM cycle to assess the performance of the program systems in addition to the data that can support the assessment of procurement cycle and provide evidence for anti-corruption practices. Data collection is done through extensive stakeholder interaction at all levels. Several documents, including other PFM assessment reports generated from PEFA (A01), MAPS (B17), and CPAR (discontinued), are studied to gather relevant datasets in addition to consistent dialogue with the authorities to gather input on the program systems. Techniques like sampling and survey are employed depending on the size of the program systems.
- Discussing the risks and key areas for improvement identified through the FSA with government officials and charting a detailed program action plan to address specific areas critical to program implementation.

Every PforR operation is subject to corporate review. Custodian quality assurance procedures apply. In the case of a PforR where the financial and procurement risk assessment is integrated, the assessment draft undergoes quality assurance by the fiduciary team prior to their inclusion in overall project documents that are circulated for corporate review.

11. Uses by the government and members of the PFM community

PforR operations are implemented using the government’s institutions and processes. The PforR instrument is applicable to existing government programs wherein the operations are functional and implementing institutions are in place. FSA is key to identifying the weaknesses in the PFM systems involved in program implementation (program systems). The program action plan helps build capacity within the country, enhances effectiveness and efficiency, and leads to achievement of tangible, sustainable program results. In case of a multidonor PforR operation, WB leads the due diligence process, and the FSA findings are used by other donors to guide project actions.



12. Sequencing with other tools

The assessment focuses on the entire PFM cycle and procurement function. Thus, it can be complemented by PFM function-specific tools such as MAPS (B17), which has a drill-down focus on procurement.

13. PFM capacity building

Resources are allocated to the program action plan, leading to mitigation of the risks and an effective program implementation. The program action plan would typically involve capacity-building initiatives to improve functionalities of the PFM systems and other risk mitigating measures.

14. Tracking of changes and frequency of assessments

FSA is conducted during the preparation phase of a PforR operation and is not repeated during the program lifecycle. Information on performance of the underlying program systems and risks are updated during the program implementation phase. The datasets collected at the preparation phase can be regularly updated and the performance of the program systems can be tracked accordingly. This is done twice a year.

FSA is updated (1) at the time of restructuring which could be a result of program expansion, or inclusion of new geographies/institutions in the program; and (2) when there is an add-on financing to an existing program leading to new result areas which can in turn lead to inclusion of new institutions and new program systems.

15. Resource requirements

Costs cannot be approximated for the FSA independently, as the entire operation for each of the PforR programs is budgeted together. The overall cost of preparation per PforR is very similar to that of the Investment Project Financing and Development Policy Lending.

It can take up to 12 months to complete the PforR preparation phase. The preparatory due diligence (FSA) is undertaken in four to six months after the proposal is reviewed and approved. The time needed for scoping, conducting, and drafting the FSA would be more for a PforR instrument, as it is entirely dependent on the size of the program systems.

Transparency

16. Access to methodology

PforR policies and directives are [available](#). The FSA application guidelines is an internal WB document.

17. Access to assessment results

FSA is WB’s internal deliberative document reviewed by the management. It could be considered an internal due diligence process and the reports are confidential. Report repository is not accessible to the public. The WB’s portfolio of PforR projects is [available](#).