Evaluation

of

the PEFA program, 2016

FINAL REPORT

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Prepared for: the PEFA Secretariat

By:

SDA Swedish Development Advisers

Executive Summary

The PEFA Program was established towards the end of 2001 with the aim of supporting integrated and harmonized approaches to assessment and reform in the field of public expenditure, procurement and financial accountability. It was established as a partnership between seven PEFA Partners and is intended to contribute to improving aid effectiveness as reflected in the 'Strengthened Approach to Supporting PFM Reform'.

The "PEFA Framework", a diagnostic tool using a scoring mechanism to assess PFM performance in a country, was launched in 2005 and slightly revised in 2011. The PEFA Framework has been used to carry out more than 500 PEFA assessments in 150 countries since then. A PEFA assessment is essentially a study where Public Financial Management (PFM) assessors use the PEFA Framework methodology. In 2015 the PEFA Framework methodology was substantially reviewed resulting in the launching of the PEFA 2016 Framework in February 2016. The PEFA Program is in its fourth program phase (2012 to 2017). For Phase IV the PEFA Program was expected to achieve the following five key results:

1. Relevance of PEFA framework enhanced and demonstrated.
2. Quality of PEFA assessments improved.
3. Government ownership of PEFA assessments enhanced.
4. Donor collaboration in implementing PEFA assessments strengthened.
5. Timely completion and publication of PEFA assessments improved.

The evidence presented in this evaluation shows the PEFA Program's success in reaching its original goals. The PEFA Framework is being used as it was intended: to harmonize PFM assessments, to assess performance over time and to help in the PFM reform process. Between 2012 and the end of 2015 more than 144 countries had carried out a PEFA assessment and 66% of these carried out repeat assessments.

The PEFA Framework is widely used, trusted and respected as a uniform evidence-based tool. The proliferation of use shows that it is used by a majority of low- and middle income countries in the world. The national governments are also using it for their own purposes and driving the process to larger degree. The evidence also shows that more PEFA assessments are being coordinated among donors and that there is no overlap or duplication of national PEFA assessments.

There is data that shows that national governments use the PEFA assessments as an input in their decision making regarding PFM reform. PEFA assessments have been used to establish PFM reform agendas, and the more involved the government is in the PEFA assessment process, the more involved it is in setting the PFM reform agenda. This is both a result of the donors/agencies making more efforts to involve, train and work with national governments throughout the PEFA assessment process as well as the governments becoming familiar with the assessment process and taking on a stronger management role. Workshops to train government staff at the beginning of the assessment and to discuss results at the

end, have helped government staff in the data collection and assessment process. The governments interviewed use the PEFA assessment both as a pre-requisite for discussions with donors on PFM reform but also in their planning.

The evidence from an analysis of the Secretariat's quality review process which is corroborated by impressions of stakeholders, PEFA partners and the PEFA Secretariat is that the quality of PEFA assessments has improved. The quality review process, called the PEFA CHECK mechanism, has improved compliance of assessments that follow the intended quality review process, but for those where CN/ToR were not received or received late, or for assessments without involving the PEFA Secretariat at all, compliance cannot be assured.

The PEFA Program has not achieved its targets in terms of the number of assessments that comply with the quality review process. Some 68% of all assessments were submitted for review but only 18% of the final and draft reports finalized FY 2015 were awarded a PEFA CHECK. The very low result in terms of PEFA CHECKs awarded compared to the target (80%) could be an indication of either a too ambitious target, that the Secretariat has largely failed in its goal of improving quality or that the Secretariat's quality review requirements are too onerous or administrative. The evidence gathered by the evaluation team shows that the quality of the assessments has improved, but that the PEFA CHECK process would need to be reviewed to e.g. eliminate administrative quality criteria that do to impact on the quality of the assessments. To continue to review the quality of as many PEFA assessments as possible is important also for the next program phase. The Secretariat is recommended to firstly, review its quality review process to simplify and streamline it. In addition, accreditation of assessors is something that the SC and Secretariat may wish to consider. Accrediting assessors could increase the number of assessors available and thereby make PEFA assessments more affordable to governments. In addition, by having accredited assessor the PEFA CHECK process could be simplified. e.g. compliance with indicators or dimensions could be done on a spot-check basis instead of on all indicators, as the assessor is known to have the knowledge and understanding

The program is assessed to be cost efficient with a total spend of USD 4.9 million by the end of FY 2016. Considering the substantial achievements, promotion and worldwide application of the Framework the cost of achieving this appears to be low. Considering the fact that the Secretariat has, despite been under-staffed and lacking a head of the Secretariat during this period, been deeply involved in the development and promotion of the new PEFA 2016 Framework and implementing a new and resource-intensive quality control process, the PEFA Secretariat's work appears to have been effective.

There is evidence to show that the PEFA data is being used by independent researchers worldwide. However, the data set published by the PEFA Secretariat is deemed difficult to access by a researcher and could be presented in a more user friendly way. The PEFA partners interviewed have identified the need to focus on information sharing and research to enhance the value of the PEFA Framework. The PEFA partners need to justify the substantial investment in the PEFA Program to their governors/

constituents etc. and the use of the PEFA data set to explain trends, failures and successes is important. The Secretariat needs to make the data more accessible, track the use of the data and publish articles/research that is relevant to both the PEFA partners and to country governments.

The limited size of the Steering Committee and its role as the decision-making body and Framework-development body should remain. The evaluation team recommends increasing the PEFA partnership by inviting bilateral donors and/or IFIs to an advisory board. This would improve the PEFA Program's ability to represent the countries where PEFA assessments are being carried out. Any new PEFA partners would need to be able to fulfill the following criteria: being able to contribute to the World Bank trust fund, participate in SC meetings, spread the use of the Framework and be active supporters of PFM reform in developing countries.

An analysis of the achievement of planned activities shows that the PEFA Secretariat has completed a substantial number of the planned activities. The reporting by the Secretariat to the SC has been highly activity focused. During the period the Secretariat not been obliged to nor reported regularly against the targets for expected results. To apply the results-based management approach means monitoring progress against targets established. The SC's monitoring should thus focus on targets and the Secretariat should report against these regularly.

During the next phase of the PEFA Program the strategic focus should be on:

- Maintaining promotion activities but increasing outreach. The PEFA Framework is by now a well-known, used and trusted tool. There is therefore no need to increase outreach activities with the purpose of carrying out more frequent assessments or reaching out to new countries (as there are few developing and transition countries that have not done a PEFA assessment).
- Increasing the use of the PEFA Secretariats' data set. The PEFA Secretariat has a vast data set with more than 150 countries scored, many repeatedly. There is demand for evidence-based research on links between PEFA assessments and PFM reform and PFM performance, trends in PFM performance and lessons learned from PEFA assessments.
- Streamlining the PEFA Secretariat's quality review processes. The current quality review process is unnecessarily complex and the few reports passing the review is an indication of this. This process should be simplified, the number of qualified assessors increased and the cost of PEFA assessments decreased in order to substantially increase the number of governments able to fully own and manage PEFA assessments.

Abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
CN	Concept Note
DeMPA	Debt Management Performance Assessment
FY	Fiscal Year (for the PEFA Program the fiscal year starts in July and ends in June)
GIZ	Gesellschaft für Internationale Zusammenarbeit
HIC	High-income countries
IDB	Inter-American Development Bank
LIC	Low-income countries
LMIC	Lower-middle-income countries
MAPS	Mitigation Action Plans & Scenarios
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
PEFA	Public Expenditure Financial Accountability
PFM	Public Financial Management
SAI PMF	Supreme Audit Institutions- Performance Measurement Framework
SC	PEFA Program Steering Committee
SIGMA	Support for Improvement in Governance and Management
TADAT	Tax Administration Diagnostic Assessment Tool
ToR	Terms of Reference
UMIC	Upper-middle-income countries

1. Introduction

1.1 Background

The PEFA Program was established towards the end of 2001 with the aim of supporting integrated and harmonized approaches to assessment and reform in the field of public expenditure, procurement and financial accountability. It was established as a partnership between the World Bank, European Commission (hereinafter referred to as the EC), UK Department for International Development (DFID), Swiss State Secretariat for Economic Affairs (SECO), French Ministry of Foreign Affairs (French MoFA), Royal Norwegian Ministry of Foreign Affairs (Norwegian MoFA), and the International Monetary Fund's Fiscal Affairs Department (IMF). These institutions are referred to as the PEFA partners.

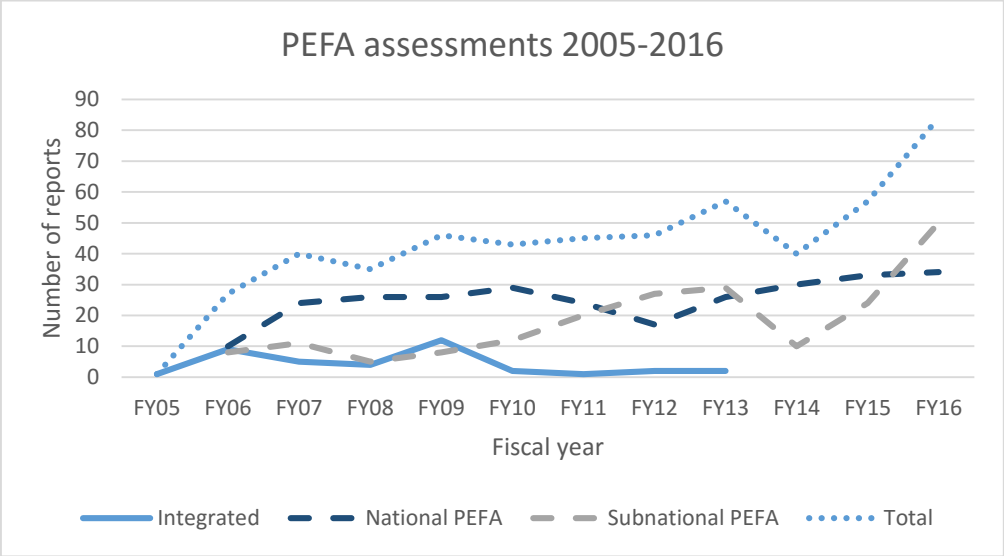
The PEFA program is intended to contribute to improving aid effectiveness as reflected in the 'Strengthened Approach to Supporting PFM Reform'. The original objectives of PEFA were to:

- 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.

The "PEFA Framework", a diagnostic tool using a scoring mechanism to assess PFM performance in a country, was launched in 2005 and slightly revised in 2011. The PEFA Framework has been used to carry out more than 500 PEFA assessments in 150 countries since then. A PEFA assessment is essentially a study where Terms of Reference (also called Concept Note and hereinafter abbreviated as CN/ToR) are met by PFM assessors (consultants contracted by donors, donors' own staff or national government officials, or a combination of these categories) using the PEFA Framework methodology. The PEFA Framework methodology means that a country's PFM systems and processes are measured and monitored against a set of high level indicators and results in a "PEFA Report" on PFM performance with a standardized scoring. The scoring in the reports is comparable both between countries and over time, provided contextual information and country differences are taken into consideration in addition to scores. PEFA assessments can be funded and organized by either a bilateral donor or international financial institution - IFI (referred to as either donors or agencies in this report) or by a Ministry or Steering Group within a national or sub-national government (referred to as "government" in this report).

In 2016 a new PEFA Framework (called the PEFA 2016) was launched with a revised methodology, scoring and report requirements. Using the PEFA 2016 Framework makes comparison with the results of a PEFA assessment using the PEFA 2005 or 2011 methodology more complicated because progress since the previous assessment needs to apply the same methodology as the previous assessment in addition to PEFA 2016. This applies only to the first assessment under PEFA 2016.

Since 2005 there has been an increasing number of national and sub-national PEFA assessments carried out using the PEFA methodology (see graph below).



The graph shows that the number of national PEFA assessments is levelling off while there is a substantial increase in the number of sub-national PEFA assessments. The methodology for a so called sub-national PEFA assessment is applied to a regional government, a municipal government or other type of sub-national government. The use of the PEFA methodology to assess sub-national governments' systems is becoming increasingly important as their share of public spending increases. This is due to the decentralization of power in many countries, which has meant that the management of revenues and expenditures is shifted down to the subnational levels[1].

The PEFA Program is in its fourth program phase (2012 to 2017). For Phase IV the PEFA Program was expected to achieve the following five key results:

1. Relevance of PEFA framework enhanced and demonstrated.
2. Quality of PEFA assessments improved.
3. Government ownership of PEFA assessments enhanced.
4. Donor collaboration in implementing PEFA assessments strengthened.
5. Timely completion and publication of PEFA assessments improved.

[1] Franziska Spörri, SECO.

The PEFA Program has been evaluated regularly. The PEFA Steering Committee selected Swedish Development Advisers to carry out this evaluation of the most recent program phase and the evaluation team began work on April 11th. The evaluation team has comprised Ms. Åsa Königson (Team Leader), Mr. Tony Bennett, Mr. Kevin Hughes and Mr. Andy Wynne.

1.2 Methodology

The methodology used for this evaluation was presented in the Evaluation Team's *Proposal* and approved in the *Inception Report*. The focus is to "assess the performance of the PEFA program, particularly in terms of the results achieved with respect to the five objectives"[2] and to respond to the evaluation criteria: relevance, effectiveness, efficiency, sustainability, institutional development impact, governance of the program and process and implementation.

The methodology used to analyze the results achieved with respect to the five key results for Phase IV is described below:

Expected key results of Phase IV	**How to analyze**	**Data source**
1. Relevance of PEFA framework enhanced and demonstrated - Relevant to the principal stakeholders	Summary and analysis of the interviews with PEFA partners and IFIs on the use of PEFA reports (e.g. in negotiations with partner governments, in funding decisions, in project/program design) will be presented.	Interviews with PEFA partners, governments and other stakeholders.
2. Quality of PEFA assessments improved	Analysis of the "PEFA Check" initiative and effects of this. Analysis of a sample of Final PEFA reports by experts.	Interviews with PEFA Secretariat. Document review.
3. Government ownership of PEFA assessments enhanced	Analysis of how the partner governments view the PEFA assessment process, is it needed/a donor requirement/value for the country – are there clear/tangible benefits? Has the PEFA program helped PFM be part of the partner government's agenda? Summary and analysis of the above mentioned questions.	Interviews with partner government representatives and institutions involved/assessed as part of the PEFA assessment in selected countries.
4. Donor collaboration in implementing PEFA assessments strengthened	Analysis of how PEFA assessments were jointly financed/a collaboration between IFI/donors/partner governments?	Analysis of PEFA assessments carried out since 2012. Select a sample of PEFA Reports that were jointly financed and interview all financiers/principal stakeholders
5. Timely completion and publication of	Analysis of the Program of Activities compared to actual publication of PEFA	PEFA Assessment portal and data provided by the PEFA secretariat

[2] Evaluation of the PEFA program, 2016. Terms of reference.

Expected key results of Phase IV	How to analyze	Data source
PEFA assessments improved	assessments and final (not necessarily published) PEFA assessments.	

The methodology used to analyze the evaluation criteria is described below:

Evaluation criteria	How to analyze	Data source
Relevance	Analysis of the PEFA Program's usefulness and relevance to the PEFA Partners and partner governments.	Interviews with PEFA partners. Interviews with partner governments and other stakeholders.
Effectiveness	Assess operations, progress & achievements, degree of implementation of expected results. How many of the planned activities were implemented, degree of implementation of action points. Level of outputs achieved compared to expected.	Desk review of program of activities vs. achieved activities in a time line.
Efficiency	Analysis of outputs and outcomes compared to resources.	PEFA Secretariat costs during the period. A description of contributions and payments will be provided.
Sustainability of the Program	Analysis of how the PEFA program results are used currently by PEFA partners. Gathering of views on improvements to program. Summary and feasibility analysis of suggested improvements.	Interviews with PEFA partners. Interviews with partner governments and other stakeholders.
Institutional development	Identification and examples of tangible effects on PFM reform in countries	Interviews with PEFA partners, partner governments
Governance of the PEFA Program	Gathering and summarizing of opinions from external stakeholders (donors and partner governments) on the communication and interaction with PEFA Partners and other donor agencies. Analysis of governing bodies' and implementing bodies' roles.	Interviews with external stakeholders (OECD members, donors and partner governments). Analysis of governing documentation, minutes from Steering Committee meetings and interviews with Steering Committee members and Secretariat leadership.
Process and implementation	Analysis of PEFA program operations, reporting and monitoring activities.	Desk review of program of activities, reporting vs. achieved activities in a time line.

The methodology selected included the following data gathering methods:

- Stakeholder interviews: The Evaluation Team has interviewed 26 stakeholders to the PEFA Program[3]; the institutions that are members of the Program Steering Committee (SC), five PEFA Secretariat staff, seven external stakeholders (regional development banks and other organizations working with PFM). For a comprehensive list, see Appendix 1.
- Document review: The Evaluation Team has also reviewed documentation and statistics relevant to the evaluation such as PEFA reports, CN/ToR for PEFA assessments, the PEFA Secretariat's quality assurance system, research conducted using the Secretariat's database and reports to the Steering Committee (SC).
- In-depth interviews with national governments: In order to collect data, opinions and information from the governments and national authorities involved in PEFA assessments, the Evaluation Team selected four countries that have carried out at least two national PEFA assessments. The selection criteria can be found in the Inception Report. The following countries were selected and visited in May and June 2016:

Country	Earlier assessment	Recent national PEFA assessment	Country in segment	Ownership (as per the PEFA Secretariat data set)	Description
Nepal	2008	2015	LIC	Donor led.	Self-assessment with nine donors funding the government's work and reviewing reports.
Rwanda	2010	2016[4]	LIC	Government led.	Government managed and coordinated. Several donor financiers.
Ukraine	2011	2016[5]	LMIC	Donor led.	Several donor cooperation that reportedly worked well.
Zambia	2008	2013	LMIC	Government led.	Single donor financier.

The above-mentioned countries were selected (see the *Inception Report*) as examples of both government-led and donor-led assessments, where the repeat assessments have been carried out between 2012 and 2015 and from three different continents. During the visit to the countries the Evaluation team collected views and information from relevant staff at Ministries of Finance, Supreme Audit Institutions, revenue authorities, civil society, Delegation of European Union in the country, World Bank representative for the country, and other relevant IFI representatives and bilateral donors.

1.2 This Report

The evaluation report is structured as follows: the following chapter presents the finding in accordance with the evaluation criteria. Relevance and efficiency (the results achieved) have been included in the

[3] This excludes the individual interviewed in each of the four countries visited.

[4] Not yet finalized or published.

[5] Finished but not yet published.

same sub-chapter 2.1 in order not to duplicate the findings. The final chapter presents the conclusions and recommendations.

This is the Final Report, prepared based on a Draft Report (presented in July 2016) and comments by the Secretariat and PEFA Partners. Appendix 9 shows how the evaluation team has addressed the comments on the Draft Report.

2. Findings

The following chapter is structured in accordance with the ToR for this evaluation. The ToR establish that the evaluation should focus on assessing the performance of the PEFA program in terms of results achieved with respect to the following five objectives:

1. Relevance of PEFA framework enhanced and demonstrated.
2. Quality of PEFA assessments improved.
3. Government ownership of PEFA assessments enhanced.
4. Donor collaboration in implementing PEFA assessments strengthened.
5. Timely completion and publication of PEFA assessments improved.

The next sub-chapter presents evidence as to this. The analysis of the relevance and effectiveness of the program is also presented in this chapter. The ensuing sub-chapters present evidence and conclusions as to the efficiency, sustainability, institutional development effect and governance of the program. The last sub-chapter analyses the process and implementation of the PEFA program during the period of review.

2.1 Relevance and Effectiveness

Phase IV of the PEFA program runs from July 2012 to June 2017. The PEFA Program phase IV aims to achieve a set of expected results and objectives with the intervention logic illustrated as follows:

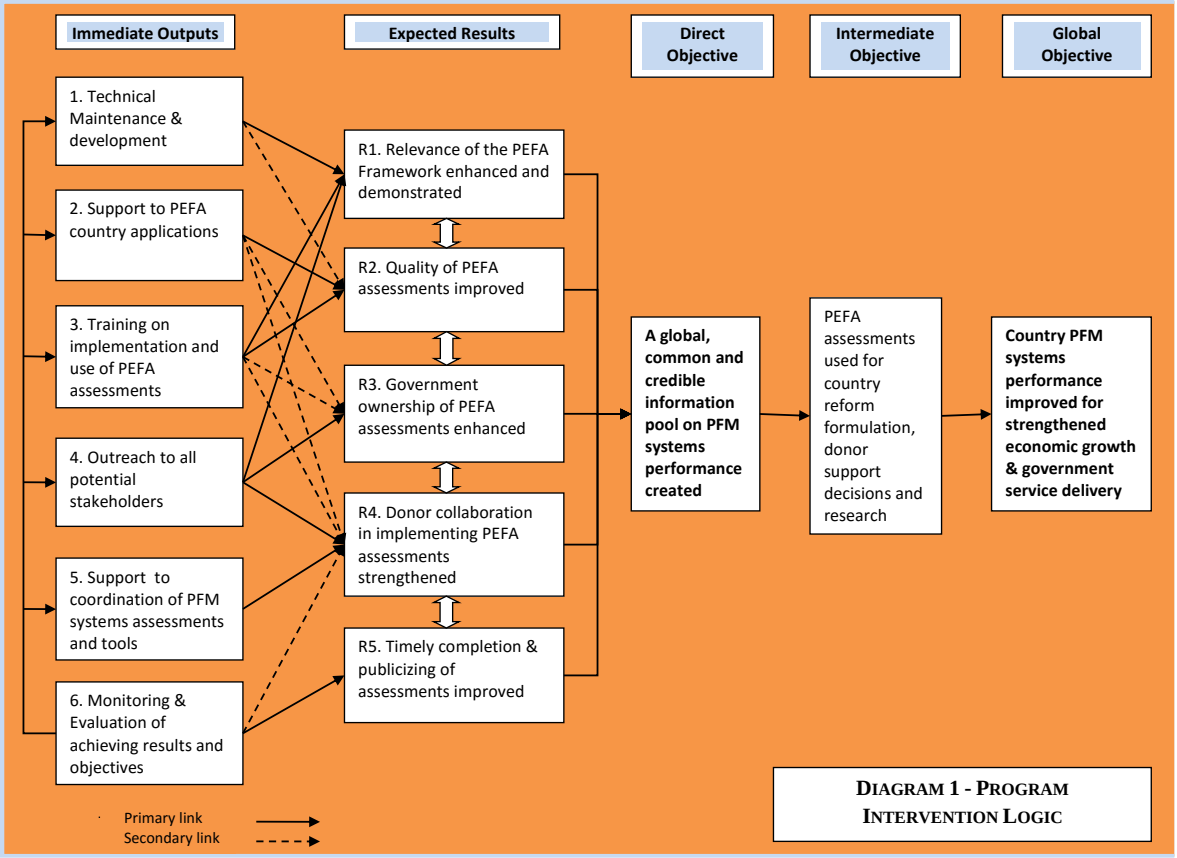


DIAGRAM 1 - PROGRAM INTERVENTION LOGIC

Source: *The PEFA Program Phase IV (2012-2017). Program Document*.

2.1.1 Expected Result 1. Relevance of PEFA Framework enhanced and demonstrated

Three sub-targets were to be achieved in order to achieve this expected result:

- R1.1. Senior officials from government central finance agencies in LICs and MICs consider PEFA Framework useful for their work on improving PFM systems.
- R1.2. Senior PFM officials from donor agencies/IFIs consider PEFA Framework important for their work on supporting country improvement plans and for internal decisions on aid modalities.
- R1.3. Researchers consider the PEFA assessment database a core dataset for research on PFM systems.

Government use of the PEFA Framework for improvement in PFM systems

The Evaluation Team has interviewed senior government officials from the Ministries of Finance, Revenue Authorities, Supreme Audit Institutions and other relevant government authorities (see each country report in Appendices 2, 3 4 and 5) in Nepal, Rwanda, Ukraine and Zambia. The information gathered from government officials shows that they find the PEFA Framework useful for the following reasons:

- The government officials' understanding and knowledge of the PFM reform process was improved by being part of the PEFA assessment. In Ukraine, Nepal and Rwanda workshops/training events were held before and during the process with government officials. Government officials learned about PFM reform, best practice and standards and by carrying out the assessment, trusted the results and were therefore able to argue for reforms based on these. Government officials involved in the PEFA assessment stated that because they were responsible for all stages of the assessment their knowledge of PEFA and the methodologies used has improved significantly.
- The initiative to start the PEFA assessment process was taken by the government. In Ukraine, Zambia and Nepal, the governments approached donors to fund the PEFA assessment. In Ukraine and Nepal, the wish to seek support from donors for a subsequent PFM reform program was the underlying reason. This was also a strong argument for using the PEFA assessment.
- With a PEFA report it was easier for Ukrainian and Nepalese officials to argue for reform with the politicians and decision-makers.

Relevance of the PEFA Framework to PEFA partners

For the PEFA partners, the PEFA Framework and assessments are a vital part of their decision-making and closely linked to the harmonization and alignment agenda. All partners use the PEFA assessments to assess if and what to do and "how much" to do.

- The EU uses the PEFA assessment as a vital part of its decision-making re budget support and also to determine capacity building needs.
- The IMF uses the PEFA scores for internal result reporting, converting the PEFA scores to numeric values and measuring progress of PFM performance over time in countries in which it

works. It is used both as a baseline and for monitoring progress and in discussions with governments.

- For SECO, PEFA assessments are used to define PFM-technical assistance programs as well as to establish baselines for these and monitor progress against baselines.
- In other agencies working in PFM reform, the PEFA Framework is used because it is trustworthy, it saves time and it covers a broad range of PFM systems. Other agencies (African Development Bank -AfDB, USAID and the Inter-American Development Bank - IDB) have their own additional reports, diagnostics that they use, but these can be used selectively if they have access to a PEFA report.

Senior PFM officials from donor agencies/IFIs consider the PEFA Framework important for their work on supporting country improvement plans and for internal decisions on aid modalities and the use of country systems.

What has been mentioned by all PEFA partners is the need for a sub-national PEFA Framework as donors and IFIs alike are considering lending to the sub-national authorities. With increasing decentralization of power and budgetary control a sub-national PEFA Framework is in demand also by national and sub-national governments. The IMF sees the importance and suggested that a sub-national PEFA Framework could be done by a slight modification of the PEFA 2016. The need to update the PEFA Framework at the sub-national level is recognized also by the PEFA Secretariat and is work in progress.

Relevance of the PEFA assessment database for PFM research

The *Program Document* for the period 2012-2017 established that the PEFA Program should "Support external research". The Secretariat publishes country-specific data on the year the PEFA assessments were carried out, the lead agency, the report itself (if it is made public) and a summary of the scores of the PEFA indicators. This is published on the website both as a table that can be downloaded as well as the documents. There is some overall analysis of the data e.g. how many repeat PEFA assessments have been done or the number of sub-national PEFA assessments.

The PEFA Secretariat's data set has been used in research, some of which is published on the website[6]. The PEFA Secretariat receives, on average, 1-2 requests for data per week from researchers in academic institutions, PEFA Partners or other development organizations. However, how it is used, or referenced is not tracked by the Secretariat.

An analysis of research and articles published on-line between 2012 and 2015[7] shows that the PEFA data has been used and/or the PEFA Program referenced in 95 different articles and publications on PFM. Not all articles are directly related to trends in PFM performance in LIC/MIC countries but

[6] For example Paolo de Renzio's research papers from 2009 and 2010 and Matt Andrews' paper from 2009.
[7] Using scolar.google.co.uk.

instead, to specific aspects of the PFM system or the budget cycle. Some publications analyze trends in different regions on specific aspects of the PFM system or budget cycle, others focus only on one country.

According to the stakeholders and PFM experts interviewed there has been very limited research carried out using the PEFA data set to help decision-makers in developing countries and donors to make informed decisions. Also a researcher interviewed[8] stated that the data was a) not publicly available and b) not user-friendly but needed substantial work in order to be able to calculate trends and use it to analyze and draw conclusions.

In comparison, the International Budget Partnership's data from its Open Budget Survey Data Explorer website provides the user the ability to search its database on a number of criteria; on each individual score, on countries, on regions and comparison on scores as well as groups of scores can be done comparing different years and countries.

Stakeholders and users of the PEFA assessments are now demanding more research and information. In the next program period, the financiers of the PEFA Program need to justify their investments and expect a greater in-depth use of the large amount of detailed data that is available. Research suggested by the stakeholders are on topics such as:

- How PEFA assessments are used in PFM reform,
- If government ownership of the PEFA process leads to improved PFM performance,
- Trends in PFM developments per region/low- and middle-income countries,
- Trends in PEFA scores and reasons for increases/decreases,
- Lessons learned from using the PEFA assessment process,
- Monitoring how PEFA assessment results are used.

Conclusion

The information gathered from government officials shows that they find the PEFA Framework useful as it helps learning of their own and best practice PFM systems, in discussions/negotiations on PFM reform programs with donors and when arguing for reform with ministers/ politicians.

For some of the PEFA Partners and other donors it is a point of departure before even considering supporting PFM reform in the country or sub-national government. For others the PEFA assessments is an overall tool that allows PFM experts and donors to identify weak spots. Weak spots can then be further analyzed using other more specific tools (sometimes called "drill-down tools"), or by carrying out detailed assessments.

There is evidence to show that the PEFA data is being used by independent researchers worldwide. The Secretariat may therefore consider reviewing the research on PFM currently available to assess if it is relevant to its stakeholders and of acceptable quality to reference it on its website.

[8] Paolo de Renzio. 2016.

2.1.2 Expected Result 2. Quality of PEFA assessments improved

Two sub-targets were to be achieved under this expected result. These are presented below with the results:

Sub-target as established in the *Program Document*	**Result**
Expected Result: Quality of PEFA assessments improved	
R2.1 Compliance with PEFA methodology maintained as calculated by the Secretariat • (indices maintained for final reports at 90%, • coverage index for final CN/ToR increase from 80% FY12 to 90% FY15).	R2.1 The two indices used by the PEFA Secretariat show that • the Draft reports reviewed have an average score of 77.1% (Indicator method) and 89.1% (Dimension method) • coverage index for final CN/ToR was 82% in FY 2015
R2.2 80% of final reports are awarded PEFA CHECK [process endorsement label] from FY15 onwards.	R2.2 For FY 2015, 18% of the Final and Public reports published that year received a PEFA CHECK[9].

Compliance with the PEFA methodology

The previous evaluation of the PEFA Program Phase III commented on the "PEFA program's inability to guarantee the quality of the PEFA assessments". This was a serious concern and, as a result, the PEFA Secretariat developed and applied the *Enhanced Quality Assurance Mechanism for PEFA Assessments* (called the PEFA CHECK). In March 2012 the Secretariat presented the criteria needed for a PEFA Assessment to be awarded the PEFA CHECK as an indication that good practices had been followed in implementing a PEFA assessment. The criteria include having the CN/ToR for the PEFA Assessment as well as the Draft PEFA Assessment Report quality reviewed by at least four reviewers. The four reviewers are: one PEFA Secretariat staff, one (or more) country government reviewer(s) and two (or more) reviewer(s) selected by the lead agency. The process of addressing the reviewers' comments needs to be transparent, showing comments to the CN/ToR and/or the Draft PEFA Report and whether and how these comments have been addressed in a table.

[9] Calculated by identifying each public and final report published by the PEFA Secretariat on its website during FY 2015. For each of the final and public reports, data was sought by reviewing the Secretariat's data on quality reviews undertaken by the PEFA Secretariat and by searching for the PEFA CHECK logo in the report itself.

The PEFA Secretariat's quality review focuses on the compliance of the draft report with the Framework and on checking if the PEFA assessment process for report preparation, consultation and review has been followed. The PEFA Secretariat's compliance review assesses each of the indicators and dimensions against the required evidence for the scores given and each chapter of the report against the required content. Other reviewers' roles are to ensure that the report is relevant and covers e.g. country-specific context but they may also cover aspects not reviewed by the Secretariat. Input from these other reviewers is critical as they are often "in-country" and have a detailed understanding of the local PFM system against which to assess the content of draft reports.

> The PEFA Secretariat uses an internal template to measure overall compliance with the requirements for all indicators and dimensions. The internal template scores the report on the adequacy of the evidence for each indicator and an overall rating is calculated. The Secretariat has been using two measures for compliance and one for coverage:
>
> 1. Compliance index (indicator level). This is the percentage of all applicable indicators (usually 31) for which adequate evidence is cited. Ideally, evidence is objective, in the sense that two assessors working independently would come to the same score on each dimension.
> 2. Compliance index (dimension level). This is the percentage of all applicable dimensions (and single-dimension indicators) for which adequate evidence is cited.
> 3. Coverage rating. This is the percentage of a standard list of about 30 questions on the content of the report and the management of the process for which a satisfactory answer can be given. Questions are based on the Framework document and Secretariat guidance on good practice.
>
> The two compliance indices are interrelated, in that well-evidenced dimensional scores promote well-evidenced indicator scores, but the relationship varies, particularly on indicators that use the weakest link (M1) method of combining dimensional scores. Usually, the compliance index percentage (indicator level) is lower than the compliance index (dimensional level). The latter is a better measure of quality. Note that it is a simple percentage, giving equal weight to all dimensions. The coverage rating is an important supplementary measure as it focuses on the whole performance report, not just the chapter rating the indicators.

The PEFA Secretariat does not collect and collate results of reports reviewed and compliance indices. In order to assess quality, the evaluation team therefore carried out a limited analysis using eight randomly selected PEFA Assessment Reports reviewed in 2011/2012 and compared against eight reports reviewed in 2015/2016 (using the PEFA 2011 Framework). The results show that the quality of the evidence presented in the reports has improved substantially (see Appendix 6 for the details). The analysis showed that the Draft reports reviewed have an average score of 77.1% (Indicator method) and 89.1% (Dimension method), which was an increase in the overall average scores of 18% points and 13% points respectively for the eight reports studied. This indicates that the amount and quality of the data collected and used to score PEFA indicators has improved during the period. The following are the main factors affecting compliance and coverage measures:

1. The skill and experience of the individual assessors, which is rising, in the professional judgment of the evaluation team, leading to higher compliance and coverage ratios.
2. The governments' understanding of the PEFA assessment process, what evidence is needed and how the scoring is done, means more efficient assessment processes.
3. Whether an assessment is a self-assessment or an external assessment (the latter tends to be more objective, even though self-assessments are externally validated).
4. Whether an assessment team includes members of the previous assessment team (rare).

5. The time allowed for fact-finding and fieldwork (may be insufficient for the assessment team to gather all the necessary data and complete their analysis).
6. The level of cooperation from government and other country sources (governments may conceal data that would downgrade particular scores, though assessment teams should be alert to this).
7. The quality of translation services (where required).
8. Changes in the framework (note the very low score by an expert team in Ukraine using the PEFA 2016 Framework).
9. Changes in the quality of evidence required by reviewers (in recent years reviewers have been demanding better evidence, particularly for an "A" score).

A major limitation in the Secretariat's internal review process is that it is based on the evidence cited in the report without any knowledge of whether the evidence is correct, or whether all appropriate sources have been used by the assessors.[10] Thus, the quality of the report cannot be assessed entirely on whether all scores are adequately evidenced and whether the report covers all the items required by the Framework and the Secretariat guidance on good practice. However, the Secretariat's review is only one of four required by the PEFA CHECK process. Ideally, non-Secretariat reviewers would have knowledge of the country under assessment and would comment on matters not captured by the Secretariat's compliance review. At present this is not required for PEFA CHECK endorsement, nor is there any guidance to non-Secretariat reviewers. The evaluators assess that, based on the analysis above, the quality of PEFA assessments has increased during the period of review.

A majority of the stakeholders and PEFA partners interviewed are also of the opinion that the quality of PEFA assessments has improved. This is attributed to the PEFA CHECK process and improved competence among the assessors. The weaknesses in the quality assurance systems mentioned are:

- That the quality of self-assessments is often poorer than those carried out either by lead agencies or by experienced assessors. This was mentioned by four representatives of two different PEFA partners and a non-PEFA partner lead agency.
- That the quality of the assessment depends on a) the assessment team leader or b) on the assessment team.
- That the PEFA CHECK process could be strengthened by the PEFA Secretariat staff having field experience of PEFA assessments.
- Quality could be improved by the Secretariat issuing a guide for reviewers or alternatively accrediting reviewers.

Several stakeholders and partners also comment that the number of experienced assessors is limited for anglophone countries and even more limited for assessment in Latin-American and francophone countries. This has meant high prices for PEFA assessments in francophone countries and in Latin America. With the new PEFA 2016, several stakeholders comment on the need for specific expertise to

[10] This limitation is always acknowledged by the Secretariat in their comments.

be able to assess different aspects of the PFM system. If the quality of the PEFA assessments depends to such a large extent on the assessors' expertise and competence, this is a critical issue that the PEFA Program will need to address.

Quality assurance can be addressed in different ways. One is to ensure that the reports that are subjected to the PEFA CHECK are of high quality already when these reach the reviewers. The alternative is that the reviewers take on a more active role in ensuring that the assessors respond to comments (by having many reviewers and a guide for reviewers). However, if the PEFA report submitted for review relies on poor evidence gathering or limited analysis, the reviewers' work may not be worthwhile. The first option is preferred in that case.

There are several factors that indicate that the PEFA Program may need to revise the current quality assurance process:

- the increasing number of PEFA assessments reviewed puts a strain on the PEFA Secretariat's resources,
- a need for more PEFA assessors (especially in francophone countries and Latin America),
- a need for more specialized experts/assessors with the requirements of the new PEFA 2016, and
- a need for more country expertise as an input to the review process (as done internally by assessments managed by the World Bank).

The current PEFA CHECK process is resource intensive and will, in light of the above, need to be more effective, involving fewer reviewers. An option, previously dismissed by the SC, is accreditation of assessors. A system of accreditation is a large investment, systems for criteria, certification tests, etc. would need to be set up. Accreditation would ensure that assessors understand and can apply the PEFA methodology correctly. The benefits of accrediting assessors would be to:

- ensure a minimum level of quality of the assessment reports submitted for quality review and thus require fewer reviewers,
- help to simplify and streamline the PEFA CHECK process: by having accredited assessors, the onerous compliance assessment against indicators and dimensions could be simplified to a spot-check process whereby random indicators are checked and not all,
- increase transparency regarding assessors (allowing lead agencies to select assessors from a pool of accredited assessors), and
- increase the number of qualified assessors thereby reducing the price of assessors and the cost of a PEFA assessment.

The PEFA Secretariat could maintain a register of accredited assessors, perhaps including data on specific areas of expertise (revenue, debt, audit, etc.) to meet the need for specific competences to analyze data and rate indicators in the PEFA 2016 Framework. Accredited assessors could be required to support governments carrying out self-assessments, thereby potentially addressing the issue of lower quality of self-assessments.

Another option could be to accredit reviewers, thereby limiting the investment in accreditation. In any case, the PEFA Secretariat should review the PEFA CHECK process with the purpose of carrying out cost-efficient quality reviews.

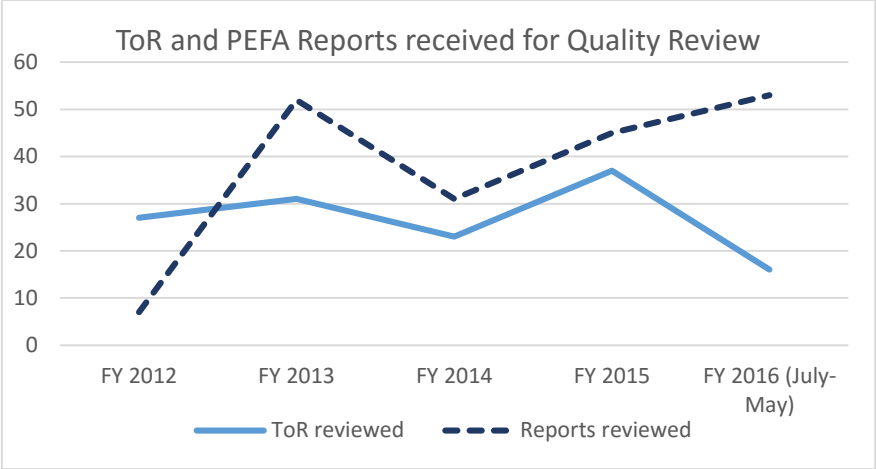
There may also be a need to issue guidance to external reviewers and/or establish an additional quality target (to include the non-compliance related quality issues). The PEFA CHECK logo may need to be more visible as a warning to donors/agencies to accept the results of PEFA assessments only if they have a PEFA CHECK.

Increasing the number of assessments subjected to the PEFA CHECK

An analysis of the PEFA Secretariat's quality review targets (as established in the Log frame in the *Program Document*) against achievement shows:

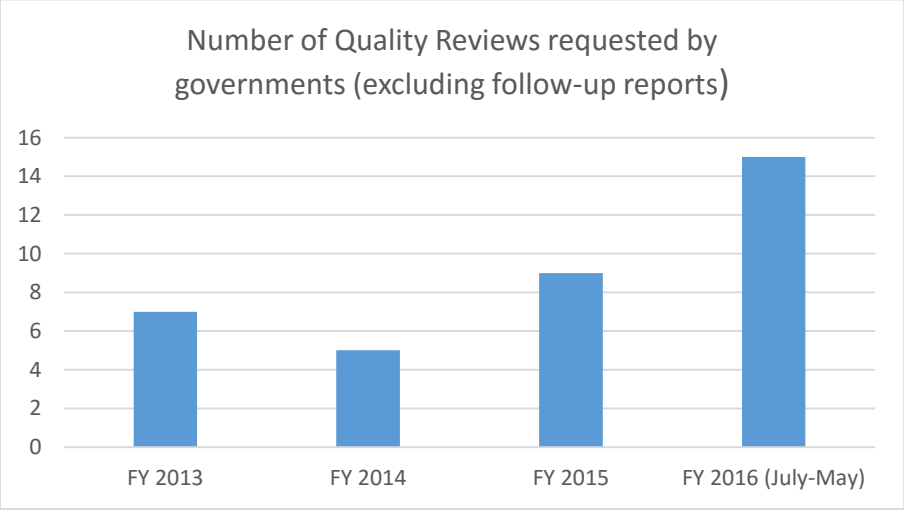
Target description	Achievement	Comment
Annual number of CN/TOR reviewed increased from 20 in FY 2011 to 35 in FY 2016.	37 (2015)	
Annual number of draft report reviews increased from 41 in FY 2011 to 55 in FY 2016 (by number of entities assessed).	53 (2015)	
Follow up review delivered to 80% of initial report reviews;	67%	
Review comments delivered within 10 business days for 90% of reviews.	48%	• Most reviews returned within 3 weeks.
80% of final reports are awarded PEFA CHECK [process endorsement label] from FY15 onwards	• For FY 2015, 18% of the final and public reports received a PEFA CHECK	• Data shows that 68% of all PEFA assessments were quality reviewed.

The PEFA Secretariat's statistics show that the number of draft PEFA reports received for comments has increased steadily since the PEFA CHECK process was introduced. The number of CN/ToR reviewed has hardly changed and dipped in FY 2016 (see graph below). This dip in FY 2016 may be due to the new PEFA 2016 Framework being advertised and lead agencies and governments therefore holding off on assessments until it was launched.



Of the total number of PEFA assessments carried out between 2012 and 2015 (national and subnational), 68% have gone through a quality review which is a significant increase from the 40% of PEFA assessments quality reviewed in 2011. The statistics show that the majority of the PEFA assessments reviewed (70%) are national PEFA assessments. The number of sub-national PEFA assessments being reviewed increased and between 2012 and 2015 some 52% of all sub-national PEFA assessments were reviewed.

The institutions registered as lead agencies of the PEFA assessments that undergo a quality review include all the PEFA partners: 65% of all reviews of draft reports were requested by the PEFA partners. The World Bank is the single largest user of the PEFA CHECK service but it is interesting to note the rapidly increasing number of governments requesting the PEFA Secretariat's assistance (see graph below).



There has been an important and substantial increase in the number of reports submitted to the Secretariat, which shows that the Secretariat's efforts to make the PEFA CHECK process known and encourage agencies and governments to use it have paid off. For FY 2015 the data available shows that

18% of all final and public PEFA assessments listed in the Secretariat's data set received a PEFA CHECK. This figure is corroborated by the PEFA Secretariat's own calculations[11]. For FY 2016 the PEFA Secretariat states that 45% of all PEFA reports submitted receive a PEFA CHECK.

The PEFA CHECK is only awarded to an assessment that has followed the prescribed assessment process and complied with evidence requirement. However, with such a low number of PEFA CHECKs awarded compare to the target, the Secretariat needs to re-examine its quality review process. The current quality review process includes some requirements that are administrative in nature and less relevant to ensuring quality of the report e.g. the PEFA Secretariat receiving the CN/ToR prior to beginning the assessment work. Such requirements should be eliminated.

The PEFA CHECK process requires substantial resources (at least 4 reviewers and analysis of compliance on each indicator and dimension), and the established assessment process has to be followed by the agency or government carrying out the assessment. If one of the goals/objectives of the PEFA program continues to be that a majority of the PEFA assessment processes be quality reviewed by the Secretariat, further efforts to have increases in PEFA assessments reviewed would be needed. If successful, the Secretariat will have more reports and CN/ToR to review.

The targets regarding assessments quality reviewed listed above are too many and too detailed. Nor has the PEFA Secretariat been obliged to monitor or report to the SC on these targets. For the upcoming program period, the Secretariat should be required to report regularly to the SC on fewer targets. By frequent monitoring of targets, the SC has the information necessary to address shortcomings in achievement of targets.

Conclusion

The overall impression given by stakeholders, PEFA partners and the PEFA Secretariat is that the quality of PEFA assessments has improved. This is also reflected in the data presented above, although the targets have not been achieved. The PEFA CHECK mechanism can thus be said to have improved compliance of those assessments that follow the intended quality review process, but for those where CN/ToR were not received or received late, or for assessments without involving the PEFA Secretariat at all, compliance cannot be assured.

There is critique from assessors, lead agencies and reviewers that the PEFA Secretariat's quality review focuses on compliance and that a more thorough understanding of the country, its political and institutional context and the PEFA assessment process itself is needed to assess if the report is of high quality.

[11] Email from Lewis Hawke to Åsa Königson, Sept 14, 2016.

The number of assessments subjected to a PEFA CHECK quality review process has increased substantially during the period, although the number of PEFA reports actually awarded a PEFA CHECK is remains substantially below target.

With the increasing demands on the experience and competence of PEFA assessors required by the new PEFA 2016 Framework and the evidence that fewer than anticipated PEFA CHECKs are awarded, the PEFA Secretariat needs to re-examine its quality assurance process. The following aspects should be considered:

1. Eliminate unnecessary or less relevant administrative requirements of the quality review process.
2. Consider accrediting assessors, and
3. Reducing the number of required quality reviewers if the assessors are accredited.

There were several quality targets established which have not been monitored by either the SC or the Secretariat during the period. Fewer and more relevant outcome-targets are needed that can be monitored continuously. The SC should consider revising the targets to make them fewer and more relevant:

- A more relevant target to measure government ownership is needed. Measuring this could be done through a survey where information on governments' role in the initiation, management and finalization of the PEFA assessment is sought. By adding this target, the outcome of the Secretariat's efforts to encourage lead agencies/governments to use the PEFA CHECK mechanism can be measured.
- A target regarding how many PEFA reports are submitted for the PEFA CHECK process could be added.
- The target regarding % of final reports awarded PEFA CHECK should be changed to reflect a trend line as setting a fixed target may be too ambitious considering the low starting point.

2.1.3 Expected Result 3. Government ownership of PEFA assessments enhanced

Two sub-targets were to be achieved:

Sub-target as established in the *Program Document*	**Result**
Expected Result: Government ownership of PEFA assessments enhanced	
R3.1. Government led assessments comprise 20% of all assessments from 2013 onwards (up from 9% during 2005-11).	R3.1 13% of all PEFA assessment carried out between FY 2012 and FY 2015[12] were government led.
R3.2 Increasing number of multi-year programs for PFM diagnostics established by or agreed with the government (up from none identified by 2011 Impact Study)	R3.2 To be verified by the PEFA Secretariat.

[12] Here we selected draft, final and published reports but excluded planned assessments from our sample of data to analyze.

The PEFA Framework was initially designed as a tool for the donors working to reform PFM systems in developing countries. The purpose was to have one tool and one assessment team instead of a multitude of tools applied by teams sent by different donors thereby putting a strain on government resources. This is still the purpose, although the intention to have the governments themselves initiate and own the PEFA assessment process has been part of the PEFA Program's results framework since the previous program period.

The PEFA Secretariat's statistics show that 13% of all implemented PEFA assessments[13] are government led. This data is however, not entirely correct due to several factors. Firstly, there are PEFA assessments being carried out that the PEFA Secretariat does not know about. Secondly, a PEFA assessment may be a self-assessment, organized, carried out and managed by the government and financed by a donor but then classified as donor/agency led (as is the case with the recent Nepal assessment). Nevertheless, the interviews with stakeholders confirm that PEFA assessments are, to a large extent, led by donors.

However, there are several aspects to consider when assessing government ownership; the initiation of the assessment, the manner (self-assessment, lead agency or consultants carrying out the assessment, and the subsequent ownership of the PFM reform process). The country case studies have been used to analyze government ownership below.

Initiation of the PEFA assessment

In three of the four countries visited the most recent PEFA assessments were initiated by the government approaching a donor. In the case of Ukraine, the donors proposed the most recent 2016 PEFA assessment with the government expressing a positive attitude, wishing to assess performance since the previous PEFA and to receive donor support for PFM reform. The reasons that the governments of Zambia, Rwanda and Nepal stated for initiating the PEFA assessment were:

- To regularly carry out a PEFA assessment every 3-4 years and the time was right (Zambia).
- To update the previous assessment, assess progress, and provide an agreed information pool for dialogue on a PFM reform action plan to be developed (Nepal).
- Show progress since the previous PEFA assessment and feed into an update of the current PFM strategic plan (Rwanda).

In Nepal and Rwanda the most recent PEFA assessments were funded by a multi-donor trust fund and the review process was coordinated by the World Bank. In Ukraine, four donors (the World Bank, EU, Gesellschaft für Internationale Zusammenarbeit - GIZ and USAID) funded the PEFA assessment by contributing consultants/experts and the entire PEFA assessment was coordinated by the World Bank. The Nepalese PEFA assessment was carried out as a self-assessment with the trust fund financing more

[13] Including both national and sub-national assessments resulting in draft, final and published reports.

than 70 government staff working on the assessment. In Rwanda, the basket fund is co-financed by the Rwanda government and the government coordinated and managed the entire PEFA assessment process, from contracting consultants through to the quality review work.

Ownership of the PFM reform agenda

The four governments interviewed as part of this evaluation have all used the PEFA assessments as an input into their decision making:

- The Zambian government used the results of the PEFA 2013 assessment to develop its *PFM Reform Strategy for 2013-2015*.
- With the fiscal and political pressures of recent events in Ukraine, short term "crisis management" to maintain fiscal discipline has crowded out longer term structural reforms. With a new government in place the aim is to prepare a new *PFM Reform Strategy* based on the recent PEFA assessment.
- After the most recent PEFA assessment in Nepal, the Government came up with a very ambitious plan to implement changes in very many areas or PFM.
- The Rwanda government was especially keen to demonstrate progress made since the previous PEFA assessment in 2010 as well as to identify any areas for improvement to feed into an update of the *PFM Sector Strategic Plan 2013-2018*, planned to be conducted during 2016. The Government of Rwanda is currently trying to attract foreign investment into the country: being able to demonstrate a robust PFM system helps encourage potential investors.

The PEFA Secretariat does not, at present, track initiation, management of the process or ownership of the PFM reform agenda. As it is one of the main objectives of the Program, efforts should be made to establish targets and regularly monitor indicators of these. One way could be to survey the governments regularly to gain their opinions, experience and ownership.

The view of the PEFA partners and other stakeholders interviewed is that the PEFA assessment process is still very much agency/donor-led. This view is supported by the case study countries visited where the underlying reason for initiating a PEFA assessment was to gain support for PFM reform work and access donor funds (budget support, IMF funding etc.). There are some positive developments reported by stakeholders, where governments become more involved in the PEFA assessment process due to:

- the wish to be scored and compared to other countries,
- the knowledge of the work involved in doing a PEFA (from earlier PEFA assessments) and the competence to carry out a self-assessment,
- using PEFA scores in strategic plans as Key Performance Indicator (KPIs),
- the technical staff needing a credible diagnosis to be able to discuss the reform agenda with politicians.
- To begin negotiations between agencies and governments (e.g. Bangladesh and Vietnam).

The PEFA CHECK process, where the national authorities/government is involved in the review work, also means more ownership by the government of the PEFA assessment. This is due to the fact that the PEFA CHECK requires, inter alia, that the government is involved in reviews, thereby gaining ownership of the review process and results.

The PEFA Program was designed to contribute to the "Strengthened Approach to supporting PFM Reform" and the components "Country-led agenda for the development of a country-led PFM reform strategy and action plan". The manner in which it has contributed to this, as testified by stakeholders and country governments interviewed, is:

- by providing regularity and monitoring of PFM system performance. The PEFA Framework provides a quantifiable measure that can be compared over time. This is an important drawback with the PEFA 2016 methodology which is not directly comparable to the PEFA 2011 methodology.
- Governments may not initiate the PEFA assessment process, but are involved in the assessment. Some agencies state that more self-assessment takes place initiated and implemented by national government staff. By carrying out the assessments themselves, the governments can also analyze the causes and begin formulating responses to issues or low scores.
- The PEFA reports have brought awareness to governments and in some cases have been the starting point for discussions with donors and agencies on "where to go from here?".

The PEFA Framework has been criticized for not allowing assessors to provide recommendations to the government, action plan or advice as to sequencing of PFM reform activities. The PEFA Framework is, as testified by the stakeholders and country governments, the most well-known diagnostic tool for PFM currently used that covers the central government's budget cycle. It is therefore relied upon by donor agencies as well as governments. However, due to its importance and proliferation, recommendations provided in such a report may carry more weight and become difficult for government to argue for/against than for a stand-alone consultancy report. There has been some research and papers published on sequencing of PFM reform. However, as the PEFA partners working closely with recipient countries attest, there are many aspects to consider when discussing, negotiating and planning a PFM reform program. The bilateral donors and agencies interviewed all claim to be attuned and flexible to the needs of the governments and all the stakeholders aim for a country-led reform agenda. Expanding the scope of the PEFA Framework to include an action plan would make the PEFA assessment team's views the basis for the PFM reform: this would not be country-led or country-owned.

For an assessment team to provide feasible recommendations regarding sequencing and content of a reform program requires the experts to have knowledge also of institutional, political and country-specific issues. PFM expertise may not be sufficient, nor is it feasible within the time usually allotted to consultants for a PEFA assessment. The general rule is that PEFA reports should not contain recommendations. However, CN/ToR frequently require assessors to make recommendations, as governments would rather have one consultancy team do both the PEFA assessment and at least a first

draft reform program instead of two teams. This is not regarded as good practice as a lot of work has to be done between diagnosis and prescription, but it may be useful to the host government, without detracting from its ownership of subsequent reforms, for the executive summary to expand on the implications for the three budgetary outcomes of reforms in selected areas. The PEFA 2016 Framework mentions only recent and ongoing reforms, not possible new initiatives. A forward look would require a revision of Secretariat guidance.

In the case of self-assessment, more latitude may be allowed the government in stating its plans for reform, indicator by indicator: the responsible officers who rate their own systems can start the process of analyzing weaknesses and thinking of options for improvement, again without loss of ownership.

Conclusion

The evidence presented above shows that government involvement in the PEFA assessment process has increased during the period. This is both a result of the donors/agencies making more efforts to involve, train and work with national governments throughout the process as well as the governments becoming familiar with the assessment process and taking on a stronger management role. Workshops to train government staff at the beginning and to discuss results have helped government staff in the data collection and assessment process.

2.1.4 Expected Result 4. Donor collaboration in implementing PEFA assessments strengthened

One sub-target was to be achieved and is presented below:

Sub-target as established in the *Program Document*	**Result**
Expected Result: Donor collaboration in implementing PEFA assessments strengthened	
R4.1. Number of assessments reviewed by at least one other donor agency reviewer (other than the lead donor) increased from 70% in FY 2010 to 90% in FY 2014.	R4.1 The Secretariat reports that all (100%) PEFA assessments reviewed in accordance with the PEFA CHECK are reviewed by four reviewers; one PEFA Secretariat staff, one reviewer selected by the PEFA Secretariat, one (or more) country government reviewer(s) and one reviewer selected by the lead agency.

The only data available on the number of donor/agency reviews is from the PEFA Secretariat. There may also be PEFA assessments carried out that the PEFA Secretariat is not involved in. Based on the data available of all the PEFA assessments carried out during the period, less than 70% were reviewed by more than one donor/agency, which falls below the target set.

This target may, however, not be relevant to measure donor coordination as seen from the donors and governments' perspective. In accordance with the Paris Agenda, the aim of donor collaboration is to minimize duplication of effort by the donors and to reduce duplication of effort by the recipient countries. The PEFA Secretariat's statistics show that of the PEFA assessments carried out between FY

2012 and 2015, 63% were joint assessments with two or more agencies involved. This is an increase from the previous program period when 51% of all PEFA assessments were joint assessments. An analysis of the national PEFA assessments carried out also shows that there is no overlap but that PEFA assessments are carried out 3-4 years apart and often by different donors each time.

In addition to the registered joint assessments, donor agencies working in the PFM reform sector make use of PEFA assessments published for their work. The PEFA Secretariat's statistics show that USAID, AusAID, GIZ, AfDB and IDB among others, have financed very few PEFA assessments during the period of review. On the other hand, these IFIs/bilateral donors have been involved in more PEFA assessments by co-financing PEFA assessments. These agencies have been involved in between 3 and 7 national PEFA assessments between 2012 and 2015. This is also stated in the interviews, where they gave examples of PEFA assessments they read and use for their decision-making.

The benefits of the PEFA Program to stakeholders, as stated in interviews, are:

- Time and resources are saved – the PEFA assessment report is used initially as background information prior to entering into agreements with country governments.
- The ability to share information with the IFIs and other donors.
- The ability to coordinate support to countries' PFM reform programs among donors/agencies and IFIs.
- The reliance on a tool that is more reliable and consistent with better coverage than "home-grown" tools.
- PEFA is applied by the main donors working in PFM and therefore creates a "common language".

The governments interviewed regarding their view of donor coordination were generally positive. In two countries (Zambia and Nepal), the World Bank took on the coordinating role and was the main contact and partner with the government. Other agencies (the EU in Nepal) took on the limited role of co-financing and reviewing reports. Ukraine is one example of a PEFA assessment jointly executed by four donors and coordinated by the World Bank. The success factors for good donor coordination in the case of Ukraine appear to have been:

1. Donors all had the same interest – to co-finance a subsequent PFM reform program.
2. Clear division of responsibility of the different assessors' roles and specialization.
3. Transparency in the sharing of findings by assessors with other donors and government.
4. Coordination of the work and report drafting by one of the donors.
5. Training and involvement of the government staff in the assessment methodology.

Conclusion

The evidence presented above indicates that more PEFA assessments are being coordinated among donors and that there is no overlap or duplication of national PEFA assessments. The example of good donor coordination in Ukraine is important for future PEFA assessments using the PEFA 2016

methodology (that require more specialization) and could be further highlighted and disseminated to donors and governments.

2.1.5 Expected Result 5. Timely completion & publicizing of assessments improved

One sub-target was established for this Expected Result:

Sub-target as established in the *Program Document*	**Result**
Expected Result: Timely completion & publication of assessments improved	
R5.1. 80% of PEFA assessment reports (substantially completed since January 2013) are finalized, made public and posted on website within 12 months of assessment team mobilization, with link to PEFA website. (<60% until Sept 2011)	R5.1 The PEFA Secretariat's statistics[14] show that • between FY 2012 and 2015 80% of all PEFA Assessment Reports were published on the PEFA website[15]. • The PEFA Secretariat states that a PEFA assessment process takes about 10 months (from initial dialogue to publication). The accessible data shows that this is likely to be longer – at least 12-14 months.[16]

The PEFA Secretariat is diligent in publishing the reports on its website. However, there are several stakeholders that mention the drawn out process of publishing PEFA reports and difficulty in accessing reports (before they become outdated). The PEFA assessments analyzed by the Evaluation Team all took considerably longer time to complete:

PEFA assessment	**Time from CN/ToR approved to final/public report**	**Reasons given for delay**
Ukraine PEFA assessment in 2015	15 months	PEFA 2015 testing methodology initially used which was updated to the PEFA 2016 methodology.
Zambia PEFA assessment in 2012	18 months	The initial international consultant was replaced by a second consultant and additional data gathering was needed
Nepal PEFA assessment in 2013	18 months	Self-assessment that was an educational process. International consultant brought in on problem indicators and several draft versions prepared.
Rwanda PEFA assessment in 2014	+ 19 months	Exists in a Final Draft version only. Two reports were prepared, one using the PEFA 2011 methodology and one

[14] Dataset: "List of reports CG and SNG as at Dec 2015.xls".

[15] However, the Evaluation Team did not find any country where the report was published on the country government's website with a link to the PEFA website.

[16] The evaluation team has calculated the time between the receipt by the PEFA Secretariat of the CN/TOR and the Secretariat's submission of comments for the 9 PEFA assessments that received a PEFA CHECK during FY 2015. This shows the average time to be 10.7 months. However, this does not include the time before the CN/ToR are submitted to the Secretariat, nor the time after the Secretariat's submission of comments on the PEFA report (i.e. until there is a Final Report or the report is published).

PEFA assessment	Time from CN/ToR approved to final/public report	Reasons given for delay
		the testing PEFA 2015 which is now being updated using the PEFA 2016 methodology.

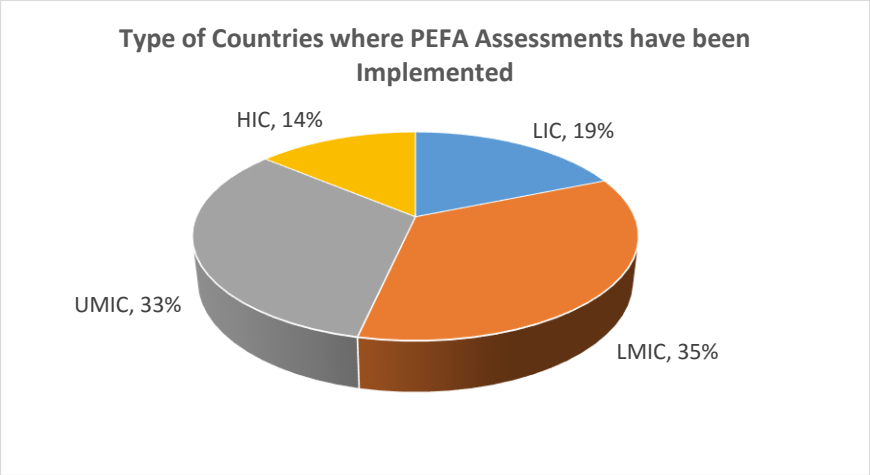
The timely completion and publication of reports is important for the donors but is dependent on both the government for provision of information and on donors for completion of their reviews of CN/ToR/reports and other internal processes. The more drawn out the assessment process is, the more outdated the information is. The lead and co-funding agencies would have access to draft versions of the assessment report and be able to make decisions based on final (not-yet-public) versions but other agencies would have only informal access to draft reports. Dialogue with the government depends on having agreed final reports.

2.1.6 Direct Objective – PEFA a global, credible information pool

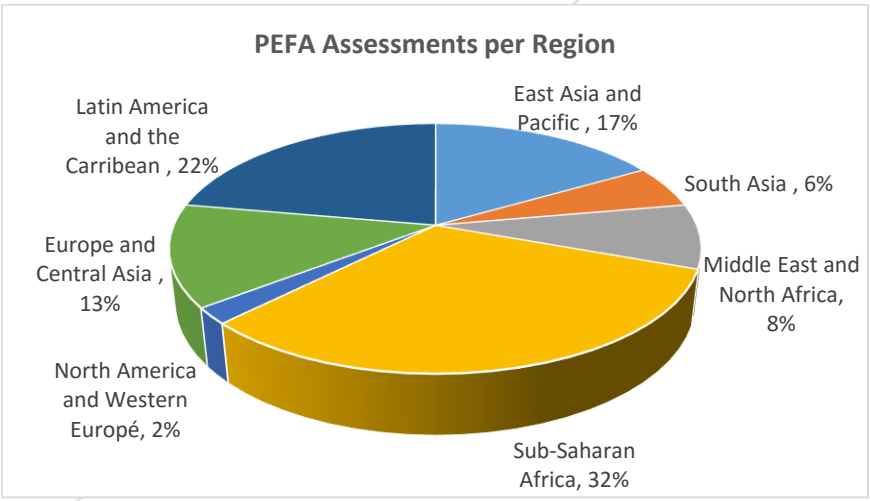
All the activities, outputs and expected results were to generate "the global, common and credible information pool on PFM performance expanded and updated". This was to be measured using two indicators:

Sub-target as established in the *Program Document*	**Result**
Direct Objective: The global, common and credible information pool on PFM performance expanded and updated	
DO.1: Countries with national baseline assessment increased from 121 (Sept 2011) to 136 (Sept 2016)	• 144 countries with national baseline assessments by 2015.
DO.2: 80% of countries implement repeat assessments less than 5 years after previous assessment.	• 66% of countries implemented repeat assessments • 73% of all countries conducting a repeat PEFA assessment have done so within 5 years.

The graph below shows that a majority of the countries in the world have carried out a PEFA assessment. 54% of all PEFA assessments carried out have been done in low or lower-middle income countries, see graph below. The same is true for repeat assessments.



It is also important to consider that 66% of all 144 countries have carried out repeat assessments. This is an indication that the tool is used as intended, to monitor progress of the PFM system. The PEFA Program's information pool has indeed been expanded by the number of PEFA assessments carried out. The PEFA data set shows that 32% of the 144 countries where PEFA assessments have been carried out were in Sub-Saharan Africa, and 22% of the countries in Latin America and the Caribbean had had PEFA assessments done (see graph below).



2.1.7 Intermediate Objective – PEFA assessments used for PFM reform formulation

The Intermediate Objective is that "PEFA assessments be used for PFM reform formulation, donor support decisions and research". The PEFA Partners interviewed and other stakeholders financing PFM reform all use PEFA Assessment Reports as the basis for their decision-making regarding financing PFM reform programs and/or budget support. The Framework is seen as unique in the issues it covers and the trustworthiness of the assessment. It saves them time to use or review a PEFA Assessment Report.

The four governments interviewed as part of this evaluation have all used the PEFA assessments as an input in their decision making. The PEFA assessments have been used to establish PFM reform agendas, and the more involved the government is in the PEFA assessment process, the more involved it is in setting the PFM reform agenda. The governments interviewed use the PEFA assessment both as a pre-requisite for discussions with donors on PFM reform and also in their planning.

2.1.8 Global Objective – PFM system performance is improved

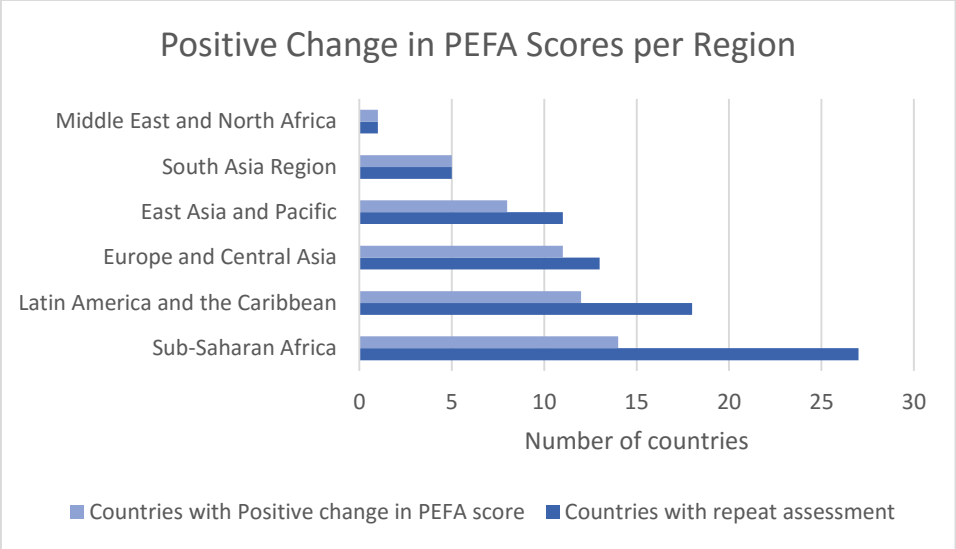
The overall development goal of the PEFA Partners and the PEFA Program is that "PFM system performance is improved for strengthened economic growth and government service delivery". This is to be measured as follows:

Objective as established in the *Program Document*	**Result**
Global Objective/Development Goal: General improvement identifiable in PFM systems performance by 2016 compared to pre-2012 baselines across 1) at least 100 countries 2) representing all regions and 3) LIC/MIC segments.	• 70% of the countries with pre-2012 baselines and repeat assessments post-2012 show improvements in the PEFA scores.
	• 76 countries in all regions and types of countries have a baseline assessment dated pre-2012 and PEFA assessments carried out after 2012.

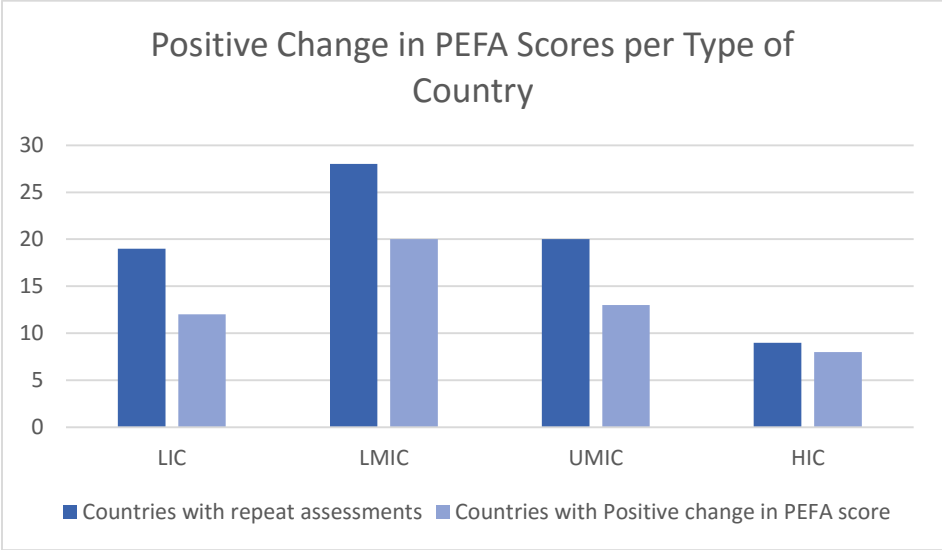
Using the PEFA score to assess identifiable PFM system performance, the data set shows that 76 countries have both a baseline (a national assessment carried out prior to 2012) and at least one repeat PEFA assessment carried out from 2012 and onwards. Of these, 70% had improved their overall scores compared to the pre-2012 PEFA Assessment Report[17]. All regions were represented (except for Western Europe) and included LIC, LMIC and MIC countries.

An analysis of the PEFA scores shows that 85% of the countries in Europe and Central Europe that have had repeat assessments during the period improved their scores and in East Asia and the Pacific, 73% of the countries represented improved their scores. In Latin America and the Caribbean, 67% of the countries represented have improved their scores and in Sub-Saharan Africa 52% of the countries assessed improved their scores. The following graph shows the number of countries with repeat assessments during the period and those countries showing positive changes in PEFA scores during the period.

[17] In order to calculate this, the scores were converted into numerals and the dimensions not scored were not counted.



An analysis of the countries with repeat assessments according to the World Bank income-classification shows that 71% of the countries represented in the LMIC group have improved their PEFA scores, compared to 65% of the UMIC and 63% of the LIC countries. The graph below illustrates this.



HIC = Island states that are part of high-income states' territories

Critics of the PEFA Framework argue that the PEFA score is a "narrow" indicator of the performance of a country's PFM system. It is criticized for focusing only on process i.e. how things were done, not how well things were done. But it is widely recognized, by users and critics alike, as an evidence-based broad diagnostic that is trusted. As such, the data does show that 53 of the 76 countries that have carried out PEFA assessments between 2012 and 2015 have improved PFM system performance since their previous assessments.

2.2 Efficiency

The following table summarizes the achievement of targets set for the PEFA Program during phase IV.

Objectives/ Outputs/ Inputs	Objectively Verifiable Indicators and targets	Achievement	Achievement commented
Global Objective			
PFM system performance improved for strengthened economic growth and government service delivery	Target: general improvement identifiable in PFM systems performance by 2016 compared to pre-2012 baselines across a. at least 100 countries b. representing all regions c. and LIC/MIC segments.	√	• 76 countries in all regions and types of countries have a baseline assessment dated pre-2012 and PEFA assessments carried out after 2012. • 70% of the countries carrying out repeat assessments during the period of review show improvements in the PEFA scores.
Intermediate Objective			
PEFA assessments used for PFM reform formulation, donor support decisions and research	IO.1: 80% of countries with PEFA assessment confirm assessments used in identifying PFM weaknesses, setting/ reviewing reform priorities/ sequencing and progress monitoring by both donors and governments. 2011 Impact Study indicates 60% such use during phase III).	√	IO.1 The four governments interviewed as part of this evaluation have all used the PEFA assessments as an input in their decision making. The PEFA assessments have been used to establish PFM reform agendas, as a pre-requisite for discussions with donors on PFM reform and in their planning. The more involved the government is in the PEFA assessment process, the more involved it is in setting the PFM reform agenda.
	IO.2: PEFA assessments used by at least 15 donor agencies/IFIs as a standard input to aid/support program decisions (2010 survey demonstrated use by the 7 PEFA partners).	√	IO.2 Of the donors interviewed (11 donors – 7 PEFA partners + 4 donors) used the assessments as standard input into aid/support program decisions. There may be more that have not been interviewed as part of this evaluation.
	IO.3: PEFA assessment database used for comprehensive research on global trends and challenges in PFM systems improvement (qualitative indicator; based on evaluators'	X	IO.3 The evidence on how much the PEFA assessment database is used shows that there are at least 95 articles using the PEFA data set or referencing the PEFA Program.

Objectives/ Outputs/ Inputs	Objectively Verifiable Indicators and targets	Achievement	Achievement commented
	judgment of relevance and importance of research work undertaken).		
Direct Objective			
The global, common and credible information pool on PFM performance expanded and updated	DO.1: Countries with national baseline assessment increased from 121 (Sept 2011) to 136 (Sept 2016)	√	• 144 countries with national baseline assessments by 2015 • 66% of countries implemented repeat assessments
	DO.2: 80% of countries implement repeat assessments less than 5 years after previous assessment.	X	• 73% of all countries conducting a repeat PEFA assessment have done so within 5 years.
Result 1. Relevance of PEFA Framework enhanced and demonstrated	R1.1. Senior officials from government central finance agencies in LICs and MICs consider PEFA Framework useful for their work on improving PFM systems.	√	• Government officials interviewed consider the PEFA assessments necessary to begin discussions with donors on PFM reform programs and to inform them on weaknesses.
	R1.2. Senior PFM officials from donor agencies/IFIs consider PEFA Framework important for their work on supporting country improvement plans and for internal decisions on aid modalities.	√	• Senior PFM officials from donor agencies/IFIs consider PEFA Framework important for their work on supporting country improvement plans and for internal decisions on aid modalities.
	R1.3. Researchers consider the PEFA assessment database a core data set for research on PFM systems.	n.d.	• The data set is deemed not to be user-friendly and the Secretariat does not monitor articles/research carried out using the PEFA data. There is also limited research published by the Secretariat that could be relevant to PEFA partners and countries.
Result 2. Quality of PEFA assessments improved	R2.1 Compliance with PEFA methodology maintained as calculated by the Secretariat (indices maintained for final reports at 90%, coverage index for final CN/TOR increase from 80% FY12 to 90% FY15).	X	R2.1 The two indices used by the PEFA Secretariat show that • the Draft reports reviewed have an average score of 77.1% (Indicator method) and 89.1% (Dimension method)

Objectives/ Outputs/ Inputs	Objectively Verifiable Indicators and targets	Achievement	Achievement commented
			• coverage index for final CN/ToR was 82% in FY 2015
	R2.2 80% of final reports are awarded PEFA CHECK [process endorsement label] from FY15 onwards	X	R2.2 18% of final reports were awarded PEFA CHECK in FY 2015.
Result 3. Government ownership of PEFA assessments enhanced	R3.1. Government led assessments comprise 20% of all assessment from 2013 onwards (up from 9% during 2005-11).	X	R3.1 13% of all PEFA assessment carried out between FY 2013 and FY 2015[18] were government led.
	R3.2 Increasing number of multi-year programs for PFM diagnostics established by or agreed with the government (up from none identified by 2011 Impact Study)	n.d.	R3.2 To be verified by the PEFA Secretariat.
Result 4. Donor collaboration in implementing PEFA assessments strengthened	R4.1. Number of assessments reviewed by at least one other donor agency reviewer (other than the lead donor) increased from 70% in FY10 to 90% in FY14.	n.d.	R4.1 The Secretariat reports that all (100%) PEFA assessments reviewed in accordance with the PEFA CHECK are reviewed by four reviewers; one PEFA Secretariat staff, one reviewer selected by the PEFA Secretariat, one (or more) country government reviewer(s) and one reviewer selected by the lead agency.
Result 5. Timely completion & publicizing of assessments improved	R5.1. 80% of PEFA assessment reports (substantially completed since January 2013) are finalized, made public and posted on website within 12 months of assessment team mobilization, with link to PEFA website. (<60% until Sept 2011)	√	R5.1 The PEFA Secretariat's statistics[19] show that • between FY 2012 and 2015 80% of all PEFA Assessment Reports were published on the PEFA website[20]. • The PEFA Secretariat's data shows that a PEFA Assessment process takes about 10 months (from initial dialogue to publication).

[18] Here we selected draft, final and published reports but excluded planned assessments from our sample of data to analyze.

[19] Data set: "List of reports CG and SNG as at Dec 2015.xls".

[20] However, the Evaluation Team did not find any country where the report was published on the country government's website with a link to the PEFA website.

Objectives/ Outputs/ Inputs	Objectively Verifiable Indicators and targets	Achievement	Achievement commented
			The accessible data shows that this is likely to be longer – at least 12-14 months.

The conclusion by the evaluation team is that the PEFA Program has achieved its global and to a substantial degree its intermediate objectives, which is an important success. The area where targets have not been achieved are with respect to the quality of PEFA assessments. The data shows that the number of reports submitted to quality review to be very high but few PEFA CHECKs are being awarded.

The PEFA partners committed some USD 12.38 million to the program (cash and in kind contributions). The quarterly reports show that the program, by the end of FY 2016 had had expenditures of USD 7.3 million (including in kind contributions). The expenditure reported by the Secretariat does not include time spent by PEFA partners in SC meetings, on the Public Expenditure Working Group (PEWG) or as quality reviewers.

The fact that 66% of the countries carrying out PEFA assessments during the period had done a repeat assessment shows the impact of the PEFA Program. Of these, 70% had improved their scores. Although the latter is a result that cannot be attributed to the PEFA Program, the evidence nevertheless points to the fact that a scoring mechanism does influence governments' will to reform.

The cost of creating the PEFA 2016 Framework is not known as it is only partially reflected in the PEFA Program's accounts[21]. The total cost should also include the time spent by PEFA partner staff in developing the new Framework. The effect of the new Framework will only be evident during the ensuing program period.

If the cost of running the PEFA Secretariat is divided by the number of PEFA assessments carried out during the same period (2012 to end of 2015) the average expenditure is equivalent to USD 33,000. For comparison, a PEFA assessment using a consultant team costs between USD 10,000 to USD 150,000 with the average being USD 80,000[22]. The USD 33,000 would be equivalent to the PEFA Secretariat's work to maintain the Framework, promote its use, provide training and the quality control process. An estimated average total cost of a PEFA assessments could thus be about USD 110,000 of which the cost of maintenance, developing a new Framework, outreach and quality control is less than 30% of the average estimated cost of a PEFA assessment.

Conclusion

Considering the success of the program in reaching its global and intermediate goals and ensuring that the PEFA Framework is being used repeatedly, the cost of achieving this appears to be low. Considering the fact that the Secretariat has been under-staffed and lacking a head of the Secretariat during this period, been deeply involved in the development and promotion of the new PEFA 2016 Framework and implementing a new and resource-intensive quality control process, the PEFA Secretariat appears to have been effective.

[21] There is no data available on the time the PEFA Secretariat staff dedicates to different activities.

[22] Based on the experience of the Evaluators.

2.3 Sustainability of the Program and Governance of the Program

The PEFA Program has a formal set-up with the SC (composed of representatives of the seven PEFA partners), the PEFA Secretariat and the World Bank as the trustee of the PEFA trust fund[23].

The role of the SC is highly operational. The PEFA Program is, as defined in the *Program Document*, managed and implemented by the SC and the Secretariat. The SC is, through the PEWG, responsible for the technical development of the PEFA 2016 Framework. The Secretariat is, in essence, responsible for ensuring that the PEFA Framework is applied properly and widely. Hence the focus on quality review work, training and outreach.

The active involvement of the PEFA partners in the implementation of the Program ensures its survival. Ownership of the new PEFA 2016 Framework clearly lies with the PEFA partners themselves and among the PEFA partners, there is a strong sense of accomplishment surrounding any discussion of the PEFA 2016 Framework. The achievement of having developed, negotiated and launched a framework that meets the technical, institutional and pedagogic requirements of partners and at the same time being applicable to different contexts[24] has resulted in a strong feeling of ownership by the PEFA partners. The PEFA partners are also the institutions that are the most frequent users of the Framework and their heavy involvement in the development of the PEFA 2016 therefore guarantees its use and the sustainability of the Program.

There have, during different periods, been discussions in the SC on expanding the number of PEFA partners. The regional development banks as well as some bilateral donors have expressed an interest in becoming PEFA partners. The arguments brought forward by the stakeholders for expanding or maintaining the existing PEFA partnership are:

Expand partnership:

- Additional PEFA partners could also contribute additional funding to the trust fund in cash or in kind.
- New partners would be involved in outreach. New PEFA partners can help to disseminate the PEFA Framework and its use in countries these institutions work in. By being a partner it is also easier to justify using the PEFA Framework as the main PFM assessment tool.
- By joining the PEFA Program new partners are likely to use the PEFA Framework to a greater extent
- Increasing representation of the developing countries in the PEFA Program by including countries/institutions representing the countries where the largest number of PEFA assessments are being carried out would make the PEFA Program more representative. Involving developing

[23] The trust fund is the conduit for the funds donated from the PEFA five partners (the World Bank's and the IMF's contributions are mainly in kind).

[24] Critique is raised as to the applicability of the PEFA Framework to non-anglophone PFM systems.

countries or regional development banks in the development of a tool to be applied by them/in their countries could increase the validity of the tool as well as their ownership and use of the Framework. This is a strong argument that should be considered carefully by the PEFA partners.
- Expanding the PEFA partnership would mean that the SC may need to become more strategic and less operational

Maintain PEFA partnership size:
- The PEFA Program has hitherto not suffered from a lack of committed funding. There is also an issue with the ability of the regional development banks to contribute to a World Bank trust fund, which has been a problem in the past.
- The use of the PEFA Framework is voluntary and the Framework is a global public good and there are no constraints to using it today. Including more partners does therefore not necessarily mean that more donors, international and regional development institutions apply the Framework.
- Many of the PEFA partners highly value the size of the SC at the moment. The size means that that technical development work is feasible (e.g. the PEFA 2016 revision work) and that the partners can have open discussions resulting in consensus decisions. As the active involvement of the PEFA partners ensures the sustainability of the Program, the SC should remain limited.

This evaluation has shown that PEFA assessments often involve several donors. The regional development banks fund and are involved in PEFA assessments as are bilateral donors. The bilateral agencies that have been involved in or financed the largest number of PEFA assessments between 2012 and 2015 are USAID, GIZ, KfW and AusAID. Some of these institutions have expressed interest in joining the PEFA Program. Instead of expanding the SC, institutions could be invited to join an advisory board. The role of the advisory board could be to review and comment on revisions of the Framework, assist with the dissemination of the Framework, assist with adaptations to francophone systems and systems in Latin-American countries. The advisory board could be established without decision-making authority. Requirements of members of the advisory board could be

Any new partners in an advisory board would need to join under similar conditions as the current partners i.e. participate in advisory board meetings, proliferate the Framework, provide in-kind contributions (translation of documents, commentary on revisions, funding of outreach activities, organizing of training, short term specialist secondments etc.), use the PEFA Secretariat's quality review process, and be active supporters of PFM reform in developing countries, Additional criteria to consider for these could be: institutional experience in PFM, history of leading or being involved in PEFA assessments and financial commitment. It is, however, recommended to limit the size of the SC in order to retain the working practices and consensus decision-making process.

Conclusion

The current roles of the SC and the Secretariat where the SC can be likened to the "R&D unit" and the Secretariat to the "custodians of the PEFA Framework" is what guarantees the ownership, use and sustainability of the PEFA Program. By "custodians of the PEFA Framework" is meant that the Secretariat publishes guidelines, assesses quality, provides training and information useful to the users of the PEFA Framework. The limited size of the SC and its role as the decision-making body should remain. The evaluation team recommends to create an advisory board with the role of examining and commenting on revisions of the Framework, assisting with the dissemination of the Framework and with adaptations to francophone systems and systems in Latin-American countries. The value added of engaging bilateral and/or regional development banks in the PEFA Program would be in their ability to help expand the use of the PEFA Framework in their regions.

2.4 Institutional Development

In accordance with the methodology, this sub-chapter presents examples of tangible effects on PFM reform in countries that have undergone a PEFA assessment. The basis for this is the interviews with country representatives and stakeholders involved in the PEFA assessments analyzed in Nepal, Rwanda, Ukraine and Zambia. Additional countries for which information was collected are the Philippines[25] and Moldova.

The information gathered from government officials provides a mixed picture. There have been obvious developments in Nepal, Rwanda and the Philippines with the governments taking action and following up on previous PEFA assessments.

- In Nepal the PEFA assessment (report published in 2015) was a success story as it provided information on PFM performance, helped identify gaps and critical areas of intervention, put pressure on policy makers to reform, and increased the knowledge of staff regarding PFM systems through the self-assessment. The PEFA assessment was the foundation for the Government of Nepal to develop its understanding of good international PFM practices and the increased confidence of government staff in PFM has meant that the government developed its own Reform Strategy.
- The previous two PEFA assessment results for Rwanda were closely followed up by the government and the most recent assessment (using both the previous and PEFA 2016 methodology) will be an important input into the *2013-2018 PFM Sector Strategic Plan*.
- In the Philippines the focus is strongly on improving scores and the PEFA assessment in 2015 and the *PFM Reform Roadmap* was designed with this in mind.

In Ukraine and Zambia, however, there is little evidence of the PEFA assessment process leading to tangible reforms of the PFM system.

[25] Interview with Under-Secretary Janet Abuel, Department of Budget and Management, Philippines and Ekaterina Yakoleva, Delegation of the European Union to the Republic of Moldova.

- In Ukraine, the recent 2015 assessment states that due to the fiscal and political pressures of recent events in Ukraine, short term "crisis management" to maintain fiscal discipline has crowded out longer term structural reforms..
- The IMF concluded that Zambia's PFM system including reporting and quality control deteriorated between the 2008 and 2013 PEFA assessments. Officials in the Ministry of Finance and the Ministry of National Development Planning felt that the PEFA assessments were a useful means for the country to assess the quality and progress. However, government ownership of the process appears limited.
- In Moldova, the most recent PEFA assessment was carried out in the middle of a strategy period and the strategy was not to be changed for a few years. Therefore the PEFA assessment was less useful as it came at the "wrong" time.

There is evidence that the PEFA assessments are important in encouraging PFM reform in many countries. This also attested to by the stakeholders working directly with countries in reform programs. Those countries that claim to not have directly used the PEFA to shape reform, are nevertheless aware of scores and the regularity of the assessments.

2.5 Process and Implementation

The PEFA Program 2012-2017 has been planned and implemented through frequent meetings by the SC to instruct and decide on actions to be executed by either the PEFA partners or by the Secretariat. At the outset of the program period, a detailed log frame, including activities, was prepared and established as part of the *PEFA Phase IV Program Document.* The PEFA Secretariat has, in its regular *Program Progress Reports*, reported against 36 activities planned and defined in the *Program Document* and an additional four activities decided during the period.

2.5.1 Maintenance of the PEFA Framework

During the period 2012 to 2015 the PEFA Secretariat carried out work to maintain the PEFA 2011 Framework by:

- Redrafting and publishing guidance material (clarifications on previous versions, good practice in applying the PEFA Framework, guidance on how to compare results over time and across countries and guidance for repeat assessments).
- Issuing a note on PEFA use for reform formulation.
- Publishing a *Fieldguide* for assessors.

In addition, the PEFA Secretariat has, during the period, responded to queries from assessment planners, managers and assessors worldwide, mainly in email format. The aim was to respond to queries within one week, depending on the workload.

2.5.2 Development of the PEFA 2016 Framework

During the period the main achievement, as emphasized by all the PEFA Partners, has been the design of the new PEFA 2016 Framework. The work was undertaken by a working group of the SC, the

PEWG. The PEFA partners were directly involved in the design of PEFA 2016 with several of the PEFA partners taking on the development of selected indicators. The World Bank took on the chair of the PEWG and Task Teams were created and led by PEFA partners responsible for revising different sets of indicators.

The process of developing a new Framework was drawn out and laborious at times (from June 2012[26] to December 2015). The process is summarized in Appendix 7. There were several issues that the stakeholders involved commented upon; the lack of a plan for how testing was to be carried out and the difficulties in finding countries to test the versions of the Framework. This resulted in different ways of testing the Framework but only a limited number of "full tests" carried out. There was also a late revision of the indicators, only after testing had been done. Another factor that may have contributed is that the drawn out process of drafting indicators (two years) resulted in different individuals representing the PEFA Partners becoming involved and having new input that may have slowed the process of drafting the indicators. The PEFA 2016 revision process could have benefitted from better planning and a more intense work schedule over a shorter period of time involving fewer individuals from the PEFA partners.

An example of design work of a similar nature involving many stakeholders that was successful, timely and effective was when a subcommittee of INTOSAI was created to develop new standards for financial audits for SAIs. The development process took two years including testing and receiving comments from the INTOSAI community. The factors that ensured efficient and rapid development in that case were:

- Requiring the expert teams to dedicate time to work together face to face during specific workshops, effectively "locking them into a room to work", shortened the process and the number of individuals involved.
- By asking the expert teams to develop several of the standards at each meeting.
- Careful planning and adherence to the agreed plan.
- A fixed deadline (the INCOSAI meeting held every 4 years) for approval.

One other issue is that of testing the framework. There have been concerns raised regarding the limited amount of "field testing" of the tool. The PEFA partners were asked to identify countries where the Framework could be tested and more than 20 countries across most regions, income groups and administrative heritages agreed to test. Some tested a selection of new and substantially changed indicators and some tested the full set of indicators and report format. A large part of the testing was done as desk studies by assessors or by testing retrospectively. The testing of the PEFA upgrade was a voluntary process by the countries and, as PEFA assessments are a substantial undertaking by both donors and governments, the number of potential test subjects was limited. These factors should have been considered at the outset of the planning of the development work and incorporated into the plan.

All PEFA partners interviewed express their satisfaction with the new PEFA 2016 Framework. All partners and stakeholders interviewed use expressions such as "robust", "evidence based" and "more objective" when describing the PEFA 2016. The main caveats that stakeholders have put forward as to the PEFA 2016 Framework are

[26] The ToR for the PEWG were approved in June 2012 and an initial workshop was held in September the same years.

- that it will require more[27] [time and expertise] of the assessors,
- that it is based on "anglophone" best practice and that it is not entirely applicable to some Latin-American and many francophone countries[28], and
- that it has not been sufficiently tested prior to being launched.

The four governments interviewed as part of this evaluation (Nepal, Rwanda, Ukraine and Zambia) find the PEFA Framework (overall assessment irrespective of version) to

+ "give a good, high-level, picture of PFM systems"
+ be an excellent tool to give an overall view of a national PFM system while at the same time not requiring the intensive level of input required of more focused/detailed diagnostic tools (e.g. the SAI PMF for external audit).
+ "be comprehensive, standardized and the grading structure allows for focus on key "problem" areas"
+ a good way of comparing countries. The PEFA scores were being compared across countries, both globally and regionally and the Nepalese government welcomed the proposed international benchmarking.

The criticism voiced by the governments interviewed regarding the PEFA 2011 Framework was

- that the PEFA is not detailed enough to give comprehensive information on strengths and weaknesses in individual areas of PFM.
- That it is a retrospective snapshot and needs to be updated regularly.
- There were too frequent changes to the methodology. The governments requested that the methodology remain unchanged for a number of years to allow knowledge of the methodology to be further embedded and to allow easy comparison over time.

Feedback on the new PEFA 2016 Framework was:

- The removal of donor indicators (D-1 to D-3) from the PEFA 2016 methodology. It was felt that these indicators helped to emphasize that the whole PFM system (including Development Partners) was being evaluated and not just Government.
- That because of the new methodology, scores have gone down despite no change or even improvement in that area. Stakeholders without detailed knowledge of the PEFA methodology may misinterpret the scoring.

Overall, the PEFA partners convey a sense of accomplishment where analytical work and resolution of conflicting views and priorities have resulted in a tool that reflects a consensus of the most important

[27] The expert evaluator, part of the team assesses that the PEFA 2016 Framework requires perhaps 50% more time (person-days), but is variable depending on country and scope.

[28] Source: PEFA Secretariat, French Ministry of Foreign Affairs, Inter-American Development Bank and Africa Development Bank.

actors financing PFM reform in transition and developing countries. The governments interviewed find the tool comprehensive and to give a good picture of the PFM systems.

2.5.3 Support to PEFA country applications

The activities to be carried out in order to support PEFA country applications (as defined in the *Program Document*) were:

- Technical and process advice on request,
- Quality review services on request, and
- The introduction of a process of quality endorsement.

Throughout the period the Secretariat has continuously responded to queries from governments, assessors and lead agencies alike. The feedback from the stakeholders and government representatives interviewed is that the Secretariat is extremely helpful, accessible and quick to respond to queries. The *Fieldguide* related to the PEFA 2011 Framework (published in March 2012) was named as an important tool for all assessors and facilitated the assessment teams.

The PEFA Secretariat also provides advice on ToR to lead agencies or governments upon request and helps to ensure that the ToR establish which methodology is to be used, the feasibility of the time line and effort needed and explains the PEFA CHECK process in order for the lead agency and government to be able to plan for this. It is also recommended to specify any aspects of a country's PFM system that are not to be assessed by the PEFA assessment team. The Secretariat published a template with guidance for the preparation of a PEFA assessment ToR/CN on its website which is a comprehensive guide to the aspects to consider when embarking on a PEFA assessment.

The Secretariat also provided suggestions and information about recent/upcoming PEFA assessments in the same country in order to help donors coordinate. This service is a critical part of the quality control process as pitfalls can be avoided and communication between the different stakeholders in a PEFA assessment process can be improved. It is also against this that any quality assessment is made and the ToR/CN therefore need to be clear and specific.

2.5.4 Training materials updated and posted on website

During the period the Secretariat has either prepared and delivered training or participated in training events organized by other institutions. Between FY 2013 and FY 2015 the Secretariat delivered or participated in 66 training events for all of the PEFA partners as well as to external stakeholders such as IFIs, Ministries of Finance, regional development banks and bilateral donors.

The stakeholders interviewed are all appreciative of the training and have found it very valuable for their staff. PEFA partners have all stated that the PEFA training has been useful, detailed and relevant. Some external stakeholders have commented that they would have liked to attend more in-depth training on the PEFA tool and the management of the PEFA assessment process.

2.5.5 Outreach to all potential stakeholders

The activities supporting this output have been diverse and some were discontinued due to lack of funding (e.g. the development of a Community of PEFA practitioners). The activities included ensuring that the website was maintained and data on PEFA assessments, recent events and occurrences were uploaded and available. The activities also included the publication of printed material and the events to bring together PFM practitioners. The PEFA Secretariat has uploaded news flashes on events pertaining to PEFA and selected publications and made statistical data on PEFA assessments available as well as the assessment reports made public. The recent PEFA 2016 launch event in Budapest was also a substantial success given the number of attendees (more than 300) and institutions (PEFA partners, PEFA users, assessors, governments etc.)

2.5.6 Support to coordination of PFM systems, assessments and tools

The PEFA Secretariat has worked with a number of other institutions developing diagnostic tools in different areas during the period for two reasons: firstly, to provide input into the development of the Supreme Audit Institutions- Performance Measurement Framework (SAI-PMF), Tax Administration Diagnostic Assessment Tool (TADAT), Debt Management Performance Assessment (DeMPA), Support for Improvement in Governance and Management (Sigma) and Mitigation Action Plans & Scenarios (MAPS) and secondly, to receive input into the PEFA 2016. There has, however, been limited activity to "develop guidance on upstream coordination of PFM assessments". Indicators for fiduciary risk assessments were not included in the PEFA 2016 Framework as per the PEWG's recommendation.

A separate study, commissioned by the Secretariat, comparing the different tools available to the PEFA Framework was to be completed by June 2016 and the conclusions were to be included in this evaluation. However, as the study was not finalized at the time of the delivery of this evaluation, there was limited data to report.

Conclusion

An analysis of the achievement of planned activities and of reaching the targets established for the six Immediate Outputs shows that four of the six Immediate Outputs have to a substantial degree been achieved (see Appendix 8 for details).

The reporting by the Secretariat to the SC has been activity focused, as have the discussions in the SC on the implementation of the Program. The Secretariat has not been required to report to the SC against the targets for expected results, but focused on reporting against activities. This is due to several factors:

- The SC has requested and received detailed activity reports.
- Some of the targets/indicators established at the Expected Result level do not measure the effect that is anticipated i.e. they are not relevant. One example is Result 4. "Donor collaboration in implementing PEFA assessments strengthened" that is measured by how many assessments are reviewed by at least one donor. This measurement appears to "miss the target" as donor

collaboration encompasses the entire PEFA assessment process and not only quality review. Another example is the Expected Result 3. "Government ownership of PEFA assessments enhanced". The PEFA partners wish to understand if and how the PEFA assessment is used in PFM reform decisions taken by the governments and a new indicator therefore needs to be considered.

- Some of the targets/indicators have been too ambitious. The very low result in terms of PEFA CHECKs awarded compared to the target could be an indication of either a too ambitious target, that the Secretariat has largely failed in its goal of improving quality or that the Secretariat's quality review requirements are too onerous. More realistic targets could be to monitor trends in 1) the number of PEFA assessments subjected to the PEFA CHECK (to monitor the awareness and use of the PEFA CHECK service) and 2) if there has been an increase in the number of PEFA CHECKs awarded compared to the baseline. With this evaluation report as a baseline it will be easier to establish realistic and clearer targets.

The monitoring role of the SC needs to be clearly established. To apply the results-based management approach means:

- The SC monitors progress against targets established at the Expected Result level.
- The Secretariat frequently and regularly reports against the targets established at Expected Results level.
- That reporting to the SC is limited to reporting progress against targets and not reporting activities carried out.

3. Conclusions and Recommendations

3.1 Conclusions

The evidence presented in this evaluation shows the PEFA Program's success in reaching its global and intermediate goals. The PEFA Framework is being used as it was intended: to harmonize PFM assessments, to assess performance over time and to help in the PFM reform process. Between 2012 and the end of 2015 more than 144 countries carried out a PEFA assessment and 66% of these carried out repeat assessments. The PEFA Framework is widely used, trusted and respected as a uniform evidence-based tool. The proliferation of use shows that it is used by a majority of low- and middle income countries in the world. The national governments are also using it for their own purposes and driving the process to larger degree. The evidence also shows that more PEFA assessments are being coordinated among donors and that there is no overlap or duplication of national PEFA assessments.

There is data that shows that national governments use the PEFA assessments as an input in their decision making regarding PFM reform. PEFA assessments have been used to establish PFM reform agendas, and the more involved the government is in the PEFA assessment process, the more involved it is in setting the PFM reform agenda. This is both a result of the donors/agencies making more efforts to involve, train and work with national governments throughout the PEFA assessment process as well as the governments becoming familiar with the assessment process and taking on a stronger management role. Workshops to train government staff at the beginning of the assessment and to discuss results, at the end, have helped government staff in the data collection and assessment process. The governments interviewed use the PEFA assessment both as a pre-requisite for discussions with donors on PFM reform but also in their planning.

The evidence from an analysis of the Secretariat's quality review process which is corroborated by impressions of stakeholders, PEFA partners and the PEFA Secretariat is that the quality of PEFA assessments has improved. The quality review process, called the PEFA CHECK mechanism, has improved compliance of assessments that follow the intended quality review process, but for those where CN/ToR were not received or received late, or for assessments without involving the PEFA Secretariat at all, compliance cannot be assured.

The PEFA Program has not achieved its targets in terms of the number of assessments that comply with the quality review process. Some 68% of all assessments were submitted for review but only 18% of the final and draft reports finalized FY 2015, and 45% in FY 2016 were awarded a PEFA CHECK. The low result in terms of PEFA CHECKs awarded compared to the target (80%) could be an indication of either a too ambitious target, that the Secretariat has largely failed in its goal of improving quality or that the Secretariat's quality review requirements are too onerous or administrative. The evidence gathered by the evaluation team shows that the quality of the assessments has improved, but that the PEFA CHECK process would need to be reviewed to e.g. eliminate administrative quality criteria that do to impact on

the quality of the assessments. To continue to review the quality of as many PEFA assessments as possible is important also for the next program phase. The Secretariat is recommended to firstly, review its quality review process to simplify and streamline it. In addition, accreditation of assessors is something that the SC and Secretariat may wish to consider. Accrediting assessors could increase the number of assessors available and thereby make PEFA assessments more affordable to governments. In addition, by having accredited assessor the PEFA CHECK process could be simplified. e.g. compliance with indicators or dimensions could be done on a spot-check basis instead of on all indicators, as the assessor is known to have the knowledge and understanding

The program is assessed to be cost efficient with a total spend of USD 4.8 million until December 2015. Considering the substantial achievements, promotion and worldwide application of the Framework the cost of achieving this appears to be low. Considering the fact that the Secretariat has, despite been under-staffed and lacking a head of the Secretariat during this period, been deeply involved in the development and promotion of the new PEFA 2016 Framework and implementing a new and resource-intensive quality control process, the PEFA Secretariat's work appears to have been effective.

There is evidence to show that the PEFA data is being used by independent researchers worldwide. However, the data set published is deemed difficult to access and could be presented in a more user friendly manner. The PEFA partners interviewed have identified the need to focus on information sharing and research to enhance the value of the PEFA Framework. The PEFA partners need to justify the substantial investment in the PEFA Program to their governors/constituents etc. and the use of the PEFA data set to explain trends, failures and successes is important. The Secretariat needs to make the data more accessible, track the use of the data and publish articles/research that is relevant to both the PEFA partners and to country governments.

The current roles of the SC and the Secretariat where the SC can be likened to the "R&D unit" and the Secretariat to the "custodians of the PEFA Framework" is what guarantees the ownership, use and sustainability of the PEFA Program. The limited size of the Steering Committee and its role as the decision-making body and Framework-development body should remain. The evaluation team recommends increasing the PEFA partnership by inviting bilateral donors and/or IFIs to an advisory board. This would improve the PEFA Program's ability to represent the countries where PEFA assessments are being carried out. Any new PEFA partners would need to be able to fulfill the following criteria: being able to contribute to the World Bank trust fund, participate in SC meetings, spread the use of the Framework and be active supporters of PFM reform in developing countries.

An analysis of the achievement of planned activities shows that the PEFA Secretariat has completed a substantial number of the planned activities. The reporting by the Secretariat to the SC has been highly activity focused. During the period the Secretariat not been obliged to nor reported regularly against the targets for expected results. To apply the results-based management approach means monitoring

progress against targets established. The SC's monitoring should thus focus on targets and the Secretariat should report against these regularly.

3.2 Recommendations

During the next phase of the PEFA Program the strategic focus should be on:

- Maintaining promotion activities. The PEFA Framework is by now a well-known, used and trusted tool. There is therefore no need to increase outreach activities with the purpose of carrying out more frequent assessments or reaching out to new countries (as there are few developing and transition countries that have not done a PEFA assessment).
- Increasing the use of the PEFA Secretariats' data set by making it more accessible and user-friendly. The PEFA Secretariat has a vast data set with more than 150 countries scored, many repeatedly. There is demand for evidence-based research on links between PEFA assessments and PFM reform and PFM performance, trends in PFM performance and lessons learned from PEFA assessments.
- Streamlining the PEFA Secretariat's quality review processes. The current quality review process is unnecessarily complex and the few reports passing the review is an indication of this. This process should be simplified, the number of qualified assessors increased and the cost of PEFA assessments decreased in order to substantially increase the number of governments able to fully own and manage PEFA assessments.

Detailed recommendations include:

- The targets for the PEFA Program to be established for the next program targets need to be fewer, more relevant and realistic.
- The SC should regularly monitor progress against targets and not activities.
- The PEFA Secretariat needs to record data needed to measure targets and report these regularly to the SC.
- The SC should consider revising the targets to make them fewer and more relevant:
    - A more relevant target to measure government ownership is needed. Measuring this could be done through a survey where information on governments' role in the initiation, management and finalization of the PEFA assessment is sought.
    - A target regarding how many PEFA reports are submitted for the PEFA CHECK process could be added.
    - The target regarding% of final reports awarded PEFA CHECK should be changed to reflect a trend line as setting a fixed target may be too ambitious considering the low starting point.
- It is not recommended to expand the scope of the PEFA 2016 Framework to include an action plan but it may be useful to the host government, without detracting from its ownership of subsequent reforms, for the executive summary to expand on the implications for the three budgetary outcomes of reforms in selected areas.

- It is recommended to expand the PEFA Partnership to improve the PEFA Program's ability to represent the countries where PEFA assessments are being carried out. Any new partners would need to join under the same conditions as the current partners i.e. being able to contribute to the World Bank trust fund, participate in SC meetings, proliferate the Framework and be active supporters of PFM reform in developing countries. It is, however, recommended to limit the size of the SC in order to retain the working practices and consensus decision-making process.
- If the interest to join the PEFA Program is large, possibly creating a too large SC, an option to consider would be to invite institutions to join an advisory group. The role of the advisory group could be to review and comment on revisions of the Framework, assist with the dissemination of the Framework, and assist with adaptations to francophone systems and systems in Latin-American countries. The advisory group would not have decision-making authority.
- The PEFA Secretariat is recommended to making the data set more accessible, track the use of the data and track and publish articles/research that is relevant to both the PEFA Partners and to country governments.
- The PEFA Secretariat needs to review the quality assurance process in order to simplify and streamline it. The following aspects should be considered:
    - Eliminate unnecessary or less relevant administrative requirements of the quality review process.
    - Consider accrediting assessors, and
    - Reduce the number of required quality reviewers if the assessors are accredited.

APPENDICES

Appendix 1. List of persons interviewed

Person	Institution
Jean Francois Almacen	French Ministry of Foreign Affairs
Rachel Ruamps	French Ministry of Foreign Affairs
Jennifer Thomson	World Bank
John Ogallo	World Bank
Brian Olden	IMF
Elena Aronja-Perez	European Commission
Monica Rubiolo	Swiss State Secretariat for Economic Affairs
Håkon Mundal	Norad
Rajesh Kishan	UK Department for International Development
Fransiska Sporri	Swiss State Secretariat for Economic Affairs
Juan Pablo Guerrero	GIFT
Selma Ennaifer	African Development Bank
Jim Redder	USAID
Xavier Rame	IMF
Manal Fouad	IMF
Holger van Eden	IMF
Richard Allen	IMF
Vivek Ramkumar	International Budget Partnership
Deborah Sprietzer	Inter-American Development Bank, Lourdes Sanchez
Jim Brumby	World Bank
Nicola Smithers	World Bank
Simon Gill	ODI
Mathew Smith	CARTAC/IMF
Andie Mackie	World Bank
Samia Msadek	World Bank
Frans Ronsholt	Former Head of PEFA Sec
Ekaterina Yakoleva	Delegation of the European Union to the Republic of Moldova

Persons interviewed during the country visits are listed in the Country reports.

Appendix 2. Nepal country study

Brief introduction on the country

Nepal is a low income economy, ranking 145th of 187 countries on the Human Development Index (HDI) in 2014. It continues to struggle with high levels of hunger and poverty. Nepal was in a state of internal conflict 1996 – 2006. A peace agreement was concluded in April 2006 and elections were held but political instability continued. In April and May 2015, there were major earthquakes.

Despite these challenges, Nepal has been making steady progress, with the government making a commitment to raise the nation from least developed country to developing country status by 2022. GDP grew almost 5% in 2011/12. The proportion of the population below the poverty line has been halved to 25% from 2003 to 2010. The population was 26.5 million at the last census in 2011.

Since 2008, Nepal is a federal republic with a multi-party polity. The President is the Head of State and the Prime Minister the head of Government. Elections were held in November 2013. The people elected 240 representatives through the first-past-the-post system and 335 representatives by proportional representation. This elected Constituent Assembly is the legislature.

The public sector functions at three levels: central, district and local. At the central level there are 45 ministries and deconcentrated offices and about 1,460 autonomous agencies. Together they are responsible for about 92% of total general government expenditure. There are also 75 districts, grouped administratively into 14 zones and 5 development regions. At the local level, there are 3,754 village development committees and 99 municipalities.

The 2008 PEFA review concluded that Nepal has an advanced PFM system, but that it is not implemented as intended, and that fiduciary risk is high. The 2014 report tells a similar story, though there have been improvements, particularly in the use of information technology and the implementation of a Treasury single account.

PEFA experience

Nepal had its first PEFA assessment of central government in 2008, using the 2005 framework. Its second was in 2014, using the 2011 framework. The table below shows key events over this period.[29]

Planned date per Concept Note	Actual Date	Event
August 2005	August 2005	Initiation of first PEFA assessment soon after the June 2005 launch of the PEFA framework, following earlier non-standardized assessments

[29] A first assessment at sub-national level has been drafted (May 2016) but not yet circulated: this was an assessment by external consultants.

		(Country Financial Accountability Assessments in 2002 and 2005, led and funded by WB).
November 2005	November 2005	Concept Note approved
Nov/Dec 2005		Self-assessment with technical inputs by WB
April 2006	July 2007	Draft report (ver.5), sent to PEFA Secretariat for review
December 2006	February 2008	Final PEFA report issued by GoN
	2009	Set up of PEFA Secretariat with own budget within FCGO
	2010	Establishment of Multi-Donor Trust Fund to fund PFM reform program
March 2013	March 2013	Initiation of second PEFA assessment (Concept Note drafted by GoN PEFA Secretariat following request by DPs for an update of the 2008 assessment). Establishment of the PEFA II Working Committee and 9 Working Groups covering the 8 core dimensions of PEFA 2011.
	August 2013	External PFM assessment by ODI[30]
November 2013	November 2013	PEFA training workshop for GoN officers, supported by WB, followed by 3 internal workshops, Nov 2013 – February 2014
November 2013	November 2013	Concept Note approved by all stakeholders
End March 2014	End March 2014	First 'rapid' draft received from each Working Group, and circulated to all Working Groups for review, then to Working Committee
May 2014	May 2014	Drafts re-written by WB, and issue of first draft report for DP review. DP comments collated by WB.

[30] ODI Centre for Aid and Public Expenditure (2013) Operational Risk Assessment of PFM Reform in Nepal – A review of challenges and opportunities, August

	August 2014	TA from international consultant on problem indicators. Fourth draft report issued
July 2014	September 2014	Workshop (2/3 days)
	November 2014	FS instructed GoN team to draft a reform action plan
July/August 2014	December 16, 2014	WB decision meeting
End Sep 2014	May 2015	Publication and dissemination of final report
December 2014	January 2016	GoN issue of Reform Strategy 2016-26 as a basis for a PFM Reform Program Phase II

Organization

Nepal has a permanent high level PFM Steering Committee comprising the Financial Secretary (executive head of the MoF), the National Planning Commission Secretary and the Financial Comptroller General. This body sets and monitors the policy on all PFM reform and provides guidance. It includes representatives from the private sector (the Federation of Nepalese Chambers of Commerce and Industry) and civil society (Transparency International Nepal). Development partners are invited as observers, eg. at mission wrap-up meetings. It should meet every two months, but in fact meets two or three times a year.

The Steering Committee is served by a PEFA Secretariat[31], set up in 2009 with its own budget under the Financial Comptroller General Office (FCGO). The Secretariat is headed by the FCGO Joint Financial Comptroller General. Currently it has 4-5 full-time staff. PEFA units have been set up in each ministry.

For each PEFA assessment, a Working Committee and a set of Working Groups is established. For the 2014 assessment, there was a Working Committee of 10 members mainly at joint secretary level. Its chairperson was Coordinator of the assessment. This is a part-time position, subject to high turnover.[32] Members were from MoF, plus joint secretaries from the National Planning Commission (NPC) and PPMO (procurement regulator), and a Deputy Auditor General. There were no non-government members. The Member-Secretary of the Working Committee is a full-time position, filled at a lower level (under secretary).

[31] As the new unit was set up to implement reforms coming from the first PEFA assessment, the unit was called PEFA Secretariat. This should not be confused with the PEFA Secretariat in Washington DC. The latter is referred to in Nepal as the PEFA HQ Secretariat.

[32] Since 2009 there have been about nine Coordinators. The present Coordinator has been in post for four months, and his predecessor was there for 7-8 months. The frequent changes in leadership reduce coherence and stability of policy.

Below the Working Committee, for the 2014 assessment there was an infrastructure of nine Working Groups, mainly at under-secretary level, again dominated by MoF and NPC officers. There were a few representatives of sectoral ministries. One group included a representative of the Institute of Chartered Accountants of Nepal. The group on external scrutiny and audit included OAG officers. The Working Committee and Working Groups are dismantled on finalization of the PEFA report.

Members of the Working Committee received an attendance allowance for attendance at PEFA meetings, in accordance with GoN rules. Members of the Working Groups, who were working on the assessment almost continuously for 3-4 months in addition to their regular duties, received an incentive allowance (Rs. 500/600 a day). They were allowed to work in whichever language (English or Nepali) they were most comfortable. WB funded translations.

The total number of officers involved in the 2014 assessment was about 70. It is estimated that each committee met at least 12 times for a period of 2-3 hours each time. This enormous cost of time and effort by senior PFM staff is justified by a former Member Secretary in terms of the training provided and the understanding and commitment built. Great use was made of the PEFA HQ Secretariat's Field Guide. In his opinion, PEFA has helped PFM reform in Nepal in a number of ways and has been a success story:[33]

- It has provided information on PFM performance and helped identify gaps and critical areas of intervention
- It has put pressure on policy makers
- Self-assessments have enhanced confidence

The World Bank MDTF Program Manager and DFID Governance Adviser also emphasized that the PEFA framework was the foundation for GoN to develop its understanding of good international PFM practices. GoN PFM strategy and its reform program are structured according to the PEFA 2011 framework with additional activities for elements that underlie the framework, such as building staff capacity.

The World Bank Task Team Leader for the 2014 PEFA assessment agreed with this perception of the central role of PEFA in Nepal. He pointed out two problems:

(1) The GoN took strong ownership of the PEFA assessment through its PEFA Secretariat, but self-assessment was initially 'rosy' as it was done by the persons responsible for the systems being assessed, who had an imperfect understanding of the evidence needed for each score. No one willingly accepted a lower score than in 2008.[34] The scores of a few indicators (notably PI-19 on procurement, PI-22 on bank reconciliation and PI-24 on in-year financial reporting) were strongly contested not only between WB

[33] Presentation by Babu Ram Subedi, Member Secretary of the second PEFA Working Committee, at ICGFM 2016 Conference, www.icgfm.org/conferenceDocs/2016/

[34] Only 2 indicators got lower scores: PI-7 due to expansion of extra-budgetary operations, and PI-27 due to parliament not functioning. According to some DPs, some scores are still rosy, but this is accepted in a self-assessment as part of the price of greater government ownership.

and the GoN PEFA Secretariat, but within WB since a lower score could imply that WB TA (eg. on the Treasury single account) had not been effective. The score on PI-22 was eventually negotiated and all other scores were agreed on the basis of evidence. There were no dissenting opinions expressed in the report. DPs largely accepted the content, but some expressed personal reservations.[35] A WB peer reviewer pointed out anomalies in the changes in scores on parliamentary accountability and revenue management, but this did not change the report.[36]

(2) As it was a self-assessment, GoN Working Groups were asked to focus on weaknesses and 'gaps' in GoN PFM arrangements and add a table at the end of each indicator write-up on 'planned reforms'. Following strong recommendation from the WB Country Director, the 2014 assessment report at August 2014 included recommendations on every indicator (tables 12, 17, 23, 25, 27, 30, 33, 35, 39, 43, 46, 48, 51, 53, 57, 69 and 71), but did not prioritize, cost or program them. These were later removed to an annex and a summary table was included in the Summary Assessment, described as "a tentative suggested list, based on suggestions provided by the government team (annex two) and the Bank's own assessment". On the recommendation of the PEFA HQ Secretariat, the summary table and annex were dropped in the final published report of May 2015.

Government ownership

The Joint Financial Comptroller General led the 2008 assessment, supported by a team of over 50 GoN officers representing both central agencies and line ministries. The process was guided by ten WB staff under joint Team Leaders Bigyan Pradhan and Roshan Bajracharya.

The 2014 assessment was even more strongly owned by GoN. The process was driven by the PEFA Secretariat Member Secretary supported by the WB team leader (Roshan Bajracharya). The Financial Secretary strongly backed the process and tried to maintain the timetable.

This level of ownership of the PEFA assessment process was confirmed by all DPs contacted, but reservations were expressed on institutional ownership and leadership which was not well integrated and internalized. Government ownership of the PFM reform program as a whole was threatened as some don2013or agencies intervened in Nepal PFM without going through the PEFA Secretariat. The Chair of the Working Committee complained that GoN is unable to know all that is going on.

The report was regarded by the WB team leader throughout as a GoN document on which WB provided quality assurance. Both the 2008 and 2014 reports had prefaces from the Finance Minister, Finance Secretary and Coordinator, PEFA Secretariat.

[35] One DP representative said that some scores were on the high side due to self-assessment, which was strongly refuted by the WB TTL. Another DP representative expressed the belief that the PEFA framework rates systems on what is supposed to happen rather than actual implementation.

[36] The score went down on PI-27 despite a separate component in the MDTF to strengthen parliamentary accountability, but this was due to parliament not functioning in two of the years covered. Also, the revenue indicators PI-13 and 14 got A scores, despite low tax/GDP ratio (stagnant at 13%) and low compliance (only 3% of the population pays any kind of tax).

Process timeline

The 2008 assessment took about 27 months from initiation of talks to release of the final report (see table above).

The 2014 assessment took about 24 months from initiation to the release of the final report, about six months longer than planned. According to the Member Secretary, PEFA Secretariat, this was due to three reasons:

- The Concept Note took eight months to finalize (March – November 2013)
- Self-assessment was delayed by competing work demands of GoN officers
- Need for training (four members of the Working Committee and 11 members of the Working Groups had been involved in the 2008 assessment and were assigned so that every group had someone familiar with PEFA methodology, but considerable additional training was required and provided)
- "Final" report was shared from August 2014, but revised nine times (May 2014-May 2015). A WB/GoN dispute on rating of a few indicators (PI-22, 24, 27, 28) delayed the report. GoN had committed to report by September 2014 and prepare the action plan in December 2014. The Coordinator complained "we have spent more than 1.5 years on it".

The Concept Note for the 2008 assessment was drafted by the Working Committee, but the first draft was rejected by the Bank. The Concept Note for the 2014 assessment was drafted by the WB Team Leader and then shared with the PEFA Secretariat in the spirit of government ownership. This led to a long process of revision and re-drafting by each stakeholder.[37]

In principle, the draft report was confidential until it was finally released in May 2015, but drafts were shared with the DP Working Group and other stakeholders. Still there was DP pressure for the final GoN-approved report, as this provided a firm base for their own programming.

After the PEFA assessment: use of PEFA reports

On the issue of the 2008 report, the Financial Secretary said: "GoN commits to gradually improve the baseline performance in all six PEFA dimensions through a Development Action Plan (DAP)". The Coordinator of the PEFA Working Committee said: "The PEFA findings suggest 'high' fiduciary risk, and the DAP needs to be implemented through a platform approach for gradually mitigating the fiduciary risk". The PFM Reform Action Plan was approved by the GoN and World Bank in 2009 and GoN set up a PEFA Secretariat to manage its implementation. The following year, four donor agencies agreed to fund the Action Plan through a basket Multi-Donor Trust Fund.

[37] Concept Note is a WB pre-requisite to any project, but its content is not standardized. The PEFA Secretariat issued in August 2009 a set of 45 questions to be addressed in drafting a Concept Note or TOR to ensure that all relevant issues were covered. The PEFA Check system of quality assurance requires that Concept Notes are reviewed by the PEFA HQ Secretariat and others.

During and after the 2014 assessment, the WB team tried to ensure that the reform road map was planned by the GoN after the assessment's acceptance by all stakeholders, "otherwise the reform agenda will be labeled as 'supply driven'. After the report was finalized a workshop was held to develop a joint reform package.

The Working Committee subsequently prepared a Reform Strategy 2016-26 for DP support (January 2016), but the DP Working Group considered it too ambitious and costly, and sent it back for prioritization. The Steering Committee also said it was too ambitious. The Reform Strategy covered all areas of PFM (the supply side), but DPs considered there was insufficient coverage of the demand side ((building citizen demand for better PFM). DPs are currently (end May 2016) considering the amounts they can pledge to the MDTF for this Phase II of PFM reform.

All DPs appear to attach great importance to the PEFA reports, to have referred to them in their dialog with GoN, and used them in their decisions on budget support, project support, use of national systems, and fiduciary risk assessment and mitigation, eg. Norwegian MFA used the 2008 PEFA report for putting in measures to reduce fiduciary risk by mitigation in each project. The PEFA report is also a primary source for fiduciary risk assessments by DFID.

The PEFA scores have also been compared across countries, both globally and regionally. The PEFA HQ Secretariat welcomed the proposed international benchmarking in principle, but suggested this be done after the delivery of the final 2014 report. A WB peer reviewer quantified the 31 indicator scores and compared the average score with that in 2008, and with several other low-income developing countries (LICs). Nepal ranked about the middle of all such countries in 2008. Its average score rose from 2.5 to 2.7 in 2014.

Government coordination

The hierarchical structure of Steering Committee, Working Committee and Working Groups added to the time taken to get GoN responses, but had the advantage of providing checks and balances in writing drafts and scoring indicators. However, the location of the PEFA Secretariat in the FCGO, which is responsible for the Treasury function, may have limited this advantage. The FCGO is not in a position to coordinate all PFM reforms, particularly in the line ministries. The structure also exposes the Secretariat staff to frequent transfers. It has been suggested that the PEFA Secretariat would be stronger if it were re-located and established as a separate unit in the MoF, headed by a senior Joint Secretary, reporting to the Steering Committee. Outside professionals could be hired to strengthen the Secretariat.

Development partner coordination, participation and funding

In 2010, a Multi-Donor Trust Fund (MDTF) was established, with four donor agencies contributing to the basket: Australia, Denmark, DFID-UK and Norway. Since then, EU, Swiss Federation and USAID have joined. Denmark is about to leave. At May 2015, donors had pledged US$17.7 million.

The MDTF is managed by the World Bank, which funds a Program Manager and Program Assistant in WB Thimphu. They call Program Coordination Committee (PCC) meetings twice a year, and Technical

Coordination Committee (TCC) meetings 3 or 4 times a year as needed. A TCC meeting precedes each PCC meeting. PCC meetings are co-chaired by the Nepal Country Manager and the GoN Financial Secretary. The PCC approves an annual work plan and any in-year variations to the plan through submission of Concept Notes. At present, the work plan covers the Strengthening PFM Project I and II, Strengthening Civil Society Organizations I and II, and Strengthening the Office of the Auditor General. Execution of the projects is divided between WB and GoN PEFA Secretariat according to areas in which each party has strong capacity. At present, the PEFA Secretariat and OAG execute 70-80% of all MTDF expenditure.

The MDTF Manager issues half-yearly progress reports to all partners (see http://mdtfpfm.org.np).

Aid in particular areas of PFM is also given by some donors outside the MDTF, notably DFID and USAID. Though USAID makes a contribution to the MDTF, it spends far more on other projects, which are donor executed. Some projects appear to be uncoordinated, competing with or duplicating MDTF projects, such as projects on procurement and budget strengthening. The present Coordinator, Working Committee, says that aid policy is not complied with, and that it is difficult to harmonize and align donor support to GoN PFM strategy. ADB is also supporting areas of PFM but only at local level, so lack of coordination is not so problematic. GoN development cooperation policy appears to be loosely administered. One bilateral observed that the PEFA Secretariat is constantly being 'undermined' with personnel changes, so some agencies revert to 'doing their own thing'.

PEFA assessments are reviewed by all donors engaged in PFM in Nepal at three stages: concept note, draft performance report, and final performance report. For instance, the 2008 assessment had inputs from ADB, DFID, Danida, IMF, Norway, UNDP and WB. Assessors address comments on the draft report in the final report. This is also a PEFA Check requirement.

Impact of PEFA on the media, private sector, civil society organizations

Only one media report on the 2014 PEFA report has been seen. This was factual, highlighting changes in performance such as the improvement in budget credibility, and some weaknesses.[38]

An anti-government newspaper opinion on the 2008 report misinterpreted the D score on indicator D-3 (50% use of national systems was taken to mean 50% of expenditure not accounted for).

Representatives of (1) the WB Program for Accountability in Nepal (PRAN), (2) Policy Research and Development (PRAD), and (3) Freedom Forum (FF), were met. No representatives of the FNCCI (Chamber of Commerce) or Transparency International Nepal (TIN), or newspaper journalists, were seen.

(1) PRAN targets local level accountability, so PRAN will be looking more at the ongoing SNG assessment than the central 2014 assessment. The project document quotes from the 2014 report that the assessment process itself has created 'self-pressure' for immediate reforms in some areas of PFM and

[38] See the Himalayan Times of 20 June 2015. https://thehimalayantimes.com/business/nepals-overall-budget-credibility-ranking-improves/

will continue to enhance a sense of ownership of reform within Nepal. At present, outside the GoN and selected financial reform policy-makers, "there is limited understanding or knowledge of ongoing PFM reform issues within Nepali civil society, among national Kathmandu NGOs, or amid the increasingly socially inclusive civil society actors around the country".

(2) Policy Research and Development (PRAD) is a consulting firm that specializes in public expenditure analysis, decentralization including fiscal decentralization and local government. The Chairman, who had long experience in GoN service, assisted WB and the PEFA Secretariat in the 2014 PEFA assessment process. No use of PEFA reports mentioned.

(3) Freedom Forum is an NGO that monitors freedom of expression, particularly by the media, and advocates a Freedom of Information Act. In collaboration with the International Budget Partnership it undertook the 2015 Open Budget Survey.

(4) Open Nepal also advocates open budgets. A recent blog mentions the 2015 PEFA and says that access to fiscal reports is good but not comprehensive. In particular there should be pre-budget reports, citizens budget, and disaggregation of expenditure by output.[39] It should be noted that PI-10 on availability of fiscal data received an A score, based on the 2011 framework. On PEFA 2016 is would not get an A.

All representatives agreed that it was difficult to get information from government servants due to the traditional mind-set of secrecy. Even where standard reports are 'available' they are not 'accessible' due to lack of detail and restriction to English and Nepali. They are not translated into local languages of communities.

Lessons learnt and recommendations for any repeat assessment in Nepal

1. Capacity building. Though the assessment process was long (24 months) and expensive in terms of GoN (and DP) staff time, it is considered by both GoN and the DPs that most of this time was a productive investment in government ownership, PFM capacity, wider understanding of good international practices, and the application of the 2011 PEFA framework. However, there is a rapid turnover of PFM personnel. If a repeat assessment were held to review progress of Phase 2 of the PFM Reform Program (2016-2026), say in 2019 or 2020, it is likely that the PFM and PEFA capacity built in the Working Committee and Working Groups would be largely dissipated. In addition, the 2016 framework contains substantial new content that will require further training and, as scores are likely to be lower than scores on the 2011 framework,[40] much more sensitization and explanation will be needed. So the next assessment is likely to take similar time and more resources.

[39] OpenNepal.net/blog/parliamentarians-and-open-budget-data

[40] The new indicators are in areas that mostly have not yet been developed, and several old indicators have tighter requirements.

Six officers from Nepal participated in the Budapest Conference April 2016, and WB will fund two or three officers to attend PEFA 2016 training in Bhutan in June 2016.

PEFA HQ Secretariat plans for a SSA regional workshop. This should aim to build a regional cadre of PEFA trainers who could implement training courses (2-3 days) in each country, and higher level sensitization seminars (half day) for key senior personnel, not just in governments but in parliaments and DP country offices, and open to the media and CSOs.

Persons seen

Kewal Prasad Bhandari, Coordinator and Head, PEFA Secretariat Nepal

Babu Ram Subedi, former Member-Secretary of PEFA Secretariat Nepal and the 2014 PEFA assessment Working Committee

Babu Ram Gautam, Deputy Auditor General, OAG and member of the 2014 PEFA assessment Working Committee and Coordinator of the Working Group on External Scrutiny and Audit

Bigyan Pradhan, Sr Operations Officer, WB Nepal Country Office, former co-Team Leader on 2008 PEFA assessment

Roshan Bajracharya, MacroEconomist, WB Nepal Country Office, former co-Team Leader on 2008 PEFA assessment, and Team Leader 2014 assessment

Franck Bessette, Program Manager, Nepal MDTF

Anjalee Thakali, Deputy Project Coordinator, Program for Accountability in Nepal

Matt Clancy, Governance Adviser, DFID-UK, co-chair of the DP PFM Group

Prithivi R. Ligal, Chairman, PRAD, former Vice-Chairman, National Planning Commission

Taranath Dahal, Chairperson, Freedom Forum

Email communications also with:

Bhola Prasad Dahal, Governance Adviser, Norwegian Embassy, Kathmandu

Kamakshi Yakthumba, Program Manager, Cross Programs, Australian Department of Foreign Affairs and Trade (DFAT), Australian Embassy, Kathmandu

Ekaterina Yakoleva, Delegation of European Union to Moldova.

Appendix 3. Rwanda country study

Brief introduction on the country[41]

The Rwandan economy is based on agriculture, which accounted for over a third of GDP in 2014 and is the principal source of employment for nearly 80% of the labor force. The country is one of the most densely populated in Africa, at 434 people per square kilometer, with a total population exceeding 11 million. Virtually all the arable land is under cultivation, although agricultural productivity is low and the majority of the population are subsistence farmers. Hence the Government has recognized that the country must transform from a subsistence agricultural economy to a knowledge-based society, and its 'Vision 2020' lays out an agenda to make this shift. The goals are to sustain 11.5% growth in GDP; reduce population growth from 2.6% to 2.2% per year in order to reach an average per capita income of $1240 by 2020; and, reduce the poverty rate below 30%. The current medium-term policy priorities and allocations are set out in the second Economic Development and Poverty Reduction Strategy (EDPRS 2), which covers the years 2013 to 2018.

The EDPRS 2 includes ambitious targets summarized in four thematic areas ranging from accelerated growth to become a middle-income county; reducing poverty to less than 30% by June 2018; and creating 200,000 non-farm jobs per year, all consistent with the long-term goals in Vision 2020. Despite the recent global economic downturn and the reduction of development assistance in 2012, real GDP growth averaged 7.9% from 2005 through to 2014, and the share of GDP derived from the services sector, the most important engine of Rwanda's economy in the medium to long term according to Vision 2020, has risen slowly but steadily to 50% in 2014.

Rwanda has also made impressive efforts to reach the Millennium Development Goals (MDGs): all but one (nutrition) have been achieved, a major accomplishment in the aftermath of the 1994 genocide. Primary school enrolment rates are now 99%, the gender equality target has already been met for both primary and secondary education, together with other milestones; women's participation in parliament is over 50% (64% in 2013), the highest in the world. High-level political leadership has led to a reduction in HIV prevalence rates from 13% in 2000 to 3% in 2010. Access to improved water sources is high and MDG 7 (82%) is attainable by end of 2015. Overall, high economic growth and progress on MDGs, have seen poverty rates reduce by 15.1%, from 60% in 2000 to 44.9 % in 2011.).

The 2007 PEFA assessment confirmed that the Government had devoted considerable effort to the rebuilding and modernization of its PFM system, whilst managing public finances in the context of very weak existing systems. It also identified that available Human Resource capacity was thinly spread across different aspects of the PFM system and, as a result, scores for the majority of the indicators were low. However, the report did acknowledge that Government was making some progress and that the scores would likely have been even lower if the assessment had been done in the years before 2007.

[41] Most of the background information is taken from the 2015 PEFA Assessment Report

The 2010 assessment identified some significant areas of improvement in the PFM system including procedures used in budget preparation, procurement procedures and controls around government expenditure. Areas of weakness identified in the assessment included the effectiveness of tax payment collection, quality and timeliness of in year budget reports and multi-year budgeting. However, the report also states that the Government had already planned policy changes to address some of these issues included in the report (e.g. Plan to introduce MTEF in 2010/11).

The 2015 PEFA assessment (based on the 2011 PEFA methodology) has not yet been finalized. The draft report of 5th November 2015 shows a general improvement in scoring from the 2010 assessment but it is yet to be seen if the report will be amended subject to comments from the PEFA secretariat and other reviewers before it is finalized. Another report, drafted using the pilot 2015 methodology is currently being upgraded to the 2016 methodology.

Eight sub-national PEFA assessments are also currently being prepared. These assessments are not specifically considered as part of this report.

PEFA experience

The 2015 assessment is the third national government PEFA assessment carried out in Rwanda. Previous assessments were conducted in 2007 and 2010.

Planned date per Terms of Reference	Actual Date	Event
	2014	Initial Discussions of PEFA assessment between Government and Development Partners
	April 2014	Draft Terms of Reference Prepared
	January 2015 (comments provided in February 2015)	Draft Terms of Reference submitted to PEFA Secretariat for comments
	January 2015	Final Terms of Reference
April 2015	June 2015	Launch Workshop
April to May 2015	June to August 2015	Data Collection and Interviews
May 2015	August 2015 (1st draft)	Draft PFM Performance Reports (2011 and 2015 pilot methodology)
June 2015	August 2015 (1st draft)	Draft report circulated to Development Partners for review and comments
	January 2016 (2nd draft)	Draft Report circulated to Development Partners and PEFA Secretariat for comments.
June 2015	Not yet finalized	Final Report issued

Organization

Government PFM Reform

Government are implementing a PFM Sector Strategic Plan (2013-2018). The main sections in this plan are:

- Economic planning and budgeting
- Resource Mobilization
- Budget Execution, Accounting and Reporting
- External Oversight and Accountability
- Electronic Service Delivery and IFMIS
- Fiscal Decentralization

The PFM coordination forum, made up of key stakeholders from Government and Development Partners should meet once every quarter (although they met only once during 2015) to review and approve plans and discuss progress made, seeking to better coordinate and improve stakeholder involvement and effectiveness. This forum approves projects financed by the PFM basket fund, including the 2015 PEFA assessment.

PEFA Assessment Initiation

The 2015 PEFA Assessment was initiated through discussion between Government and donors. All parties wanted to update the results of the 2010 assessment given the level of PFM reforms implemented in the intervening years.

Government were especially keen to demonstrate progress made during this time as well as to identify any areas for improvement to feed into an update of the PFM Sector Strategic Plan 2013-2018 planned to be conducted during 2016. The Government of Rwanda is currently trying to attract foreign investment into the country; being able to demonstrate a robust PFM system helps encourage potential investors.

Development Partners stated that an updated PEFA assessment would prove useful in updating their understanding of country PFM systems and would assist them in planning country support programs. Although EU representatives were not interviewed during this assignment it is understood PEFA assessments are one of the inputs used in making budget support decisions.

The PEFA assessment process was funded by a PFM basket fund (funded by DFID, EU, KfW and Government). Funding was approved by the PFM Coordination forum. Government then contracted a consultancy company using national procurement procedures.

To provide a good comparison of scoring with the previous 2010 PEFA assessment it was decided that an assessment would be made using the 2011 PEFA methodology. In addition, to provide a useful baseline for future PEFA assessments, an assessment was also made using the pilot 2015 methodology (now being upgraded to the 2016 methodology)

PEFA Assessment Process

An one-day opening workshop was conducted on 16th June 2015 and was attended by Government officials (including the Minister of Finance), Development Partner representatives and Civil Society Organizations as well as the consultants appointed to conduct the assessment. The purpose of the workshop was to introduce the assessment process as well as to sensitize all stakeholders on the PEFA methodologies used during the assessment.

Data gathering was then conducted between June and August 2015 and initial draft reports (1 x 2011 methodology and 1 x pilot 2015 methodology) were circulated at the end of august 2016. Further drafts were circulated at the end of January 2016 but the final report (2011 methodology) is yet to be finalized.

At the start of 2016, it was decided, in consultation with the PEFA Secretariat, to update the assessment made using the pilot 2015 methodology to the new 2016 methodology. This will provide a good baseline for future comparison and all stakeholders interviewed agreed that this update, although causing some further delay, was a good idea. The work on updating this report as well as finalizing the other report based on the 2011 methodology is currently being undertaken by the consultancy company responsible for conducting the assignment. Extra funding for this extra work has been made available from the PFM basket fund.

The general impression was that, although there have been significant delays in producing the final report, the process itself went reasonably well. Some specific point raised during interviews were:

- Although funded through a basket fund, MINECOFIN have driven the process throughout and both Government and Development Partner officials interviewed agreed that this level of government involvement was a positive thing and ensured Government "ownership" of the process and the final report. Government officials also said that simply by being involved in the whole process they have increased their knowledge of the PEFA process and methodologies used. This will help them manage future PEFA assessments.
- The opening workshop, held in June 2015, was appreciated by all stakeholders as a good way to "kick-off" the process and sensitize stakeholders on the PEFA assessment process and methodology to be used.
- The PEFA assessment covered the financial years to 30th June 2014. Although some of the more recent PFM reforms are included in the narrative sections of the draft report (for example a Debt Management Strategy produced in June 2015 is discussed in the narrative for PI-12 (ii)), when the report is finally published the scoring will be at least two years out of date. Delays in finalizing the report have added to this timing issue. PEFA is always a retrospective tool but the length of time since the review period was deemed by some of those interviewed to make the results of the assessment less relevant.
- There was a perception amongst some of those interviewed that conducting two national assessments (2011 and 2015 pilot methodologies) and 8 sub-national assessments (originally it was planned to try and produce one consolidated sub-national assessment but it was later agreed that it would be necessary to carry out 8 separate assessments) at the same time increased challenges in coordinating all of the assignments. In future it may be better to stagger the national and sub-national assessments so as to spread the workload of MINECOFIN officials responsible for coordinating and supporting the assignments as well as other stakeholder responsible for participating in

Quality Assurance

Throughout the process PEFA Check quality assurance procedures were applied.

The Terms of Reference were subject to the following QA processes:

- Review and comments submitted by Government Stakeholders
- Review and comments submitted by Development Partners
- Review and comments submitted by PEFA Secretariat

Draft reports (2011 and 2015 methodologies) were circulated to Government officials (including MINECOFIN as well as other stakeholders such as the RRA and the OAG Rwanda) for comments. In addition, Development Partners reviewed draft reports and submitted comments. The November 2015 draft report (2011 methodology) includes an annex of all government and Development Partner comments as well as a description of how they have (or have not) been addressed.

In January 2016 the draft report (only 2011 methodology assessment considered as it was decided to upgrade the assessment based on the pilot 2015 methodology) was sent to the PEFA Secretariat for comments. Detailed comments were provided on 12th February 2016. As per the Secretariat comments many of the indicators are "inadequately evidenced" and in some cases (e.g. PI-3 and PI-21(i)) it is suggested that the scoring in the draft should be reconsidered. As the report has not yet been finalized it is uncertain how these comments will be addressed. However, the detailed comments from the PEFA Secretariat show the QA process is working.

Government ownership

Although the assessment was funded by a donor-supported basket fund, the process was fully owned by Government. Government, hired the consultant company, coordinated the data assessment phase, distributed draft reports and consolidated comments.

All stakeholders interviewed said that government ownership of the process meant that they feel fully responsible for the process. In addition, government officials stated that because they were responsible for all stages of the assessment they have increased their knowledge of PEFA and the methodologies used has improved significantly.

The PFM Reform Manager within MINECOFIN has now left Government; he had primary responsibility for coordinating this assessment and had experience of the two previous PEFA assessments undertaken in Rwanda. Other officials will need to pick up his responsibilities to ensure that this assessment process is completed and sufficient capacity is in place to support future PEFA assessments.

Process timeline

The final Terms of Reference planned for the final report to be issued on 5th June 2015. There have been several delays throughout the process and the final report has still not been completed.

Some of the individual consultants put forward by the winning supplier were no longer available to undertake the assignment once the tender had been won. Discussions over replacement consultants delayed the start of the assignment and meant it commenced two months behind schedule.

The assessment work finished in August 2015 and an initial draft report was shared with Development Partners on 31st August 2015. Comments were submitted in September 2015 and the November 2015 draft report prepared. The draft report was then submitted for comments to the PEFA secretariat (and for a further review by Development Partners) in January 2016 and comments sent to Government in February 2016. It is understood that the report is now being finalized by the appointed consultancy company.

Possible reasons for the delays in the process identified during interviews held include:

- Changes in the consultant team led to delays in the start of the assignment
- The upgrade from the 2015 pilot methodology to the new 2016 methodology was unplanned. Although this upgrade (for which extra funds have been approved from the basket fund) will give a good baseline for the future, this extra work has contributed to the delay in producing the final report.
- Due to the volume of PEFA assessments being carried out at the same time meant that MINOCEFIN officials responsible for coordinating the assessments, Government officials involved in providing evidence and Development Partners responsible for reviewing the draft reports may have suffered from "PEFA overload".

After the PEFA assessment: use of PEFA reports

The 2015 PEFA Assessment reports have not yet been finalized. Final amendments have not been made by the consultancy company of the assessment using the 2011 methodology and further work is yet to be done to upgrade the assessment using the pilot 2015 methodology.

Government intend to use the PEFA to show progress but also identify areas to update their 2013-2018 PFM Sector Strategic Plan. Development Partners stated that as well as providing good background information on the PFM sector the PEFA assessments would provide one input to their country support programs

Government officials interviewed confirmed that the 2010 PEFA assessment was used as a key input when developing the 2013-2018 PFM Sector Strategy and that the 2015 PEFA assessment would be used to review the Strategy during 2016.

There was a feeling amongst government and Development Partners that although the PEFA assessments will give a good, high-level, picture of PFM in Rwanda it is not detailed enough to give comprehensive information on strengths and weaknesses in individual areas of PFM. So for example, the recent TADAT assessment gives a better assessment of issues in relation to tax revenue and the SAI-PMF gives more detailed information on external audit.

A number of these other PFM diagnostic assessments have been carried out in Rwanda over recent years. For example, TADAT, DeMPA and ROSC assessments are also carried out. Government officials stated that all of these assessments will feed into the PFM Sector Strategy Review with the results from

the PEFA assessment. Given the nature of the tools and the common sources of evidence it is unlikely that the results of these assessments will conflict. Nonetheless all results from the various assessments should be considered, as planned, during the review.

Some institutions have proceeded in developing their own plans (for example the RRA have completed their new strategy using the recent TADAT assessment) before the completion of the PEFA assessments. This has the potential to undermine the relevance of PEFA to these institutions and means that there is a sequencing issue that will need to be considered when the PFM Sector Strategy is reviewed.

Some Government officials stated that that the PEFA methodology should encourage recommendations to be made in the report to give extra guidance as to how improvements should be made. They also questioned why donor indicators (D-1 to D-3) had been removed from the PEFA methodology. It was felt that these indicators helped to emphasize that the whole PFM system (including Development Partners) was being evaluated and not just Government.

Some Development Partners raised concerns that because of the nature of the scoring mechanism, and the wish of the government to "perform well", there is a risk that too much focus is put on increasing PEFA indicator scores rather than focusing on more meaningful changes.

Government coordination

The assessment process was coordinated by MINECOFIN. Various other Government stakeholders were involved in the process as required. All Government officials interviewed stated that they were happy with the way MINECOFIN coordinated the exercise and that they had the opportunity to review draft reports and submit their comments.

Development partner coordination, participation and funding

The assessment was funded from a basket fund to which the DFID, KfW and EU contribute (as well as Government). Some of those interviewed stated that the PFM Co-ordination forum, attended by Government and Development Partners to discuss and co-ordinate PFM activities, met only once (May 2015) during 2015. However, it was noted that more regular meetings would probably not have made any difference to the PEFA assessment process.

At key stages in the process donors met to discuss their comments on the draft PEFA assessment reports. For example a meeting was held in early September 2015 to discuss and consolidate comments on the 1st draft reports.

Impact of PEFA on the media, private sector, civil society organizations

Given that the assessment has not yet been finalized it is too early to say what the impact of the assessment will be on media, private sector of civil society organizations. During the visit to Rwanda only one CSO was interviewed and they have only very recently become involved in the PFM sector, focusing on budget transparency. They plan to broaden their scope into other areas of PFM and for this the PEFA assessment would provide good background information. However, for now they don't have the capacity to start addressing other PFM areas.

There was a general impression amongst those interviewed that although Government tries to involve CSOs (for example, CSOs were invited to the opening PEFA assessment workshop in June 2015) there is very limited CSO activity in the Rwandan PFM sector.

Lessons learnt and recommendations for any repeat assessment in Rwanda

1. Continue Government Ownership. There have been challenges in the process and the final reports have been delayed significantly. However, during interviews with Government Officials and Development Partners it was clear that everyone supported Government taking responsibility for the process. Future PEFA assessments should continue to be led by Government.

2. Assessment Planning. The two national assessments and the eight sub-national assessments were all carried out in parallel by two separate teams of consultants, coordinated and supported by the same officials within MINECOFIN. Government should ensure that future assessments (national and sub-national PEFA assessments) are planned so that they are not conducted at the same time. Although in theory there may be some synergy in conducting the assignments together, in practice it places a huge burden on MINECOFIN officials responsible for coordinating and supporting the different assessments (as well as other Government and Development Partner representatives responsible for participating in the assessment process and making comments on draft reports).

In the period prior to the PEFA assessments, and during the assessments themselves, a number of other PFM diagnostic assessments were undertaken in Rwanda including TADAT, DeMPA and ROSC. There was a feeling from some stakeholders that they were subject to "assessment overload" during this period and given that there are varying degrees of overlap between the different types of assessments (although the assessments vary in the level of detail reviewed, they all cover more or less the same ground as elements of PEFA) there may be some efficiency savings if these assessments were planned to complement one another. In addition, if these assessments are completed around the same time they can be used to complement one another in updating government strategy plans.

3. Use of 2016 Methodology. During interviews conducted, many individuals involved in the process expressed one of the main benefits of PEFA is facilitating comparison over time. They stated that to facilitate this important comparative aspect it would help if the methodology is not further amended for a number of years.

Persons met

Patrick Shyaka, *Accountant General, MINECOFIN*
Amin Miramago, *PFM Reform Manager, MINECOFIN*
Obadiah Biraro, *Auditor General, Office of the Auditor General of State Finances*
Seminega Augustus, *Director General, Rwanda Public Procurement Authority*
Tusabe Richard, *Commissioner General, Rwanda Revenue Authority*
Agnes Kanyangeyo, *Deputy Commissioner Planning and Research Department, Rwanda Revenue Authority*
Eva Paul, *Project Manager, KfW Development Bank*
Thomas Taraschewski, *Team Leader (Fiscal Decentralisation and Good Governance Programme), GIZ*
Wenceslas Niyibizi, *Technical Advisor (Fiscal Decentralisation and Good Governance Programme), GIZ*
Pieter Deparq, *Finance Advisor, BTC*
Harald Vandermeulen, *Cooperation Development Advisor, Belgian Embassy*
Enagnon Ernest Eric Adda, *Financial Management Specialist, World Bank*
Leif Jensen, *Senior Economist, World Bank (Telephone)*
Jens Kromann Kristensen, *Lead Public Sector Specialist, World Bank (Telephone)*
Mark Montgomery, *Governance Team Leader, UK Department for International Development*
Joachim Bagaza, *Programme Manager, UK Department for International Development*
Alexis Nkuriunziza, *Project Co-ordinator, Collectif des Ligues et Association de Defence de droits de l'homme*
Darius Rutaganira, *Project Co-ordinator, Collectif des Ligues et Association de Defence de droits de l'homme*

Appendix 4. Ukraine country study

Brief introduction on the country[42]

Ukraine is an Eastern European country with a population of approximately 46 million. While transition from the socialist regime started in the early 1990s and much has been done in shifting to a market economy, there are many remnants of the social institutions and culture even after twenty years of transition. Currently, the economic and fiscal situation are severely affected by the ongoing conflict in eastern Ukraine.

A weak external environment, delayed structural reforms, poor macroeconomic management combined with the conflict in the East have led to economic stagnation. During 2001-2008, real GDP growth averaged 7.5 percent. After a deep contraction in 2009 precipitated by the global economic crisis, Ukraine experienced a modest recovery in 2010-2011 followed by economic stagnation during the past two years due to economic mismanagement, declining investment and weak external demand. In 2013, real GDP fell below its 2007 level. In 2014, real GDP fell by 7.5 percent.

Following the removal of the previous government, a new President was elected in May 2014. These significant political changes in the country have helped drive an evolution in the PFM regularity framework. A number of legal and political initiatives have been adopted, are in the process of preparing and waiting for approval. At the end of 2014, after years of discussions and consultations, substantial amendments to the Budget Code concerning the inter-budget relations reform were adopted. Legislative changes extended the powers of the Accounting Chamber to audit the state budget revenues (it covered no more than expenditures before).

The 2011 PEFA Assessment concluded that improvements in to the PFM systems Ukraine, introduced over the previous ten years, improved fiscal management and helped the country to maintain budget discipline during a period of political and economic disturbance in 2008-09. However the report also noted overall progress in implemented these reforms since the previous assessment in 2006 had been slow.

The recent 2015 assessment states that the due to the fiscal and political pressures of recent events in Ukraine, short term “crisis-management” to maintain fiscal discipline has crowded out longer term structural reforms. The report identifies some areas of improvement (for example, changes to the tax code on relation to data disclosure and transfer pricing and amending the budget code to establish a multi-year budgeting framework) but also highlights that in some important areas implementations of these new legal provisions has been slow.

PEFA experience

The 2015 PEFA assessment is the third to be conducted in Ukraine. The previous assessments were conducted in 2006 and 2011.

[42] Most of the background information was taken from the PEFA country assessment report.

The table below shows planned and actual dates for the 2015 PEFA assessment process.

Planned date per Concept Note	Actual Date	Event
	December 2014	Initial Discussions of PEFA assessment between donors and Government
	February-March 2015	Draft Concept Note Prepared
April 2015	May 2015	Final Concept Note
May 2015	May 2015	Launch Workshop
May 2015	May – November 2015	Data Collection and Interviews
June-July 2015	November 2015 (*issued to Government)*	Draft PFM Performance Report (2015 pilot methodology)
July – August 2015	November – December 2015	Review of PFM Performance Report
September – October 2015	November – December 2015	Consultations on draft PEFA Report
September – October 2015	December 2015	Final Workshop
	January – March 2016	Draft report updated to reflect 2016 methodology
	April 2016	Draft report circulated for review and comments
December 2015	June 2016	Final Report issued

Organization

Government PFM Reform

A PFM Reform Strategy was approved in August 2013. The Ministry of Finance coordinates PFM reform and is responsible for reporting on implementation of the PFM Strategy and Action Plan and quarterly monitoring reports are published on the website. The role of other key institutional actors is limited to their respective areas such as Accounting Chamber taking a lead on external audit reform, and Ministry of Economic Development leading efforts in public investment management and procurement.

The conclusion of the PEFA Assessment 2015 is that this strategy focuses on legislative reform and less on implementation of real change. During interviews, with donors and government, it is clear that this PEFA assessment will be used as a key input in developing a new PFM reform strategy.

PEFA Assessment Initiation

The 2015 PEFA Assessment was proposed by donors and discussions with Government started in December 2014. From the start, Government expressed a positive attitude to the assessment. It was felt that it was the right time to assess the status of the PFM system; identifying areas of progress as well as flagging up potential areas for improvement. In addition, government recognize that completing regular PEFA assessments, and showing good progress in implementing PFM reforms, is important in order to retain donor confidence and receive donor support.

Donors and Government officials interviewed said that the PEFA Assessment would prove useful in informing a new PFM reform strategy. The 2015 PEFA assessment stated that although the 2013 Strategy sets out many required legislative and regulatory changes (many which have been addressed) there is not enough focus on implementing real change. It is felt that this PEFA assessment will help identify priority areas for future PFM reforms.

In addition, there was a general recognition that four years had passed since the previous assessment and that a lot of change had happened during that time. In this way the 2011 PEFA Assessment was considered out of date and this new assessment would give a more up to date picture of the PFM system in the country.

Everyone interviewed said that although other PFM diagnostic tools are used in Ukraine (e.g. Open Budget Initiative, Public Finance Review), PEFA is the only one to offer a high level, comprehensive assessment of the entire PFM system.

PEFA Assessment Process

The assessment was carried out by donors (World Bank, EU, GIZ and USAID) and the process was coordinated by World Bank. Although the process was led by donors, government were involved throughout the process. The main Government counterpart was Ministry of Finance; they coordinated the inputs of other government stakeholders in the PFM system.

The PEFA assessors were representatives of four donors (WB, EU, GIZ, and USAID). Indicators were assigned to assessors based on their knowledge/area of interest. So for example, the budget transparency indicators were assessed by EU representatives because of their experience and interest in this area while indicators relating to external audit were assigned to GIZ which is currently focusing on providing support in this area.

At the start of the process (May 2015) an opening workshop was held attended by relevant Government officials, key donor representatives (assessors) and NGO representatives. At this workshop the PEFA assessment process and methodology were explained and participants had the opportunity to ask questions. This workshop was also attended by the Head of the PEFA Secretariat.

Originally it was planned to complete the PEFA Report in line with the 2015 pilot methodology. However, after the finalization of the 2016 methodology it was agreed that the report would be updated to reflect this new methodology. This involved some additional work but will give a good baseline going forward to compare against future PEFA assessments.

The general impression was that the assessment process went well. Specific points raised by interviewees included:

- The initial workshop (attended by Government, Donors, PEFA secretariat, NGOs) was extremely useful in explaining the methodology used in the assessment and marking the start of process. It meant that everyone was clear about how the assessment was going to be carried out.
- There was a consensus amongst donors involved in the process that the collaborative approach to the assessment helped them build stronger relationships with other donors as well as giving them a more detailed knowledge of systems and individual officers within Government. This will benefit their work in the future.
- There was also the impression that because the assessors were assigned from donors, they had more time to perform some detailed work and make adequate follow ups. This may not always be the case when a team of consultants is brought in to complete the assignment within a defined, usually tight, timeframe.
- Appreciation of the PEFA process within Government has now become "embedded", although some specific knowledge gaps remain. Officials also involved in the previous PEFA assessment said that government participation in the 2015 PEFA assessment process, through written comments and discussions at meetings, was much greater than in the process for the 2011 assessment.
- As the assessment was carried out by many different assessors across different indicators for a degree of specialization. For example, budget planning indicators were assessed by an official from the EU with an expertise in this area, external audit indicators were assessed by employees from the UK NAO, on behalf of GIZ. This input from specialist assessors will have had a positive impact on the final output. In addition, using such specialist assessors also allowed them to build deeper understanding of relevant PFM systems in Ukraine and develop relationships with individual Government officers involved in the process.
- On the other hand, some Government officials commented that the large number of assessors across different indicators, visiting Ukraine at different times, made the exercise a little more difficult to co-ordinate. Significant work was also required by the World Bank Coordinator in consolidating all assessments into a consistent, well written, report.
- All those involved also praised the co-ordination by the World Bank during the assessment process.
- The method used in delivering the assessment necessitated a high degree of donor collaboration and has helped develop stronger relationships between those participating.

Quality Assurance

Throughout the process PEFA Check quality assurance procedures were applied.

The concept note was subject to the following QA processes:

- Internal World Bank QA processes

- Review and comments submitted by donors (World Bank, IMF, USAID)
- Review and comments submitted by PEFA Secretariat
- The draft concept note was sent to Government (MoF) but no comments were submitted. Government officials stated this was because they were happy with the draft submitted.

The draft report was also subject to vigorous quality assurance processes. These included:

- The initial draft report (2015 methodology) and scoring were discussed at a workshop in December 2015. Feedback from some participants confirmed that there were some "robust" discussions between Government officials and assessors. Detailed discussions between Government and assessors is healthy and can only help to ensure the report is factually correct and that the views of all parties are fully taken into account.
- The draft report was reviewed and comments submitted by donors (World Bank, EU, PEFA Secretariat). It should be noted that individual quality reviewers were not involved in the assessment process so that adequate "Chinese walls" were in place. One of these reviewers stated that the draft was also shared with colleagues within his institution. This wide sharing of the report also helps to ensure the quality of the final version.
- The draft report was reviewed and comments provided by the PEFA Secretariat.
- The draft report was reviewed and comments provided by Government.

All comments on the concept note and the draft report were consolidated and actioned by the World Bank Coordinator before informing all reviewers how comments had been addressed. It is clear from reviewing the various draft documents, comments submitted and responses to these comments that this process contributed to improving the quality of the final products (Concept Note and Report).

Donors stated that the support from the PEFA secretariat was extremely beneficial to the process. Feedback provided was very much appreciated and also contributed to an improvement in the final output. For example, comments from the PEFA secretariat on the draft report led to corrections on scoring of Indicators PI-8 (B to C+) and PI – 20 (B+ to A) in the final version.

Government ownership

The process for this assessment was driven by donors. Donors suggested the assessment, funded the assessment, delivered the assessment and produced the final report. However, Government officials stated that they were involved throughout the process.

One Government official involved in the previous PEFA Assessment processes stated that Government felt more ownership during this assessment than the one conducted in 2011. It was felt that this time Government had more opportunity to contribute and give feedback, and that discussions between Government and the Assessors was much more "lively". It was felt that this was partly because Government is getting more used to PEFA assessments and has developed greater confidence in dealing with the practical and methodological issues involved and partly because this assessment, carried out by donors, allowed them more opportunity to contribute. It was felt that the during the 2011 assessment process, Government were given much less opportunity to become involved in the process.

Process timeline

The detailed timeline for this PEFA assessment is shown on page 2. The assessment was planned to have been completed in December 2015 and the final report was actually produced in June 2016; six months behind schedule.

Reasons given for this delay were:

- The decision was taken to update the report from the 2015 pilot PEFA methodology to the new 2016 methodology. While providing scoring that will better allow stakeholders to monitor progress going forward this did mean additional work during quarter 1 of 2016 before the report could be finalized.
- It is recognized by all interviewees that the process generally went well. However, using a number of different assessors, employed by different donors, carrying out fieldwork independently and at different times, made coordination more difficult. Upon receipt of the various individual contributions to the report, significant work was required to consolidate these different sections into one, standard, report.

As with any PEFA assessment, timing is an issue. Even if the assignment was completed as planned in December 2015, the report would still have been published fifteen months after the last period on which it was focused (FY 2013/14). This extra six month delay means that the final report is even more retrospective.

Although some of those interviewed did say that the retrospective nature of the final report will make the report slightly less relevant, it was generally felt that the report will still give a good overall picture of the PFM picture in Ukraine. It was also noted that although the scoring was focused on the periods up to FY 2013/14, much of the narrative does include information on things such as recent legislative changes which users can take into account when considering the report.

After the PEFA assessment: use of PEFA reports

The report has just been finalized (June 2016) to it is too early to be certain how it will be used. However, feedback during interviews shows that it is planned to use the report as a key input to an updated PFM reform strategy.

The PEFA Framework is thought to be, generally, an excellent tool to give an overall view of a national PFM system while at the same time not requiring the intensive level of input required of more focused/detailed diagnostic tools (e.g. IDI SAI PMF for external audit). It is comprehensive, standardized and the grading structure allows for focus on key “problem” areas.

By definition it is only a snapshot. This assessment included to the financial year to September 2014. Any PFM reforms during 2015, although possibly included in the narrative, could not impact on the scoring. In this way it could be described as a retrospective snapshot – in this case the final report issued in June 2016, almost two years of the end of the last financial year to which many the indicators relate.

To provide a useful measure of progress over time PEFA assessments need to be repeated regularly. Those interviewed generally expressed a desire for the methodology to remain unchanged for a number of years to allow knowledge of the methodology to be further embedded and to allow easy comparison

over time. Some concerns were raised by Government officials who stated that because of the new methodology scores have gone down despite no change or even improvement in that area. Stakeholders without detailed knowledge of the PEFA methodology may misinterpret the scoring.

Government coordination

The Department for Cooperation with International Organizations within Ministry of Finance coordinated the exercise on behalf of Government. Government officials stated that they were adequately involved throughout the process.

Development partner coordination, participation and funding

The assessment was funded by DFID through the World Bank. In addition to this some donors also contributed significant staff time (GIZ, USAID and EU) that was not recharged.

Impact of PEFA on the media, private sector, civil society organizations

Given that the assessment was only concluded in June 2016 it is too early to say what the impact of the assessment will be on media, private sector of civil society organizations. During the visit to Ukraine only one CSO was interviewed and because they are very focused on specific areas of PFM, such as budget transparency, and are involved in their focus areas on a "live" basis, they had little awareness, or interest, in the PEFA assessment. It was felt that the PEFA assessment would have little relevance because, firstly, it is a retrospective assessment and, secondly, the high-level issues addressed in PEFA have only little background relevance when the CSO is focusing attention on very specific aspects of the PFM system.

Lessons learnt and recommendations for any repeat assessment in Ukraine

1. Increased Government Ownership. The 2015 PEFA Assessment process was driven by donors. Government officials stated that they were involved throughout the process and appreciated the efforts to explain the process and methodology being applied (e.g. through the opening workshop). There is a feeling that although by participating in the process Government officials have become better familiarized with PEFA, there was still a perception of a "knowledge gap" between them and the assessors. For the next PEFA assessment all parties should consider increasing the involvement of government in the process. This could, for example, involve partnering Government staff with assessors, working together to complete the assessment. This would help build Government capacity to conduct future PEFA assessments as well as building PFM capacity more generally.

2. PFM Reform Strategy. Donors and Government intend to use this PEFA assessment as an input to a new PFM Reform Strategy. No doubt this Strategy will have a number of detailed monitoring tools built in so that progress against objectives can be measured and reported. Government should ensure that a future PEFA assessment is built into this monitoring process and a further assessment, say 3 years from now, should be built into the plan. A further PEFA assessment will be a good measure of progress made in PFM reform and will help to drive an update of any agreed strategy. By explicitly including a further PEFA assessment into the Strategy (or action plan) it will also allow all parties to plan for the assessment well in advance so that all preparations can be made at the earliest opportunity.

3. Use of 2016 Methodology. Some of the issues in completing this assessment have arisen because of the change in methodology near the end of the initial assessment process. This caused some delays in issuing the final report. In addition, the change in methodology meant that it is extremely difficult to compare scores from the previous PEFA conducted in 2011. No amount of explanation and qualification will prevent some stakeholders from looking simply at the scores and forming the wrong conclusions. During interviews conducted, many individuals involved in the process expressed one of the main benefits of PEFA is facilitating comparison over time. They stated that to facilitate this important comparative aspect it would help if the methodology is not further amended for a number of years.

Persons seen

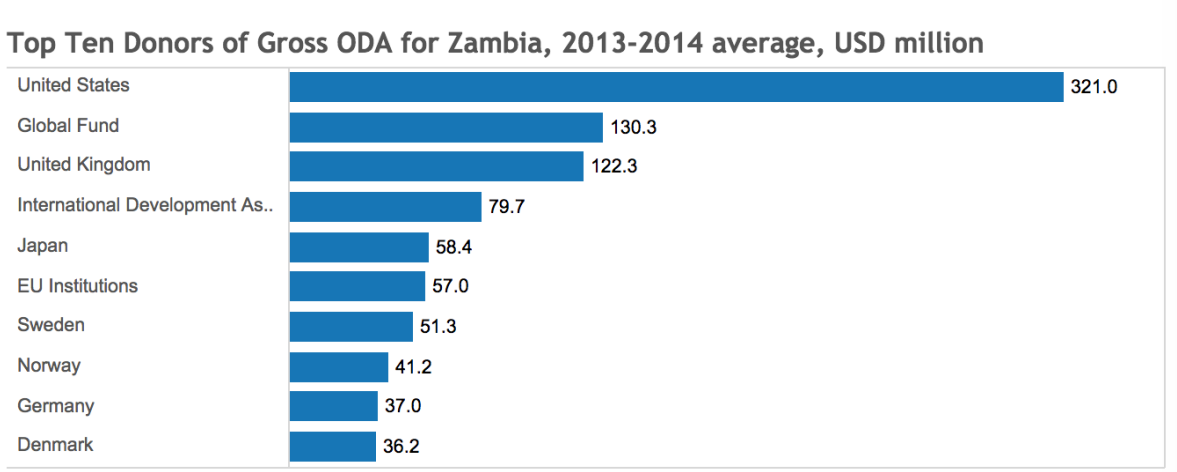
Victoria Kolosova, *Director, Department for Cooperation with International Organizations, Ministry of Finance*
Olga Pershyna, *Chief Economist, Department for Cooperation with International Organizations, Ministry of Finance*
Volodymyr Lozytsky, *Director, State Budget Department, Ministry of Finance*
Mykhailo Bosak, *Deputy Director – Budget Planning, State Budget Department, Ministry of Finance*
Kateryna Zubaneva, *Head of the Macroeconomic Analysis Unit, State Budget Department, Ministry of Finance*
Natalia Starostenko, *Sector Manager (PFM and Budgetary Transparency), European Union Delegation to Ukraine*
Phillipe Bertrand, *European Union Delegation to Ukraine*
Simon Knott, *Support Group for Ukraine, European Commission*
Oleksii Balabushko, *Senior Public Finance Specialist, World Bank (telephone)*
Kenneth Collins, *Regional Controller, USAID*
Tatiana Skrypka, *Supervisory Financial Analyst, USAID*
Nadia Rozhko, *Project Public Finance Expert Support to PFM Reform, GIZ*
Ruslana Rudnitska, *Co-Project Leader, Introduction of Public Internal Financial Control and Internal Audit in Ukraine Project (also PEFA assessor during recent assessment)*
Volodymyr Tarnay, *Center for Political Studies and Analysis*

Appendix 5. Zambia country study

Brief introduction on the country

Zambia has had a long period of political stability. With strong growth in the last decade the country has reached lower middle income status. However, more than 60 percent of Zambians live below the poverty line and the economy remains heavily dependent on copper exports. Human development indicators are below the Sub-Saharan Africa average. Over the past decade the Gini coefficient worsened from 0.47 to 0.52.[43] "The benefits of GDP growth have accrued largely to the richer segments of the population in urban areas, a problem which the Government is actively engaged in to correct"[44]. A new constitution was agreed in January 2016, there are general elections on 11th August 2016. A Ministry of Development Planning was created recently (to include planning and M&E from the Ministry of Finance).

Zambia faces its toughest economic challenges in at least a decade. The economy came under strain in 2015. Growth of the economy was expected to drop beneath 4% in 2015 for the first time since 1998. External headwinds include slower regional and global growth (China purchased 40% of global copper production with prices falling from 2011) and a US$ that has strengthened considerably against the Zambian kwacha. Domestic pressures include a power crisis [from lower rains] impacting on all sectors of the economy, repeated fiscal deficits that have reduced investor confidence, and low and poorly timed rains that have reduced the agriculture incomes of 62% of the population living in poverty.[45] By the end of 2015, inflation had risen to over 20%.



Source OECD DAC - http://www.oecd.org/countries/zambia/aid-at-a-glance.htm#recipients

Zambia currently faces a number of challenges including devaluation of the currency against the dollar (by 50% in the middle of 2015 year) which increases the level of government debt. The international

[43] World Bank (2013) Republic of Zambia Country Partnership Strategy

[44] Terms of Reference for the Zambia PEFA Assessment 2016

[45] World Bank (2015) Zambia Economic Brief, Issue 6, December, page 1:

price of copper has fallen and rainfall was poor last year and expected to be poor again this year (see OECD report May 2016[46]). As a result, there will probably be a new IMF program next year to assist with government debt.

In 2010, DFID and a number of other donors including the World Bank, EU, African Development Bank, Sweden, Norway and Finland provided significant amounts of budget support to the Government of Zambia. This gradually stopped over the period of around 2009 to 2013. This was a result of a change of policy of some of the donor governments and the failure of the Government of Zambia, in the face of external shocks, to manage its macro-economic affairs which led to significant budget deficits.

PEFA experience

There have been three PEFA assessments in Zambia, dated 2005, 2008 and 2012. Zambian government officials were directly involved in each of these assessments and the local consultant for the last assessment is now a Deputy Accountant General (and had been the co-ordinator for the PEMFA Program) and the Co-ordinator for the current PFM Reform Program.

Prior to the PEFA assessments, two HIPC assessments had been undertaken by the World Bank and the IMF (in 2001 and December 2003)

2005 PEFA assessment

Lead agency: DFID, other agencies involved: Netherlands, EU, Finland, GIZ, Irish Aid, NORAD, SIDA, UNDP, World Bank, Denmark (then the 11 PEMFA Cooperating Partners in Zambia)
CN/ToR: March 2007
Date of Main Mission: first half October 2005
Date Final Report: December 2005.[47]

The assessment was a "joint exercise between the GRZ [Government of Republic of Zambia] and the donors supporting the PEMFA programme. The GRZ led the evaluation process and was assisted in completing the evaluation by independent monitoring consultants appointed by the co-operating partners" [donors][48]. There was significant discussion about the scores as Government officials felt they should be higher.

The report of the 2005 PEFA assessment is available on the PEFA Secretariat website.

2008 PEFA assessment

Lead agency: Government, other agencies involved: DFID, MFA Netherlands, EU , GIZ , MFA Norway , SIDA , UNDP , WBG

[46] www.africaneconomicoutlook.org
[47] data from the PEFA Secretariat website
[48] from the 2005 PEFA report

Date of Main Mission: June 2008
Date Posted on Web: Jun-2008[49]
Final Report: Dated June 2008 however the Report was only finalised in February 2009, after the PEMFA Secretariat had addressed stakeholder comments (so from fieldwork to final report took eight months).

• Government led the assessment process. The Terms of Reference were developed by the government and reviewed by the PEFA Secretariat.
• Lead donors for the PEFA (DFID and SIDA) coordinated inputs of 13 active donors in Zambia.
• SIDA financed the international consultants.
• donors were involved in all aspect of the Assessment cycle.
• PEFA Assessment was led by a government team assisted by two international consultants appointed by the donors.

The PEFA assessment "conducted in 2008, confirmed that PFM performance in Zambia has improved in all dimensions of the PEFA indicators"[50]. The report for the 2008 PEFA assessment stated that:

- "The basis for strategic budgeting has been improved through the implementation of the revised Chart of Accounts, enabling the budgets and fiscal reports to be formulated and analysed to a greater degree (down to programme and activity level). Nonetheless, at present, some programmes are defined as line items as opposed to groups of activities aimed at achieving a specific policy objective;
- There is greater comprehensiveness of fiscal information, particularly in the Financial Report, including systematic reporting of arrears;
- There have been improvements in internal audit through better coverage and an increased emphasis on systemic audit;
- There is improved oversight through better coverage and improved methodology for external audit, and the opening up of public access to PAC hearings."

The PEFA report for 2008 was not available on the PEFA website at the time of our country visit.

2012 PEFA assessment
Lead agency: Government
Other agencies involved: DFID
ToR: Dec 2011
Date of Main Mission: June/July 2012
Date Posted on Web: June 2012 (draft)[51]

[49] from the PEFA Secretariat website
[50] Evaluation of budget support in Zambia - German Development Institute, 2012
[51] from PEFA Secretariat website

The initial assessment was undertaken during 12 June to 13 July 2012. The team leader was an international consultant and he was supported by a local consultant (the former co-ordinator of the PEMFA project) and seven Government staff.

The report was delayed as the international consultant had other commitments and had to be replaced. In May 2013 a second international consultant with most of the Government team and the local consultant updated the data and other information and held a stakeholder workshop where the results were provided and the final draft report issued. However, the final report is dated November 2013. The final report is available from the Ministry of Finance website:
http://www.mofnp.gov.zm/jdownloads/PFMR/zambia2012pefafinal.pdf

The key issues for the 2012 PEFA assessment were the falls in the scores for "Budget Credibility" and "Comprehensiveness and Transparency".
PI-1 "Aggregate expenditure out-turn compared to original approved budget" fell from B to D.
PI-3 "Aggregate revenue out-turn compared to original approved budget" fell from A to C.

These changes may have been expected given the reduction in the price of copper and the resulting slow down in the economy from 2011.

The PEFA report for 2012 was not available on the PEFA Secretariat website at the time of our country visit and this only refers to a draft report.

The following two comments on the 2012 PEFA were made by the IMF in their Article IV Report for 2013:

"...The recent [IMF] assessment found a deterioration in [Zambia's] Public Financial Management (PFM) , including reporting and quality control. Procurement practices have also deteriorated, with single-source contracts for some large projects. While the rollout of the Integrated Financial Management Information System (IFMIS) has continued, its implementation, as well as that of the Treasury Single Account (TSA), has been weak, and only release-based fiscal data are available. In addition, consolidation of financing data with the Bank of Zambia (BOZ) needs to be improved..."[52]

"....IMF stressed the importance of stepping up PFM reform to support fiscal consolidation and improve budget planning and implementation. Staff underlined the importance of (i) enhancing budget credibility and consistency between the National Development Plan, Medium-Term Expenditure Framework, and annual budget; (ii) improving fiscal data as well as forecasts by enhancing the macro fiscal framework; (iii) expanding the coverage of the TSA by closing line ministries' accounts at commercial banks; (iv) improving collaboration between units at the Ministry of Finance, and with the BOZ, to produce fiscal data based on expenditures rather than releases; (v) strengthening IFMIS implementation and controls;

[52] Source: IMF Article IV Report 2013, Paras 21-22

and (vi) providing additional resources to the Accountant General's Department to support these reforms..."[53]

2016 PEFA

Initiated by Government writing to the World Bank (I was not able to meet with any official who had been involved with this letter nor any World Bank officials). However, the only indication given for the request was that it was three or four years since the last PEFA assessment. It is to be financed from the Multi-Donor Trust Fund (funded by three donors, DfID, KfW – Germany and Finland). There are expected to be two local consultants and one international consultant who are to be engaged by the World Bank. There are to be five or six members of the team from the Government (Accountant General Office, Budget, Procurement, Public Finance Management Reform Programme).

The *Concept Note* was developed by the Co-ordinator of the Public Finance Management Reform Programme, and finalised by the World Bank in consultation with donors (DfID, KfW, IMF Resident Representative, EU etc) and Government representatives.

The Assessment is to be Co-ordinated by Mumba Chanda (Deputy Accountant General and Coordinator of the Public Finance Management Reform Programme). The World Bank is to provide a Senior public finance management Specialist as the Task Team Leader.

Organization

The Public Expenditure Management and Financial Accountability (PEMFA) Program implemented a comprehensive PFM reform of about US$ 75 million from 2005 up to December 2012. It was funded by the following 11 donors:

- DFID
- European Commission
- Netherlands
- Ireland
- Denmark
- Norway
- Sweden
- World Bank
- Finland
- Germany
- UN country team.

An independent evaluation of the Implementation of the PEMFA programme (July 2010) indicated that it was difficult to attribute the improvements in the PFM environment to PEMFA, as the program "had either failed to deliver what it set out to achieve or had delivered late."... Lack of Government

[53] Source: IMF Article IV Report 2013, Paras 21-22

ownership, weak leadership, bad management design, and CPs' [donors'] *imposition of over ambitious plans in terms of both timescale and scope of reforms were all factors that contributed to this disappointing outcome.*[54]

Public Finance Management Reform Programme
Established in August 2014 and funded through the multi-donor trust fund (funded by DfID, KfW and Finland and administered by the World Bank). The programme has the following eight components:
(1) Integrated Planning and Budgeting and Revision of PFM Legal Framework,
(2) Strengthening the Integrated Financial Management Information Systems (IFMIS), implementation of Treasury Single Account (TSA) and implementation of International Public Sector Accounting Standards (IPSAS),
(3) Public Procurement Reforms including implementation of eGovernment Procurement System,
(4) Enhanced Internal Audit and controls,
(5) improved revenue administration leading to higher revenues to Government
(6) improved tax policy formulation,
(7) improved oversight institutions & accounting professional bodies (office of the Auditor General and Zambia Institute of Chartered Accountants) and
(8) development of a dedicated PFM Reform unit in Ministry of Finance to coordinate PFM reforms.

The Public Finance Management Reform Programme Coordinator is Mumba Chunda, a deputy Accountant General. The programme also has the following staff:

- Financial Management specialist - Clare Mazimba
- M&E specialist
- Procurement specialist – to be obtained
- Project accountant.

A number of civil society organisations have an interest in public finance management, in particular, these include:

- Civil Society for Poverty Reduction – www.csprzambia.org/
- Policy Monitoring and Research Centre (PMRC) - www.pmrczambia.com

Government ownership
The PEFA report for 2005 indicated that the exercise had been undertaken with a team of five Zambian Government officials, one of whom was the Team Leader, supported by two international consultants. However, the 2012 review was led by an international consultant with assistance from eight Zambians. It is proposed that the 2016 assessment will be undertaken by a team co-ordinated by the co-ordinator of the PFM Reform Programme with the Task Team Leader provided by the World Bank. The Concept Note says that it will be "a joint government-donor assessment" and that it "will be led jointly by GRZ [Government of Zambia] and the World Bank in close collaboration with other development partners".

[54] Terms of Reference for the Zambia PEFA Assessment 2016

It also indicates there will be five Government officials, as team members, and three consultants (one international and two local).

Thus Government ownership of the PEFA assessment process in Zambia has reduced over time. However, some Government officials do have substantial experience of undertaking PEFA assessments.

Mumba Chanda (now a Deputy Accountant General) was the local consultant for the 2012 PEFA assessment.
Percy Musona, (now Budget Office, Ministry of Finance) was involved in each of the three PEFA assessments in Zambia.
Clare Mazimba (now Financial Management specialist with the PFM Reform Programme) and Kelvin Mpembamoto (Zambia Revenue Authority) were both involved in the 2008 and 2012 PEFA assessments.

Process timeline

2005 PEFA Assessment

- Main Mission: October 2005
- Final Report: December 2005

Three months from fieldwork to final report.

2008 PEFA Assessment

- Field Visit: June 2008
- Draft Report: June 2008
- Final Report: February 2009

Eight months from fieldwork to final report.

2012 PEFA Assessment

- Field work June to 13 July 2012
- May 2013 – update of data
- Final report dated November 2013

Eighteen months from fieldwork to final report.

The timeliness of the issue of the PEFA assessment reports thus appears to have deteriorated over time.

After the PEFA assessment: use of PEFA reports

This was difficult to assess as it was nearly three years since the last PEFA report and almost all the donor officials I met had been posted to Zambia after the last PEFA assessment. However, the officials were generally aware of the results of the 2012 PEFA assessment and used this, other reports and back ground information and the knowledge of their advisors and consultants to inform their plans and support for public finance management reform in Zambia.

None of the government officials, donor staff or civil society staff made any reference to comparing the PEFA scores for Zambia with those for other countries.

The next section indicates that the *Public Financial Management Reform Strategy for the Government of the Republic of Zambia 2013-2015* had been developed in the year since the 2012 PEFA fieldwork was undertaken. The Strategy states that, "the results of the PEFA Assessment 2012 were also used to inform and foster the implementation of the specific reform areas and respective implementation plans as well as strategic plans of the involved institutions." (page 5).

Officials that I met in the Ministry of Finance and the Ministry of National Development Planning felt that the PEFA assessments were a useful means for the country to assess the quality and progress with its public finance management reforms and that the external assessment provided additional credibility to the scores. However, government ownership of the process was rather limited.

I was not able to meet with senior policy makers in the Ministry of Finance despite requests for interviews with, for example, the Accountant General. Donor officials felt that the PEFA assessments had been useful as one source of information on public finance management reforms and the specific aspects that they were supporting. It was hoped that the 2016 PEFA assessment would inform the proposed revision to the Government's PFM Reform Strategy.

Government coordination

The Government's long-term strategic plan, *Vision 2030*, was published in December 2006. The Revised Sixth National Development Plan was published in August 2014 and covers the period 2013 to 2016. A Seventh National Development Plan was being developed at the time of our country visit and is expected to be adopted by the Government after the general elections in August 2016.

Public Financial Management Reform Strategy for the Government of the Republic of Zambia 2013-2015 (dated July 2013) has the following 10 components:

- Integrated planning and budgeting
- Debt management
- Government investments
- Domestic Revenues
- Fiscal decentralisation
- IFMIS and cash management
- Public procurement
- Enhanced internal audit and control
- Monitoring and evaluation
- Restructuring of Ministry of Finance
- HR Department for Ministry of Finance.

This was informed by the 2008 PEFA (the World Bank final report on the PEMFA reform program) and the results of the 2012 PEFA assessment. It was approved by the Cabinet in April 2012 (as the 2012 PEFA process was starting).

Of these components, domestic revenues (40%) and IFMIS & Cash Management (30%) have by far the largest indicative budgets. These two areas were not necessarily highlighted in the 2012 PEFA assessment as being particularly weak. Although poor cash management could contribute to lack of budgetary compliance.

This strategy is being revised and this process is expected to be completed by the end of 2016, with the new government after the General Election in August 2016. The revised strategy will cover the years 2017 – 2019.

Recent Developments

In 2010 the Ministry of Finance piloted the IFMIS (SAP) and this has now been rolled out to 43 of the approximately 50 ministries, provinces and spending agencies (including the 10 provinces).

A Treasury Services Department was created in the Ministry of Finance to manage the Treasury Single Account. A pilot as established in the Ministry of Finance and this has been rolled out to MPSs, who retain mirror accounts in commercial banks.

The payroll is managed by a separate SAP system, the Payroll Management and Establishment Control System (PMEC).

The Zambian Procurement Oversight Authority is being created to develop strategy, guidance, undertake procurement audits and take corrective action (the Public Procurement Act 2008, is being revised to take account of this development and to provide for independent appeals process).

KPMG revised the general internal audit manual (dated from 2003) to provide an emphasis on performance and risk-based internal audit. Deloitte & Touche produced an IT Manual. Audit Committees were established in all ministries, provinces and spending agencies.

The Constitution of Zambia was revised in January 2016 to require Parliamentary approval before any spending outside the budget was undertaken.

The Seventh National Development Plan is currently being developed in consultation with civil society. The focus is the development of agriculture to achieve economic diversification.

The last quarterly budget out-turn report on the website of the Ministry of Finance is for the third quarter of 2015.

Development partner coordination, participation and funding

Public Finance Management Donor Programs
Public Sector Capacity Building Project from 2000 – 2005 - World Bank. This included support for an MTEF and IFMIS. NORAD have been providing support to the Auditor-General since 2000 and DfID were providing support to ZRA from 1999.

Public Expenditure Management and Financial Accountability (PEMFA) (Programme (2005 – 2010 and extended to December 2012 - US$ 75 million) based on the following areas:

- Integrated Financial Management Information System
- planning & budgeting
- public procurement
- Parliamentary oversight
- Auditor-General
- internal audit & control.

This programme was supported by 11 donors.

Mumba Chanda was the finance manager, the program manager and then the co-ordinator for a year. He was then made redundant for three years and came back in 2014 as Co-ordinator for the current PFM Reform Programme.

In October 2015 SIDA (Sweden) stated that
"As a result of public financial management limitations of the Ministry of Finance, [Sida's] funds will be channelled directly to the Ministry of Health and not through the treasury. This approach will change should public financial management improve," They are providing funds to the Ministry of Health rather than for public finance management.

Current Reform Programs
The Public Finance Management Reform Program is funded from a multi-donor trust fund which is financed by the Department for International Development, KfW and the Finnish Government and administered by the World Bank. Formally started in 2012, but not really got going until 2014 (Project Initiation Document dated April 2014) and was formally initiated by the government in August 2014. Phase I is to last until December 2017.

There is a Technical Committee and a Steering Committee which meets quarterly (includes representatives from the four funding agencies and Ministry of Finance, Zambia Revenue Authority and the Procurement Authority).

There is some alignment between this programme and the PEFA assessments as two of the three areas scoring a D in the 2012 PEFA assessment are included in the program (but one – PI1) is not covered.

The two highest spending areas are IFMIS and Cash Management and Revenue Administration. These are the two highest budget areas in the Government's PFM reform strategy.

A mid-term review was recently completed by the World Bank on the Public Finance Management Reform Program.

EU has a separate program (Support to PFM, Accountability & Statistics - €13million) which includes:

- strengthening budgetary oversight by the Parliament (including establishing a parliamentary budget office)
- capacity development in the Ministry of Finance (by external trainers)
- monitoring of mineral production to improve domestic revenue, mobilisation with the Ministry of Mines and Mineral Development
- Ministry of National Planning – monitoring & evaluation of national development plans.

Norway is supporting the Zambia Revenue Authority on:

- mining sector revenue monitoring
- managing base erosion/transfer pricing
- establishing a transit tracking system for lorries transiting Zambia.

The IMF is assisting with the legal framework and reviewed the current public finance management laws (report dated August 2015 does not mention PEFA). The are also supporting government statistics (GFS) and piloting output based budgeting in the Ministry of Education.

There is a PFM donor group of cooperating partners who meet irregularly. There had been a meeting in May 2016, but that was the first time the group had met for 10 months. It includes:

- EU – support to PFM accountability and statistics
- DfID - PFMRP
- KfW - PFMRP
- GIZ – advisors on budget, internal audit and ZRA
- Sweden – replacing Norway in financial support to Auditor-General
- Finland - PFMRP
- World Bank - PFMRP
- AfDB
- IMF - some assistance to the ZRA, IFMIS and Treasury Single Account
- Ireland
- US – some assistance to the ZRA
- Norway - large tax payer office.

The 2016 PEFA assessment will be funded through the PFMRP, coordinated by the WB and funded by UK, Germany and Finland. However, not only were all donors invited to comment on the concept note but the PEFA assessment will be reported on to all donors and all donors have expressed strong to be closely associated to the exercise.

I was not able to ascertain directly the views of senior policy makers in the Ministry of Finance. However, it appears that the level of donor coordination has reduced in Zambia. So donors are no longer providing budget support, 11 donors supported the PEMFA reform programme in 2005 – 2012. Only three of these donors are directly financially supporting the current PFM Reform Programme in Zambia, although all the other eight donors do have bilateral public finance management reform projects that they are currently supporting in Zambia.

Other Tools

The World Bank has recently been asked by the Government to undertake an Accounting & Auditing ROSC in Zambia in 2016 to update the one undertaken in 2007.

The World Bank recently undertook as mid-term review of the PFMRP. The draft summary report had been seen by the KfW advisor at the time of our visit.

A recent TADAT assessment was undertaken at the Zambia Revenue Authority. This had been funded by GIZ who arranged for a team of qualified TADAT assessors to undertake the assessment at ZRA in May 2016.

An IMF Article IV Consultation is undertaken each year; the latest published version is from June 2015.

The EU, Department for International Development, KfW (fiscal risk evaluation – 10 indicators; perhaps three days work for one person) had annual assessments by their staff when they were providing budget support (stopped around 2012).

GIZ does an annual report to its Ministry of Co-operation.

Impact of PEFA on the media, private sector, civil society organizations

This was difficult to assess as it was nearly three years since the last PEFA report and almost all the donor officials I met had been posted to Zambia after the last PEFA assessment. Although the civil society members that were met did not appear to have any significant memory of the 2012 PEFA assessment in Zambia.

Lessons learnt and recommendations for any repeat assessment in Zambia

The PEFA Phase IV Program Document of April 2012 identified five key results for Phase IV of the PEFA program:

1. Relevance of PEFA framework enhanced and demonstrated
2. Quality of PEFA assessments improved
3. Government ownership of PEFA assessments enhanced
4. Donor collaboration in implementing PEFA assessments strengthened
5. Timely completion and publication of PEFA assessments improved.

An annual assessment of public finance management would be more relevant and useful than waiting for the usual three or four years between PEFA assessments. In 2007, the World Bank suggested the assessments could be done every two years. KfW suggested there could be annual follow-up on PEFA assessments. An annual PEFA update would provide relevant information for annual reports that all donor missions are required to provide to their governments. It would also ensure that up to date information was available when public finance management reform strategies and plans were updated. The cost of an annual assessment would be significantly less that the current periodic assessments as only one year's data would have to be collected and the officials undertaking the update would have more experience of completing this task.

Government ownership of the PEFA assessments is regressing in Zambia and so it can be assumed that the PEFA assessments are not contributing as much as they could to the implementation of a country-led PFM reform plan/strategy. The report for the 2005 PEFA assessment indicated that the exercise had been undertaken with a team of five Zambian Government officials, one of whom was the Team Leader, supported by two international consultants. However, the 2012 review was led by an international consultant with assistance from eight Zambians. It is proposed that the 2016 assessment will be undertaken by a team co-ordinated by the co-ordinator of the PFM Reform Program with the Task Team Leader provided by the World Bank. In addition, despite the experience gained of the PEFA Framework by Government officials three consultants are to be engaged for this assessment. As a result, the assessment is expected to be largely owned by the donors through these consultants.

The PEFA assessment could be undertaken by Government civil servants (with staff from the Office of the Auditor-General, Internal Audit and the M&E Department in the Ministry of National Planning providing their specific professional expertise to support the process). The DfID advisor felt this would be possible with input from an international consultant as a facilitator, "It would be possible for the Government to do it themselves." It was also suggested that PEFA assessments should be clearly either donor or government led and that the middle route may not be effective. The EU advisor commented that ideally the PEFA should be led by the Government. In this case the assessment would still be quality reviewed by the donor community (GIZ – "I'm sure they could do it.") and the PEFA Secretariat through the PEFA Check process.

There should be adequate training for the Government officers who are leading and directly involved in taking part in the PEFA assessment process. For example, as part of the TADAT assessment undertaken in May 2016, in Zambia, a consultant provided a full weeks training to a range of staff of the Zambia Revenue Agency so that they understood the process more clearly. If these staff demonstrated their knowledge successfully in the post-training assessment, they were then certified as TADAT assessors and potentially could take part in future TADAT assessments. In contrast, the international consultant only provided a half-day briefing for Government officials who had been assigned to take part in the 2012 PEFA assessment.

The 2005 PEFA report was finalised within three months of the fieldwork. The 2008 report took eight months, but the 2012 took 18 months from the fieldwork to final report. There should be an agreed timetable to ensure that the PEFA assessment is undertaken expeditiously. A time table was provided in the Concept Note for the 2016 PEFA assessment, but this was only an outline and would benefit from being developed as a practical guide to ensuring that the assessment is completed in compliance with the planned timetable. In addition, this timetable had already slipped by at least a month when we undertook our visit to Zambia.

The PEFA assessment reports could try and explain why scores have changed, especially when the scores have reduced, and provide the necessary background information to understand such changes.

The health warning that the PEFA Framework and reports should not be used to identify nor prioritise public finance management reforms should be more prominent in PEFA reports. As the ODI have commented, "PEFA is used as a blueprint for reform: it is used as a guide of what systems should look like, rather than a useful (but incomplete) measure of what systems do look like"[55]. The Concept Note for the 2016 PEFA assessment in Zambia says that "the core team will be tasked to prepare a short action matrix with a prioritization of actions to be taken and recommendations for future PFM reforms". This appears to contradict the guidance given by the PEFA Secretariat and would undermine the process currently underway to revise the Government's PFM Reform Strategy.

Most donor staff are only expected to stay three or perhaps four years in each country where they are posted. The donor staff interviewed as part of our country visit to Zambia had almost all been posted to Zambia after the 2012 PEFA assessment. Only one of the 13 donor staff listed in the 2012 PEFA report still has responsibility for Zambia and he is now based in South Africa (Mothabi Matila – African Development Bank). So donors do not have personal memory of history of public finance management assessments in Zambia, as these now go back at least 15 years. The Department for International Development has contracted consultants to undertake a study of public finance management reforms over the last 15 years which would partially help to overcome this problem and explain how public sector reforms have changed the work that public finance management officers now undertake in Zambia.

[55] Sierd Hadley and Mark Miller (2016) PEFA: What is it
good for? - The role of PEFA assessments in public financial management reform, ODI: London, page 15

Annex A

People Interviewed

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Appendix 6. Analysis of quality indicators for 8 randomly selected PEFA reports

PEFA Assessment reports reviewed	% of indicators sufficiently and correctly evidenced	% of dimensions sufficiently and correctly evidenced
2011/2012		
Peru SNG – Regional Cusco	70,4	84,8
Albania	53,0	76,0
Honduras	52,0	70,0
Kenya	80,6	89,3
Jordan	90,0	85,5
Indonesia	45,2	62,2
Pakistan	47,0	75,0
Zimbabwe	37,0	63,5
Average	*59,4*	*75,8*
2015/2016		
Liberia	66,7	88,9
Peru	83,0	88,0
Serbia	64,5	82,8
Kosovo	73,3	86,4
Cook Islands	70,0	90,0
Cambodia	87,0	92,0
Congo – SNG Pointe Noire	80,7	90,5
Tunisia – SNG Gabes	91,7	94,4
Average	*77,1*	*89,1*
Improvement in overall scores	18%	13%

Appendix 7. Summary of PEFA 2016 development process

Date	Activity
June 2012	ToR for the PEWG approved, World Bank appointed as Chair of the PEWG. Individuals/staff to be identified.
Sept 2013	Initial technical workshop including experts and other regional development banks.
Nov 2012	ToR developed for 4 task teams – each task team to develop a set of indicators. Task teams to be coordinated by the PEWG.
June 2013	SC states a wish to launch Framework for testing by 1 July 2014.
Dec 2013	Decision to have a final draft version to be discussed by Feb 2014. Discussion around testing of the Framework i.e. prior to or after consultation on the Framework.
May 2014	Testing options discussed and agreed that: • Different elements of the Framework could be tested in different countries; • Retrospective testing could be considered, i.e. in countries that had recently completed an assessment using the existing Framework; • Additional technical resources to complete the testing will be found if necessary;
June 2014	Testing in Azerbaijan and Benin began but the PEFA Secretariat was having difficulties in finding countries to testing the Framework.
Oct 2014	Methodology and indicators discussed and how to create a comparative table (with the previous PEFA 2011 Framework) Testing taking a long time, and other testing manners were added: desk review, testing of the Framework alongside a scheduled PEFA assessment Partners were asked to help identify countries to test the Framework.
July 2015	Full testing in Papua New Guinea done New time table established with Dec 2015 as the sign-off point.
Oct 2015	IMF undertook to rework selected indicators. Testing of these new indicators done as desk reviews by the Secretariat Task force established to get the PEFA finalized.
Dec 2015	PEFA 2016 Framework approved by SC.

The minutes from the SC meetings and PEWG meetings show the engagement of the PEFA partners in developing indicators and negotiating and refining proposals for indicators. Several draft versions, a consultation version and additional revised versions of the Framework were created. The versions were tested in various ways; desk reviews were carried out in six countries, specific indicators were tested in some countries, between July and September 2015 shadow tests were carried out and full tests were carried out in four countries[56]. In total, the PEFA 2015 was tested in more than 20 countries. An analysis of the SC minutes shows that the testing of the Framework versions and testing of multiple versions of the indicators postponed the approval of each new version. The initial proposal was for the version released for comments by outside stakeholders to be tested in parallel to the receipt of comments

[56] According to PEFA Secretariat quarterly reports the full tests were carried out in Papua New Guinea, Ukraine, Serbia and Kosovo.

(between August and December 2014). The actual testing period was extended to November 2015 when some indicators were revised and tested again. The final PEFA 2016 Framework was approved by the SC in December 2015 (subject to editorial refinement), which is about 13 months after what was initially planned.

Appendix 8. Activities completed 2012-2015 by the PEFA Secretariat

Immediate Outputs	Planned activities completed	Target(s) achieved	Comment
Output.1: Technical maintenance and development	4 of 5	√	• Limited reporting by the PEFA Secretariat on issuing notes on links between PEFA assessment and topics related to PFM (e.g. transparency and corruption)
Output 2 – Support to PEFA country applications	1 of 3	√ √ X X	• The number of CN/ToR reviewed increased from 20 (in 2011) to 37 in FY 2015 and the target was achieved. • The number of Draft Reports reviewed increased from 41 (2011) to 55 (2015). • Between Jan and March 2016 review comments on reports were delivered within 10-12 days in 48 % of the cases. The average time was 3 weeks to deliver comments. • Between FY 2012 and FY 2015 54% of all final and public reports received the PEFA CHECK.
Output 3: Training on implementation and use of PEFA assessments	4 of 5	√	• A substantial effort has been in delivering training or participating in training events organized by other institutions. • The training delivered was assessed to be of high quality by the participants. • One activity (contributing to PFM courses delivered by other institutions was covered under Output 4).
Output 4 – Outreach to all potential stakeholders	6 of 8	√	• Limited reporting on the activity to introduce a PEFA institutional stakeholder network. • The Steering Committee decided not to create an on-line community of PEFA practitioners due to insufficient funding of this activity.
Output 5 – Support to coordination of PFM systems assessment and tools	2 of 4	X	• The development of guidance for upstream coordination of PFM assessments was not completed. • Limited reporting on fiduciary risk management harmonization.
Output 6 – Monitoring & Evaluation of achieving results and objectives	2 of 5	X	• Limited collection and publication of research and reports on selected areas.