Approach Paper
Public Finance for Development Evaluation
May 7, 2018

Introduction

1. **Sound public finance policies, institutions and outcomes are critical for making fast and sustained progress toward the World Bank Group’s twin goals of eradicating extreme poverty and promoting shared prosperity.** Public finance encompasses the overall fiscal stance of the government, how governments collect revenues and manage expenditures, and the institutions that enable those outcomes. Prudent public finance is fundamental for fiscal sustainability—one of the three dimensions of sustainability identified in the World Bank Group 2013 Strategy for achieving the twin goals (the other two sustainability dimensions are social sustainability and environmental sustainability). Sound public finance is also fundamental for World Bank client countries to make progress along the three ways to the twin goals the World Bank Group identified in its 2017 Forward Look. First, sensible public finance policies are needed to create stable macroeconomic environments and provide basic public goods, without which private investments and economic growth cannot be sustained. Second, strong public finance institutions are also key for ensuring that public resources are not only collected in a way that minimizes distortions on private investment, but also spent efficiently and effectively in building countries’ physical and human capital. Third, sound public finance policies are a key determinant of countries’ capacity to respond effectively to external shocks, without compromising macroeconomic stability and while minimizing negative welfare impacts.

2. **Public finance has long been an important part of the World Bank’s engagement with its country clients.** After shifting its attention to poverty eradication during the 1970s, the World Bank came to strongly emphasize public finance support during the early 1980s, as the developing world struggled with macroeconomic and debt rescheduling issues. In this context, structural adjustment loans became an important instrument of World Bank financial support, and public finance started to be featured prominently in the Bank’s policy dialogue. In fact, during the 1980s and 1990s, most of the Bank-supported structural adjustment programs focused on addressing short-term fiscal and other macroeconomic imbalances, as well as economic distortions that hampered economic growth. During the same period, the Bank increasingly recognized the importance of institutional development as a key complement to the policy reforms supported through adjustment lending.² By the time the Bank shifted from adjustment to development policy lending—the new operational policy was introduced in September 2004—support for government efforts to strengthen public financial management, fiduciary arrangements, public expenditures,

¹ The “three ways” are faster economic growth, more effective investments in people, and enhanced resilience to shocks. See World Bank (2017), *Forward Look—A Vision for the World Bank in 2030. Progress and Challenges.*

² In 1983, the Bank created its first organizational unit dedicated to research and operational support to administrative efficiency in government, the Public Sector Management Unit. This unit devoted much of its time to restructuring of public enterprises, civil service reform, and public financial management.
and public sector reforms accounted for the largest share of the policy reforms supported by the Bank.³

3. **This evaluation aims at assessing the development effectiveness of World Bank activities in public finance support during the period FY08–17, ranging from analytical work to financing and the use of the World Bank’s convening power.** The evaluation is meant to contribute to the two primary purposes of evaluation at the World Bank: to promote accountability for delivering on the World Bank’s mandate through the assessment of performance and results in the area of public finance; and to promote learning within the World Bank and with its clients to inform the design and implementation of future interventions in an area that is of high and arguably growing importance for achieving improved development outcomes. During the evaluation period, public finance averaged 9 percent of the Bank’s lending commitments and 10 percent of its advisory services and analytics (ASA). While these shares are not insignificant, they arguably underestimate the importance that sound public finance has through its ability to indirectly shape the course of development. For that reason, the effectiveness of the World Bank’s support in this area is arguably a key driver of its broader development effectiveness, including across most of the sectors in which World Bank programs are involved.

**Context**

4. **Growing levels of public indebtedness across the developing world have brought renewed attention to the importance of sustainable macro-fiscal frameworks and of sound public finance policies and institutions more broadly.** Public debt has increased in recent years across all developing regions, with countries in the Middle East and North Africa (MNA) and the Africa Region (AFR) standing out in terms of the increase in the ratio of public debt to GDP: respectively from 54 to 68 percent for MNA between 2010–14 and 2015–17, and from 42 to 54 percent for AFR over the same period. Growing domestic and external indebtedness, especially non-concessional, has been supported by abundant global liquidity and driven by slowing growth and increasing fiscal deficits. Debt increases have been especially pronounced among low-income commodity exporters and countries that received debt relief under the Highly Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI). With the role of commercial borrowing on the rise and debt maturities tending to fall, liquidity and debt distress risks have increased, especially among low-income countries. These developments have brought renewed attention to the importance of public finance development. They have also highlighted the broader role that sound public finance—as reflected in improved expenditure and revenue policies and institutions—should play, not only in supporting fiscal sustainability but also in helping create conditions conducive to economic growth and poverty reduction.

5. **Rising fiscal deficits and slower growth have been the key drivers of deep fiscal deteriorations, which have taken place throughout Sub-Saharan Africa (AFR) and Latin America and the Caribbean (LCR).** In emerging markets and developing economies, fiscal deficits have widened to about 5 percent of GDP in 2016 from a surplus of roughly 1 percent of GDP in 2007.⁴ The difference between countries’ actual fiscal balances and the respective debt-stabilizing balance—the fiscal sustainability gap—has evolved from a debt-reducing gap of 2

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percent of GDP in 2007 to a debt-increasing gap of minus 2 percent of GDP in 2016. Deep fiscal deterioration during this period has been widespread in AFR and LCR, with respectively 80 and 85 percent of countries in those regions seeing reductions in their sustainability gaps of at least 1 percent of GDP, and those gaps reaching on average minus 3 and minus 4 percent of GDP in 2016. The developments in AFR are especially worrisome, as the region houses about 50 percent of the 767 million people who in 2013 were living under the international poverty line of US$1.90 a day.5

6. The current global environment highlights the importance of sound revenue and expenditure policy decisions that support fiscal sustainability while potentially contributing to redistributive objectives. Fiscal policies can be a powerful tool for countries wishing to share the gains from growth more broadly and/or using public spending to directly or indirectly raise incomes for lower-income groups.6 However, countries dealing with high debt or high fiscal deficits would need to focus on generating fiscal space to be able to scale up fiscal redistribution. In some cases, both objectives may go hand in hand. Examples include revenue collection efforts based on removing loopholes for higher-income households and removing opportunities for tax avoidance and evasion more broadly.7 On the spending side, in addition to possible increased envelopes following enhanced revenue collection efforts, expenditures can be reallocated from less to more efficient ones. Examples include spending reallocations from fuel or state-owned enterprise subsidies to better targeted current expenditure programs and growth-enhancing investments. To be successful, however, such initiatives require parallel efforts to increase spending efficiency and reduce waste through improvements in public financial management systems.8

7. The reform of tax policy and administration in the service of domestic resource mobilization has received additional attention in the context of declining official development assistance flows. This was reflected in the 2015 Addis Ababa Financing for Development conference, which called upon developing countries to mobilize additional domestic resources to further the Sustainable Development Goals (SDGs). The Addis Ababa Agenda9 committed to enhanced revenue administration through modernized, progressive tax systems, improved tax policy, and more efficient tax collection. The agenda also committed to work to improve the fairness, transparency, efficiency, and effectiveness of tax systems, and to strengthen international

5 Data from Taking on Inequality—Poverty and Shared Prosperity 2016; World Bank, 2016. In 2013, AFR housed the largest number of poor (388.7 million) of any region in the world. Moreover, the region’s poor were, on average, living much farther below the US$1.90-a-day extreme poverty threshold. Regarding the other regions, in 2013 one-third of the global poor (256.2 million) were living in the South Asia region, while the East Asia and Pacific (EAP) region was home to 9.3 percent (or 71 million), and the LCR and Europe and Central Asia (ECA) regions had global poverty shares of 4.4 percent and 1.4 percent, respectively.

6 IMF Fiscal Monitor—Tackling Inequality, October 2017.


8 As shown by de Renzio et al. (2010), the challenge of improving PFM systems, at least as measured by baseline Public Expenditure and Financial Accountability (PEFA) scores (see paragraph 7), is larger in developing countries with lower levels of income and higher levels of fragility. In a sample of 100 developing countries, about two-thirds have average PEFA scores between 2 and 3—between C and B in the original PEFA methodology. Another 20 countries have scores that correspond to a range between D and C.

cooperation to support efforts to build capacity in developing countries. In this context, support for efforts to raise domestic revenue should be implemented with a view to minimizing distortions to private sector choices and with an explicit focus on identifying and purposefully managing possible trade-offs between efficiency and equity goals.

8. **Building on the Financing for Development and SDG agendas, the World Bank Group’s recently introduced concept of Maximizing Finance for Development (MFD)** emphasizes the role of public finance as leverage for private finance. The 2015 Development Committee Paper *From Billions to Trillions: Transforming Development Finance* highlighted the need to shift focus from “billions” in official development assistance to “trillions” in investments of all kinds to achieve the SDGs. The paper urged the use of concessional funds strategically to crowd in other sources of finance—noting that while the largest supply of development resources remains domestic spending, the greatest potential for expansion lies with private finance and the engagement of private business in the development process. The MFD agenda appropriately recognizes the role of public finance, not just in providing direct financing, but also in creating conditions conducive to stronger private savings, improved investment environment, better financial intermediation, and strengthened private investment.  

9. **Through its advisory services and analytical work, the World Bank has long recognized the importance of public expenditure policies and the institutions of public financial management.** The emphasis has been on ensuring that governments make an effective and efficient use of public resources, both domestic and from official development assistance, in a way that is consistent with their medium-term development priorities. To inform its policy dialogue and lending in this area, the World Bank has often used standardized diagnostics. Specifically, Public Expenditure Reviews (PERs) have been undertaken widely with the objective of assessing the level and composition of public expenditures.  

10. **An important flagship World Bank publication that helped frame the approach to public finance issues is the 1988 WDR on Public Finance in Development.** The report covered issues ranging from fiscal policy for stabilization and adjustment, to reforming tax systems, improving the allocation of public spending, spending priorities and revenue options in selected

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11 PERs cover issues ranging from the consistency of public expenditures with macro stability and pro-poor orientation to the soundness of budgetary institutions. See Pradhan (1996).

12 See Rajaram et al. (2014) and IMF (2015).
sectors, financing local government, and strengthening public finance through reform of state-owned enterprises. More recent World Bank strategy papers in the area of governance and public sector management have built on the 1997 WDR and increasingly recognized the primacy of institutions in development.13 Two noticeable changes in emphasis found in the more recent strategic papers have been a growing focus on anticorruption and an increased emphasis on developing “good fit” institutions adapted to local realities rather than relying excessively on one-size-fits-all “best practice” solutions.

**Previous Related Evaluations**

11. While this is the first comprehensive evaluation of public finance undertaken by IEG, it will build upon previous thematic evaluations of World Bank support to governance reforms and other related topics, as well as on evidence from relevant implementation completion reports (ICRs) validated by IEG and by subsequent Project Performance Assessment Reports (PPARs). The wealth of evidence from relevant ICR Reviews has been recently explored in one specific public finance area through the FY17 IEG Learning Product on *Tax Revenue Mobilization*.14 The present evaluation will expand this type of project-level analysis to other public finance areas and will complement it with new data collection and analysis (see Evaluation Design section). Similarly, the evaluation will expand and update the analysis of selected aspects of World Bank support to public finance—mainly public financial management (PFM)—included in the FY08 evaluation *Public Sector Reform: What Works and Why?* In addition to PFM, the FY08 evaluation covered issues related to civil service reform as well as to anticorruption and transparency support.15 However, it had limited coverage of other aspects of public finance such as expenditure policies and World Bank support to fiscal and debt sustainability. The present evaluation will also draw on other IEG products that have focused on topics relevant to the public finance agenda. Examples include the evaluations on Public Procurement (2014), Crisis Response (2010 and 2013), and World Bank Group Engagement in Resource-Rich Developing Countries (2015).

12. Both the FY17 learning product on tax revenue mobilization (TRM) and the earlier evaluation of Public Sector Reform (PSR) showed that effective support to public sector reforms requires long-term engagements and careful attention to country contexts and political economy constraints. Drawing on existing evaluative material, the report on TRM found limited evidence of consistent World Bank support for improving efficiency and equity aspects of tax systems. It also showed that while government ownership is a prerequisite for the success of any policy process, it is particularly important for politically sensitive tax reforms. Moreover, the effectiveness of World Bank support in this area, particularly when aimed at correcting structural and systemic issues, requires long-term sustained engagements. This is especially important considering that effective tax reforms usually require sustainable improvements in other public

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13 Strategy papers relevant to Public Finance include *Reforming Public Institutions and Strengthening Governance* (2000); *Strengthening the World Bank Group Engagement on Governance and Anti-Corruption* (2007) and its 2012 Update; and *World Bank Approach to Public Sector Management 2011–2020: Better Results from Public Sector Institutions* (2012). This latter document was prepared within the Bank but not discussed by the Board.

14 As a learning product, this report was based on already available evaluative material—it did not include new data collection—and did not include recommendations.

15 Attachment 7 describes this and other relevant IEG products, focusing on important findings and lessons that will serve as inputs to the present evaluation.
sector areas, such as the judicial system. Similarly, the earlier PSR evaluation showed that sustainable improvements in PFM with meaningful effects on public service performance and accountability have not happened without concomitant progress in civil service reform.

**Evaluability Assessment**

13. **Given the size and heterogeneity of the World Bank’s work in public finance, IEG conducted a comprehensive evaluability assessment.** The analysis and findings of this exercise are integrated into the main text of this approach paper, and a more complete summary of the study findings is presented in Attachment 2. The exercise assessed evaluability from the perspective of four thematic areas of work in public finance: public revenues, public expenditures and aggregate level of public spending, fiscal and debt sustainability, and public financial management systems. The assessment has been done separately in each area and in conjunction with each other.

14. **The evaluability assessment confirms that there is sufficient data, programmatic and institutional coherence, and stakeholder and strategic interest to properly carry out a public finance evaluation.** The assessment shows that public finance lending is a significant product line for the World Bank with an increasing share of overall commitments. Three of the four thematic areas (discussed in the next section) are assessed as having high programmatic coherence, with the debt and fiscal sustainability area the only area exhibiting moderate coherence due to highly variable interventions across regions and countries. There has been high institutional coherence across the four thematic areas. Stakeholder and strategic interest have also been high, the only exception being the area of public revenue, in which strategic interest has increased only recently. There are previous major evaluations on which to build and considerable evidence from Implementation Completion Report Reviews (ICRRs). The number of Project Performance Assessment Reports (PPARs), however, is much more limited, thus signaling a need for further evaluative work in this area.

**Purpose, Objectives, and Audience**

15. **The main objective of the evaluation is to assess the role and contribution of the World Bank to the improvement of public finance policies and institutions in member countries, focusing on assessing how well the Bank has designed public finance programs, how effectively it has implemented them, and with what results.** The evaluation aims to draw lessons and recommendations for more effective future Bank programs in support of public finance reform.

16. **The theory of change underlying the evaluation is shown in Figure 1, where World Bank activities in support of public finance are classified in four thematic areas:** public revenues, public expenditures and aggregate level of public spending, fiscal and debt sustainability, and public financial management (PFM) systems. This framework reflects standard treatments of public finance in the economic literature as well as a preliminary review of the Bank’s approach—see the Evaluability Assessment in Attachment 2. The objectives of the Bank’s support in each of these areas is summarized below.

- **Public revenues:** increase revenues and voluntary compliance with revenue measures, as well as address issues related to tax and customs administration and the tax base, with a view to enhance the equity and efficiency of revenue collection.
• **Public expenditures and aggregate level of public spending**: improve the allocation and operational efficiency of public expenditures, the soundness of subsidies and budgetary transfers, and strike an appropriate balance between poverty reduction and growth promotion objectives of public expenditures.

• **Fiscal and debt sustainability**: improve the management of assets and liabilities and of policy-based fiscal strategies, through interventions covering macroeconomic and fiscal policies, fiscal risk reporting, and public asset and debt management.

• **Public financial management systems**: improve budget planning, preparation and execution, accounting and reporting, and institutional accountability and transparency.

17. **The evaluation will cover World Bank support to public finance in the four areas identified in Figure 1, focusing on identifying the nature and relevance of Bank activities in the respective areas and the extent to which they have been effective in achieving key public finance reform objectives.** The assessment of the relevance of the World Bank in public finance will consider their consistency with client needs, the state of the art of the literature and corporate strategic priorities. The analysis of the Bank’s effectiveness will emphasize the extent to which key expected outputs and intermediate outcomes of public finance reform were achieved, and the factors that have been associated with success or failure. The evaluation will consider, where relevant, the extent to which Bank interventions have been conducive to more inclusive growth, including the equity implications of Bank engagements in public finance. However, issues related to state-owned enterprises and the links between public finance and gender, climate change, and governance will not be covered systematically, although they will be considered, when relevant, in country case studies. The same approach will be adopted for fiscal decentralization issues, as these will be covered in a separate ongoing IEG evaluation. Similarly, specific sectoral policies affecting public finance, such as in the electricity and health sectors and in public-private partnerships, will only be covered as relevant in country case studies.

18. **Evidence on higher-order development outcomes within public finance will be collected when possible.** While the focus will be on the achievement of the intermediate results of public finance interventions, these are expected to create conditions for improvements in key higher-order development outcomes. The latter range from improved aggregate fiscal discipline, increased domestic resource mobilization, an improved environment for private sector development, enhanced service delivery and increased transparency and accountability. Ultimately, improvements in public finance can be expected to be key contributors to the achievement of more sustained and inclusive growth.
The middle column has the title outputs/intermediate outcomes for the following reason. From a causality perspective, the direct influence of the Bank (that which is directly under the control of the World Bank activity) may vary across operations (ASA and types of lending). In some cases, for example the strengthening of fiscal risk reporting may be directly “delivered” within the framework of a World Bank project. In other cases, this is the result of an activity supported by the Bank, such as staff capacity development.
19. The primary audience for this evaluation is the World Bank’s Board of Directors, senior management, and operational staff involved in public finance activities. The evaluation is expected to generate relevant inputs for management and staff involved in the design and implementation of public finance programs. Other stakeholders include development partners engaged in public finance activities and partnerships, and the relevant public finance authorities in country clients of the World Bank.

**Evaluation Focus and Scope**

**PORTFOLIO**

20. The evaluation will seek to assess the contribution of World Bank support to country programs, encompassing lending, technical assistance, and analytical work. The evaluation will focus on World Bank interventions. IFC’s advisory work in investment climate and corporate taxation will be covered, where applicable, in the country-level case study analyses. No relevant MIGA activities were identified. To determine the universe of the public finance Bank portfolio, interventions (lending and ASA) have already been identified through a multi-stage process (described in Attachment 10). Based on the selection criteria, a final portfolio of 573 lending and 1,191 ASA World Bank interventions were identified for the evaluation period (FY08–17) that will serve as the starting point for the portfolio review component of the evaluation. The preliminary portfolio review in Attachment 7 shows that out of 573 lending operations 286 have so far been closed and reviewed by IEG and 167 operations have closed but not yet been reviewed.

21. The World Bank has provided significant support for public finance through both lending and ASA with the intensity of ASA support increasing in recent years (Figure 2). On average, the annual public finance lending commitments (by number of commitments) declined from 63 during the FY08–12 period to 52 during FY13–17. Conversely, the average annual number of ASA deliveries increased from 89 to 150 products during the same period. The average annual volume of public finance support held steady across the two periods, although there were sharp increases in FY09, FY14, and FY16. The strong increase in lending in FY09 reflected the Bank’s response to the global economic crisis. The Bank most frequently used development policy financing (DPFs) as an instrument for public finance lending and expanded the use of nonlending technical assistance (NLTA). Over the FY08–17 period, the Bank approved 409 public finance DPFs amounting to $32 billion and accounting for 71 percent of the number of public finance lending commitments, and 90 percent of commitment amounts.

17 Advisory services and analytics (ASA) cover Bank financed, trust-funded activities, and reimbursable advisory services (RAS).

18 Some additional activities may be identified and covered in the context of country-level case study analysis. For example, for the case study countries the evaluation will also aim to cover trust-funded lending operations, which were not included in the portfolio exercise because of very uneven documentation.
22. Public finance lending operations generally cover multiple thematic areas, with PFM being featured most frequently. About 77 percent of the lending projects with revenue content, 73 percent of the projects with expenditure content, and 78 percent of the projects with debt and fiscal sustainability content, also had some PFM content (Table 1). Almost half of the projects with revenue content also had some expenditure components. The country case studies will analyze the possible advantages of broad-based public finance interventions—for example, the synergies between the various dimensions of public finance when relevant in specific country context—as well as potential disadvantages—for example, associated to the risks of overly broad and unrealistic programs.

<table>
<thead>
<tr>
<th>Topic area</th>
<th>Number of projects</th>
<th>Percent of projects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Combined with revenue</td>
</tr>
<tr>
<td>Revenue</td>
<td>242</td>
<td>100</td>
</tr>
<tr>
<td>Expenditure</td>
<td>281</td>
<td>40</td>
</tr>
<tr>
<td>PFM</td>
<td>446</td>
<td>42</td>
</tr>
<tr>
<td>Fiscal and debt sustainability</td>
<td>162</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: IEG calculations.

23. The Sub-Saharan Africa Region has the largest share of public finance commitments by number of operations while the Europe and Central Asia Region has the largest share of commitment amounts (Table 2). By number, the Sub-Saharan Africa Region (SSA), which has the largest number of borrowing countries, also accounted for the largest share of both lending and ASA projects (42 percent of the number of lending commitments and 30 percent of ASA). By value however, the Europe and Central Asia, Latin America and Caribbean, and East Asia and Pacific Regions each accounted for slightly higher shares of public finance commitment amounts—between 20 and 26 percent compared to 18 for SSA (Table 2).
Governance and Macroeconomics & Fiscal Management (MFM) Global Practices have led in most of the public finance interventions.

Table 2. Public Finance Interventions by Region, FY08–17

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of countries receiving support</th>
<th>Public finance lending</th>
<th>Public finance ASA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of commitments</td>
<td>Percent</td>
<td>Value of commitments ($ billion)</td>
</tr>
<tr>
<td>AFR</td>
<td>47</td>
<td>243</td>
<td>42</td>
</tr>
<tr>
<td>EAP</td>
<td>18</td>
<td>68</td>
<td>12</td>
</tr>
<tr>
<td>ECA</td>
<td>30</td>
<td>93</td>
<td>16</td>
</tr>
<tr>
<td>LCR</td>
<td>24</td>
<td>100</td>
<td>17</td>
</tr>
<tr>
<td>MNA</td>
<td>16</td>
<td>28</td>
<td>5</td>
</tr>
<tr>
<td>SAR</td>
<td>8</td>
<td>41</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>143</td>
<td>573</td>
<td>100</td>
</tr>
</tbody>
</table>

Notes: AFR = Africa; EAP = East Asia and Pacific; ECA = Europe and Central Asia; LCR = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia. Source: IEG, World Bank Business Intelligence.

EVALUATION QUESTIONS

24. The evaluation will address four broad main questions for the period FY08–17, for each of the identified four thematic areas and overall. Each main question is underpinned by several more specific questions, as detailed in the evaluation design matrix (Attachment 3):

1. To what extent did the World Bank have a relevant and coherent approach underlying its interventions in the public finance areas?
2. What has been the nature and structure of World Bank support in each of the public finance areas over the evaluation period?
3. To what extent were the World Bank interventions in support of public finance effectively implemented at the country level?
4. To what extent did the World Bank contribute to sustainable public finance reform in client countries and how instrumental was the Bank’s support in terms of influencing public finance policy?

25. Within these questions and the more specific sub-questions described in Attachment 3, the evaluation will seek to give appropriate attention to some specific issues:19

- Development aspects of tax policy, including both efficiency and equity issues. The country case studies will assess the degree to which these aspects have been addressed in

19 The Evaluability Assessment (Attachment 2) contains a more detailed description of the specific issues on which the evaluation will seek to gather evidence, for each of the public finance areas (see sections on potential scope of the evaluation).
Bank interventions and examine the analytical underpinnings of the respective prior actions in DPFs.²⁰

- Complementarity and consistency between support for revenue and expenditure policy reforms. The case studies will consider the degree to which these two “sides” of the budget have been in reasonable harmony and whether the Bank has taken an integrated view of fiscal systems.
- Public Investment Management (PIM) is included as part of public expenditure management, but conceptually and, in practical terms, spans public expenditure, PFM, and to some extent fiscal and debt sustainability as well. The case studies will consider these aspects.
- Fiscal and debt sustainability issues in Sub-Saharan Africa post-HIPC and commodity exporter countries. Country case studies will examine the nature and results of the Bank’s policy dialogue in these contexts, including about the joint debt sustainability analyses involving the Bank, the IMF, and the respective governments.
- Within PFM, the evaluation will pay special attention to assessing the degree to which the Bank’s approaches have been adequately differentiated based on clients’ levels of institutional development. Integrated Financial Management Information Systems (IFMIS) will be assessed in the PFM theme.
- Collaboration and complementarity with IMF. The evaluation will consider how the Bank and IMF have worked together and will assess the extent to which they have collaborated effectively, exploited synergies, and provided consistent policy advice, for both crisis and non-crisis situations. In this regard the evaluation will consider the extent to which the two institutions’ policy advice were pro- or counter-cyclical during crisis situations. However, the evaluation will not review the effectiveness or adequacy of the World Bank–IMF concordat and division of labor.
- Collaboration with other development partners. The country case studies will also assess the Bank’s collaboration with other international financial institutions in public finance, possibly using social network analysis. The country case studies will draw on applicable material from partnerships like PEFA but will not systematically evaluate any such partnerships.

26. **In assessing results, the evaluation will seek to draw lessons about whether and why the World Bank has achieved better results in some areas of public finance reform than in others, or has generated better results in some types of country situations than in others.**

Under the fourth evaluation question, the evaluation will assess the effectiveness of the World Bank interventions in public finance. The evaluation will look at key performance indicators for measuring progress in each of the four thematic areas, while distinguishing between intermediate and final outcomes, and between procedural and substantive policy improvements (see Attachment 5). The evaluation will also seek to generate evidence to inform answers to finance ministers’ (or country directors’) questions such as: considering experience elsewhere, what sort of public finance program supported by the Bank is likely to work in my country’s situation? And what is unlikely to work? It will try to understand better the strengths and limitations of

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²⁰ Where relevant, country-level case studies will also consider the Bank’s advice on the mobilization of non-tax revenues.
Bank assistance for public finance reforms and to make recommendations on how the Bank and its clients can improve the effectiveness of its public finance assistance in the future.

27. **The evaluation will seek to gather evidence on Bank contributions to public finance development outcomes.** Recognizing that public finance outcomes are driven by a variety of factors that go well beyond the role of Bank interventions and, given the severe methodological challenges of establishing causal links in such contexts, the evaluation will not seek to attribute public finance results to Bank activities. Instead, it will focus on establishing the extent to which the Bank made significant contributions to the progress countries have made in the area of public finance, while seeking to provide evidence on the roles played by other possible drivers of success or failure in this area, such as changes in country or global conditions and interventions by other development partners. Steps will be taken to address the methodological challenges associated with the large heterogeneity in the Bank’s public finance portfolio across countries, including by undertaking a sufficiently large number of country case studies, as well as by complementing these with the analysis of selected interventions across countries, covering both lending and nonlending activities. Regarding the latter, the evaluation will consider the potential of the Bank’s knowledge work to contribute to public finance reforms both directly—for example, via the use of the Bank’s convening power at the local, regional, or global level—and indirectly, by providing analytical underpinnings for the design of DPF operations, for example, influencing prior actions and macroeconomic frameworks.

**Evaluation Design**

28. **The evaluation will use a mixed methods approach.** This is a multilevel evaluation, involving data collection and analysis at the global portfolio level, the country level (selected countries), and the intervention level (selected interventions across selected countries). The following methodological approaches will be employed: review of the Bank’s approaches in public finance and thematic analysis, portfolio review and analysis, country-level case study analysis, and intervention-level analysis. Semi-structured interviews with Bank staff and other relevant stakeholders will be conducted to inform and complement the above approaches, as well as to delve deeper into certain questions, for example, concerning partnerships and country conditions. The evaluation will apply several parallel lines of inquiry, the results of which will then be triangulated to assess the contribution of World Bank support to countries’ programs under the four identified dimensions of public finance, with a focus on addressing the four above-mentioned main evaluation questions. Given the preponderance of DPFs, the evaluation will pay special attention to the results achieved through this specific lending instrument while considering complementarities with other lending instruments and ASA activities.

29. **Review of the World Bank’s approaches in public finance and thematic analysis.** The World Development Report 1988 covered all the main dimensions of public finance and their impact on development. Taking that report as its starting point, the evaluation will analyze the subsequent trends in the Bank’s strategic approaches to public finance. The purpose is to describe any identifiable trends in the development of the Bank’s public finance strategies and to set out in reasonable detail the elements of the current strategy (objectives, priorities, and approaches) as these can best be inferred from World Bank documents, supplemented by selective interviews within the Bank (described in Attachment 5). To this end, four separate papers will draw appropriate lessons and conclusions regarding the four thematic areas and their results including
intermediate and final outcomes, based on a literature review, the evaluability assessment, and benefitting from the country-level case study analysis, the portfolio review and analysis, the intervention-level case study analysis, and relevant semi-structured interviews covering each thematic area.

30. **Portfolio review and analysis.** Significant progress has already been made for this step (described in Attachment 8). Building on this work, the portfolio review will go into detail along several dimensions, for each of the four identified thematic areas and overall, as inputs to the specific evaluation questions (Attachment 3). This analysis will also draw to the maximum extent on IEG ratings for completed projects, with the caveat that for DPFs the rated results will often pertain to a wide range of objectives and not specifically to public finance.\(^{21}\) The review will result in summary statistical tables on trends and distributions of interventions and rated results for the four areas and within these areas, between IBRD and IDA, taking advantage of complementary data from Public Expenditure and Financial Accountability (PEFA) assessments and Country Policy and Institutional Assessment (CPIA) scores.\(^{22}\) The use of PERs will be considered as part of the thematic review of public expenditures and also as part of the country-level case studies.

31. **Country-level case study analysis.** This analysis will provide an opportunity for the evaluation to drill down on the initial findings emerging from the portfolio review and analysis, including to determine the analytical basis for Bank lending decisions and the importance of synergies between ASA and lending. Much of the expected value of the evaluation will come from this country-level case study analysis. A substantial number of country-level case studies will be needed given the wide range of public finance activities and country contexts, the need to identify linkages between lending and ASA interventions, and the low number of available PPARs. Attachment 6 shows the selection criteria for case studies. Out of a total of 143 countries with some Bank public finance activity, IEG identified 26 potential case study countries, based on five criteria: (a) longer-term lending (at least one public finance lending operation for each of the periods FY08–12 and FY13–17); (b) at least three countries for each region; (c) countries with both high and low intensity of Bank support; (d) inclusion of some fragile situations; and (e) the inclusion of IBRD, IDA, and blend countries. Attachment 7 shows the draft framework for the country-level case study analyses—this will be complemented by a detailed template. Out of the 26 potential case study countries the evaluation has selected 15 (the minimum needed for this evaluation), to cover a minimum number of types of countries for the above-mentioned criteria, with respect to coverage of the four thematic areas, and with a reasonable balance between IBRD, blend, and IDA countries, including representation of Fragile and Conflict-Affected Situation (FCS) countries, as shown in Attachment 6. Balancing costs with the need for breadth of analysis,

\(^{21}\) Generally, the evaluation will make maximum use of available information from IEG’s micro products—for the portfolio review primarily the ratings from ICR Reviews, supplemented in places by findings from these reviews, CLR Reviews and PPARs. The country case studies will utilize systematically the available findings in the CLR Reviews, ICR Reviews, and PPARs for the country in question. Where the use of ICR ratings may be circumscribed by DPFs addressing a variety of objectives, the evaluation will seek to use sub-objective findings and ratings.

\(^{22}\) There has also been an issue of the appropriate theme codes. At the beginning of the evaluability assessment a decision was taken for practical reasons to make use of the old (pre-2016) theme coding structure. The new theme coding will be double-checked to ensure that relevant projects are not excluded. The further portfolio analysis will also consider whether/how to incorporate trust-funded operations to the existing portfolio.
this purposive sample will also include a balance between desk-based and field-based country-level analysis, where the latter will permit feedback from relevant stakeholders, including government counterparts and development partners. Data will be analyzed at the country level. In addition, to the extent possible, comparative cross-case analysis will be applied to identify and better understand patterns of convergence or divergence of findings across country contexts.

32. **Intervention-level case study analysis.** To enhance the depth of analysis and address the challenge of cross-country heterogeneity in the Bank’s public finance portfolio of activities, the evaluation will also look in more detail at selected, relatively homogeneous interventions across countries. The selected interventions will cover both lending operations and ASA, as described in Attachment 9. For the lending operations, samples have been selected from the portfolio of completed operations with available ICR Reviews in the case study countries. As shown in the attachment, the sample will have reasonable representation of operations with focus on all the four thematic areas (public revenues, fiscal and debt sustainability, and public expenditures and PFM). For the ASA analysis, the focus will also be on relatively homogeneous activities, to address the challenge created by the high variability of ASA activities across countries—in terms of their nature, size and importance of the individual tasks, from large formal documents to brief informal notes. Intervention-level analysis for lending operations will assess quality at entry, quality of implementation, and results. For ASA activities, the evaluation will assess quality, timeliness, links to lending operations, and evidence of impact in terms of contributions to public finance reforms. The detailed questions are shown in Attachment 9. Comparative cross-case analysis will be applied to identify and better understand patterns of convergence or divergence of findings across lending operations and ASA.

**Quality Assurance Process**

33. **This Approach Paper has been reviewed by public finance experts to ensure relevance of evaluation questions, scope and issues covered, and appropriateness of the methodology.** Peer reviewers come from outside of IEG: Matthew Andrews (Associate Professor of Public Policy at Harvard’s Kennedy School of Government); Ajay Chhibber (Distinguished Visiting Professor, George Washington University, former country director, and former director at IEG); Allen Schick (Governance fellow at the Brookings Institution and Professor at the Maryland School of Public Policy of the University of Maryland); and Teresa Ter-Minassian (former Fiscal Affairs Director in the IMF).

**Expected Outputs, Outreach, and Tracking**

34. **Planned reporting vehicle.** The primary output will be a final report that summarizes the key findings of the evaluation for the Board’s Committee on Development Effectiveness (CODE) and the Board. The report will focus on forward-looking issues for strategic decision makers within the World Bank Group and will include key lessons learned and recommendations. There may also be some separate statistical and background/working papers that will be available on request.

35. **Outreach strategy.** The evaluation will also be disseminated widely inside and outside of the World Bank Group through a variety of instruments tailored to demand. Once the report
has been endorsed by CODE, IEG will launch the report in Washington, DC, and will also invite outreach to the Bank’s development partners and country clients.

**Resources**

36. **Timeline and budget.** Field visits for country-level case study analyses are expected to take place between April and July 2018. The draft final report will be shared with IEG management for a one-stop review meeting in December 2018. The report will be submitted to CODE in February 2019.

37. **The budget needed for this evaluation is $1 million over two fiscal years (FY18–19).** The field visits and desk reviews of public finance support to different types of countries will constitute the core of the work and a large share of the total cost. The cost of field visits may be controlled to some extent through combining visits to more than one country on the same trip and ensuring that relevant desk assessments have been completed prior to the visits. The evaluation team will also review within IEG any possibilities for combining visits for different purposes.

38. **Evaluation team.** The evaluation team will be led by Ismail Arslan (senior evaluation officer). The core team includes Zeljko Bogetic (lead economist, focus on macro-fiscal management and debt sustainability); Mauricio Carrizosa (consultant, focus on country-level case studies); Claude Leroy-Themeze (senior economist, focus on country-level case studies); Felix Oppong (economist, focus on public revenues and expenditures); Corky De Assis (evaluation assistant, focus on data research and portfolio analysis); Gaby Loibl (team assistant, administrative aspects of evaluation); Swizen Rubbani (consultant, data and portfolio analysis); Juan-Jose Fernandez-Ansola (consultant, focus on PFM and Bank-IMF collaboration on fiscal issues); Nils Fostvedt (consultant, focus on evaluation design, country engagement, and economic and sector work); Pradeep Mitra (consultant, focus on tax administration and tax revenues); Anand Rajaram (consultant, focus on public expenditures and aggregate public spending); Aristomene Varoudakis (consultant, focus on fiscal policy and public expenditures); and Clay Wescott (consultant, focus on PFM, public expenditures, and governance). The team will be supplemented with other public finance specialists as needed. The evaluation will be overseen by Auguste Kouame, Director (IEGHE), and Pablo Fajnzylber, Manager (IEGEC).
List of Attachments

1. References
2. Evaluability Assessment
3. A. Detailed Evaluation Questions
   B. Evaluation Design Matrix
4. Relevant Previous Evaluations
5. Review of Bank Approaches and Thematic Analysis
6. Country Selection Criteria for Country-level Case Study Analysis
7. Country-level Case Study Analysis Framework
8. Preliminary Portfolio Review
9. Intervention-level Case Study Selection and Framework for Analysis
10. Summary of Messages from Consultations
Attachment 1

References


Owens, Jeffrey 2013: What is meant by a competitive tax environment? The tax indicators used in the World Bank doing business study.


Attachment 2

Evaluability Assessment

Introduction

1. The purpose of this appendix is to assess the feasibility and potential scope of an evaluation of World Bank support for public finance for development. The Independent Evaluation Group (IEG) found the assessment necessary because of large variation in the portfolio, due in part to the variety of support provided, ranging from budgeting to revenue and expenditure management to reporting and auditing. Variation is further increased because many of the public finance challenges faced by recipient governments involve doing things governments and the World Bank do not fully understand, with many contextual unknowns, different interests, and multiple transactions that enhance risk. Facing these challenges requires addressing a range of motivational problems, allowing solutions to emerge through trial and error, and seeking authorization for teamwork with highly varied functional roles and skill sets. The evaluability assessment is needed to look for common features and patterns across this heterogeneous set of operations and issues that can be the basis for a credible evaluation.

2. The assessment begins by identifying the public finance portfolio of Bank lending, Advisory Services and Analytics (ASA), and research approved during the period FY08–17. The portfolio is then divided into four areas of support: revenues, public expenditures, public financial management (PFM), and debt and fiscal sustainability, based on relevant theme codes, and the judgment of IEG reviewers. For each area, the team constructed an intervention logic or theory of change, linking the main types of inputs to support improvements in each area, and the factors thought to influence the likelihood that these inputs will translate into desired outputs, intermediate outcomes, final outcomes, and impact.

3. The programmatic coherence of the portfolio was assessed, meaning that there are enough lending operations with similarities of substance, modality, or region that they can be systematically assessed across countries using rigorous qualitative and/or quantitative methods. This dimension is assessed based on a simple scale (low/moderate/high), and expressed in narrative terms. A high rating means there is judged to be sufficient concentration in all three areas, moderate means concentration in two of the three, and low concentration in only one. The institutional coherence of the portfolio is also assessed. On the supply side, this measures the extent to which a given portfolio is being managed by one or two Global Practices (GPs), with consistent division of labor among them. On the demand side, this measures the extent to which a common type of implementing partner takes a leading role, such as a ministry of finance or planning. This dimension is also assessed based on a simple scale (low/moderate/high), and

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23 For this report, ASA includes only economic and sector work, and nonlending technical assistance. Research refers to working papers and published research by the Bank in academic journals and books.
expressed in narrative terms. A high rating means that there is concentration of both Global Practice managing the operations, and implementing partners taking a leading role. A moderate rating means there is concentration in one of these things, and a low rating means there is no concentration in these areas.

4. The World Bank’s strategic interest in each area was assessed by looking at relevant strategies, and at the volume of lending, ASA, and research. Stakeholder interest was assessed in a series of meetings with GPs, country teams, partner development institutions, and clients to see if there is a specific interest to use any evaluative findings. Both strategic and stakeholder interests are assessed in each area based on simple scale (low/moderate/high). Data availability was also assessed for each of the four areas, including: a) Number of lending, ASA, and research projects, and proportion with Implementation Completion Reports, Implementation Completion Report Reviews (ICRRs), Project Performance Assessment Reports (PPARs), and major IEG evaluations; b) Number and quality of external data sets; c) Volume and coverage of reports from major international development agencies; and d) Volume and coverage of academic publications.

5. IEG selected a portfolio sample for detailed analysis of the four topic areas. The sample of lending and ASA portfolio was based on: (i) ranked countries by frequency of public finance interventions; (ii) regional representation (at least two per region); (iii) country income groups (at least one per income group); and (iv) Fragile and Conflict-Affected Situation (FCS) representation (at least one). On this basis, about one-third of lending projects, ASA, and research were included in the sample.24

6. The assessment also looked at linkages across the four areas, where work in one area reinforces work in another. The process was iterative, starting with the topic areas, and then revised as new findings emerged. For example, the initial assessment included a fifth area: fiscal decentralization. However, upon review, the team decided that the analysis would be sharper if the public finance dimensions from this area were merged into the other four areas. In another example, the team initially constructed theories of change for the evaluability assessment based on inputs and expected outputs and outcomes of the sample of projects. However, upon reflection the team decided to use an alternative approach for the evaluability assessment focusing on relevant Public Expenditure and Financial Accountability (PEFA) pillars and dimensions as the basis for the intervention logic in each area.

7. This approach has some limitations: The public finance portfolio used for the assessment is incomplete. For 13 percent of the number of public finance projects in the portfolio, the lending components identified have no theme codes, so IEG was unable to estimate the financial

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24 The sample covered projects approved in FY08–16 and was used for descriptive qualitative analysis of activities and objectives to inform the intervention logics. The descriptive quantitative analysis of the portfolio was done with data at the level of the total identified portfolio of lending projects and ASA approved in FY08–17, and research approved FY08–16 (with some caveats as identified throughout the text).
commitment to ascribe to these components. Most projects financed by trust funds are omitted from the portfolio because of uneven documentation. The four topic areas are used here to allow this assessment to benefit from extensive, initial work by the IEG team; however, the conceptual differences between the topics are not always intuitive or distinct. Other public finance practitioners divide up the subject in different ways; see for example the seven pillars used by the PEFA Secretariat (2016). If IEG proceeds with a public finance evaluation, the topic areas may differ from those used here.

8. There are also possible contradictions among the various public finance strategies applied by the World Bank. To cite one example, a recent strategic report by the Bank (2011) calls for a diagnostic rather than best-practice approach, emphasizing continuous adjustment to incremental reforms with room for experimentation and constant adaptation. Yet this is often difficult to square with the Bank’s desire to finance specific results identified in advance (Grindle 2013). ICRRs and PPARs by IEG give unsatisfactory ratings to projects that do not achieve intended results, and Program-for-Results operations (PforRs) only disburse when intended results are achieved; these protocols may not give enough room for experimentation and constant adaptation. This issue may be addressed in the evaluation itself.

9. Given all the above, some suggestions are made on the scope of a possible evaluation.

Portfolio Overview

10. IEG identified the lending, ASA, and research portfolios relevant to the Public Finance evaluation based on the selection methods and protocols detailed in Attachment 7 of this approach paper. This section assesses the programmatic and institutional coherence of the portfolio by examining the characteristics of the interventions, the patterns of combinations of instruments, the degree of dispersion across countries, and the groups of World Bank Group actors.

11. IEG determined the universe of public finance lending and ASA based on (i) the implementing GP; and (ii) the assigned theme codes for projects as well as prior actions (in the case of development policy financing [DPF]). Since there are no theme codes for research, IEG determined the universe of research based on the types of document and keywords in the abstract of research reports. The portfolio used to draw the sample for this assessment, consisted of 573 public finance lending projects, with a total commitment of $35.6 billion approved during the FY08–17, which include all IDA and IBRD projects under the Macroeconomic and Fiscal Management (MFM) and Governance (GOV) GPs and all projects under other GPs with one of the following theme codes: 21 (debt management & fiscal sustainability), 23 (macroeconomic management), 27 (public expenditure, financial management, and procurement), and 28 (tax
policy and administration). In addition, the Bank delivered 1,194 ASA during FY08–17, and published 994 research reports during FY08–16.

12. Subsequently, IEG classified the identified universe of the portfolio into four areas by reviewing the theme codes, abstract/information of the lending projects and ASA, and the title of research reports. The four categories used were public revenues, public expenditures, PFM, and debt management and fiscal sustainability. Where commitments were not allocated by theme code, IEG estimated the amounts based on component descriptions or content of prior actions. Many projects covered two or more public finance areas.

13. Trust-funded projects were not classified into reform areas because of uneven documentation. They are excluded from this initial portfolio analysis except for some larger investment projects where documentation is available. Some trust-funded work is also picked up in the analysis of ASA.

14. The revenue, expenditure, and PFM lending and ASA highly overlap each other, while debt and fiscal decentralization portfolios moderately overlap with other themes. Thus, 77 percent of revenue lending projects and 73 percent of projects for expenditure lending overlap with PFM lending projects. Almost half of revenue projects also have expenditure content. Seventy-eight percent of debt lending projects overlap with PFM projects, and moderately overlap with revenue and expenditure projects (Table 1). Like lending, 40 percent of revenue and expenditure ASA overlap each other and close to one-third of expenditure ASA overlap with PFM ASA. As for research, there is 9 percent overlap between revenue and expenditure research, and between expenditure and PFM research.

Table 1. Overlaps between Public Finance Themes, FY08–17

<table>
<thead>
<tr>
<th>Topic area</th>
<th>Number of projects</th>
<th>Percentage of projects</th>
<th>Overlap with fiscal and debt sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Overlap with revenue</td>
</tr>
<tr>
<td>Revenue</td>
<td>242</td>
<td>100</td>
<td>47</td>
</tr>
<tr>
<td>Expenditure</td>
<td>281</td>
<td>40</td>
<td>100</td>
</tr>
<tr>
<td>PFM</td>
<td>446</td>
<td>42</td>
<td>46</td>
</tr>
<tr>
<td>Fiscal and debt sustainability</td>
<td>162</td>
<td>50</td>
<td>48</td>
</tr>
</tbody>
</table>

Source: IEG estimate.

15. The Bank has supported public finance through lending and ASA, both of which have increased during the period as a share of overall lending and ASA. Although research remains high there has been some decline in recent years. The annual share of the value of public finance

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25 Excluded from the analysis were 281 projects funded by Bank-administered trust funds with public finance commitments of $1.5 billion because of uneven documentation, though they may be included in the proposed evaluation.

26 The overlap estimates for the ASA and research portfolios are based on an initial analysis for FY08–16.
lending commitments to total Bank lending commitments has increased over the period from about 8 to 11 percent for projects with relevant theme codes. The number of public finance lending projects per year remains around 60 with some increases in FY10 and FY11, while the number of ASA per year increased from 88 in FY08 to 162 in FY17. The number of research reports declined somewhat during the period. The number of lending projects and ASA by country is moderately correlated in revenue and expenditure programs. The correlation was weak for PFM and debt programs.

16. The MFM and Governance GPs have been key actors for the public finance interventions. They accounted for 75 percent and 13 percent of lending projects for FY08–17 and 35 percent and 46 percent of ASA, respectively.\(^27\) The reasons for differences between lending and ASA could be explored in the evaluation.

17. The largest share of overall public finance lending commitments by amount went to the Europe and Central Asia region (ECA, 26 percent), followed by Latin America and the Caribbean (LCR, 22 percent), and East Asia and the Pacific (EAP, 20 percent). The Africa Region (AFR) had the largest number of public finance lending projects (42 percent) and ASA (30 percent).

18. The public finance portfolio has been highly concentrated in a small number of countries. Thirteen countries accounted for 25 percent of the (combined) number of lending and ASA projects, and 30 countries accounted for 50 percent of (the number of) lending projects. The number of countries with more than 10 interventions was 8 out of 108 for lending and 32 out of 139 for ASA. The number of interventions by country is moderately correlated between lending and ASA.

19. A significant amount of Bank public finance research/knowledge work has been conducted at regional and global levels, while the lending projects were implemented mainly at country levels. Forty-two percent of research reports cover global and regional issues, while only five regional lending projects did so over the period.

**Evaluability Assessment—Revenues**

20. The Bank’s support aims to increase revenues and voluntary compliance in four areas: (a) strengthening tax and customs administration with stable, certain, and clear laws and rule-based processes; (b) enhancing revenue system efficiency, with uniform and low-distortion taxes and tariffs; (c) enhancing revenue equity, transparency, and compliance while reducing exemptions; and (d) applying all the above to natural resource revenues.

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\(^{27}\) Some ASA percentages exclude FY17, along with percentages reported in the rest of this chapter.
21. Progress in these areas requires both improvements in tax policy, laws, and regulations, as well as in tax administration, which determines the revenue that is collected.

22. These interventions are, in turn, designed to promote fiscal sustainability and macroeconomic stability, increase business investment, strengthen trade and integration, and improve governance, all related to the World Bank’s twin goals. These revenue interventions have targeted both national and provincial levels (for the latter, examples include Brazil, India, and Pakistan). Governance objectives have been common, such as increasing transparency, equity, and fairness to strengthen state legitimacy and effectiveness, particularly in FCS countries (Central African Republic and Liberia) but not only (Armenia, Punjab-India).

23. All interventions from FY08–17 were allocated to this area using theme codes or component descriptions. For DPFs, additional operations were added that had at least one prior action coded for tax policy and administration. Still more operations and ASA were added based on a review of abstracts using a word search, for example, looking for non-tax revenue components.

24. The Bank’s intervention logic is mapped in Figure 1. The first column lists the main types of inputs used to support revenue improvements. The second column lists the factors thought to influence the likelihood that these inputs will translate into desired outputs, intermediate outcomes, outcomes, and impact, which are detailed in subsequent columns. For example, it is hypothesized that relatively high and/or improving scores in relevant World Governance Indicators and Country Performance and Institutional Assessment (CPIA) indicators show that governments and donors have preferences that are aligned in key governance areas; thus, there is less need for explicit conditionality, and greater likelihood of results. Likewise, it is hypothesized that a higher proportion of aid to overall expenditure makes governments more likely to comply with agreements with donors on carrying out public finance reforms. In addition, coordination and harmonization among donors makes it more likely that support from different partners will complement rather than work at cross purposes. Further, it is hypothesized that civil service capacity (that is, aligning personnel selection, incentives, and organizational structures to performance), combined with willingness to reform, contributes to achievement of public revenue outcomes. Other political economy factors could include the willingness of political elites to comply with new tax policies and administrative measures (de Kemp and Dijkstra 2016).
Figure 1. Intervention Logic—Revenue

**INPUTS / ACTIVITIES**

- **LENDING SUPPORT**
  - Size of budget support in relation to government expenditure

- **POLICY DIALOG**
  - Scores on relevant WGI and CPIA indicators
  - Civil service capacity and willingness to reform

- **ANALYTICAL WORK**
  - Other political economy factors

- **TECHNICAL ASSISTANCE AND TRAINING**
  - Coordination and harmonization of relevant donor practices

**ASSUMPTIONS**

- Information systems introduced or improved
- Business processes reengineered
- New laws and regulations drafted and adopted
- Tax identification system modernized
- Tax base widened
- Cost of compliance reduced
- Control and audit improved
- Tariff rationalization introduced
- Tax arrears recovery strengthened
- Tax exemptions reduced or eliminated
- Distorted taxes eliminated
- Taxpayer services improved
- Tax appeals procedures implemented
- Cost of compliance reduced
- Progressive tax schedule and VAT exemption for beneficiaries of social transfers introduced
- Membership in EITI
- Accountability and reporting improved
- Illicit transfers recovered

**OUTPUTS / INTERMEDIATE OUTCOMES**

- Tax and customs administration strengthened
- Revenue system efficiency enhanced
- Revenue equity and transparency increased
- Natural resource revenues better managed

**FINAL OUTCOMES**

- Share of government revenue to GDP increased
- Investment climate improved
- Exports more competitive

**IMPACT**

- Sustained and inclusive growth and poverty reduction
PROGRAMMATIC AND INSTITUTIONAL COHERENCE

a. Programmatic Coherence (high)

25. Measures to improve general revenue administration and efficiency (77 percent of the number of lending projects) were much more common than measures to improve tax equity or natural resources revenue. The largest revenue lending commitment was to LCR (37 percent of all revenue commitments by amount), followed by ECA (21 percent) and EAP (17 percent). AFR had the largest number of revenue projects (31 percent).

26. An initial review suggests that interventions are more sophisticated in higher-income countries than in low-income and FCS countries. For example, Central African Republic Emergency Public Service Response (P149884) had the project development objective of re-establishing operational government capacity to collect and manage domestic resources, focusing on results such as increasing and greater recording of revenue, increasing customs staff that have resumed work, and reconciling revenue collected from the commercial banks. On the other end of the spectrum, Uruguay Institutions Building Project (P097604) supported improvements in human resource management for customs, including review of job profiles, merit-based recruitment, performance evaluation, incentive pay, and an exit policy for redundant staff.

27. Overall, IEG assesses programmatic coherence as high, with most operations supported by DPFs, an emphasis on general revenue and efficiency measures, and a regional focus on commitments to LCR.

b. Institutional Coherence (high)

28. Most revenue projects are managed by the MFM (77 percent of revenue project commitments). Investment projects, PforR operations, and some state-level DPFs are managed by GOV (13 percent). Energy & Extraction, Finance & Markets, and other practices manage other DPFs with revenue components. Seventy-eight percent of ASAs are managed by MFM or GOV. On the client side, most revenue projects are managed by the Ministry of Finance, or a tax or customs authority in most cases organizationally linked to the ministry.

STRATEGIC AND STAKEHOLDER INTEREST

a. Strategic Interest (low but increasing)

29. Supporting revenue measures has been a joint responsibility of the Bank and the International Monetary Fund (IMF) since 1989. In practice, the IMF has more often led on tax policy and administration because of the nature of its programs, which emphasize short-term revenue and expenditure measures. The Bank has focused more on longer-term, public expenditure, and investment climate issues. However, the Bank’s lower profile approach to revenue may be changing. The Bank created a Global Tax Group in 2016, launched a joint tax initiative with the

30. The Bank approved during the period 242 lending projects (86 countries) with a revenue component, with a value of $6.03 billion for the revenue components,\(^{28}\) or 17 percent of total public finance commitments. The lending projects were divided among DPF (75 percent), investment (23 percent), and PforR (2 percent) operations. DPFs accounted for 91 percent of the value of lending commitments (Figure 2). The largest number of revenue projects was in lower-middle-income countries (42 percent), and in upper-middle-income (29 percent). Thirty-one percent of lending commitments were in AFR, and 25 percent in LCR. The Bank also delivered 215 ASA covering revenue and published 201 research reports. AFR had the largest number of ASA (26 percent), followed by ECA (25 percent) and LCR (14 percent). Lending commitments exhibit no trend, although there were sharp increases in the volume of lending for revenue during FY09, FY14, and FY16 (Figure 2).

**Figure 2. World Bank Lending to Public Revenue, FY08–17**

![](chart.png)

*Source: IEG.*

31. The importance of supporting revenue improvements is highlighted in many Bank strategies. An earlier strategy (World Bank 2000) called for increased public resources and reduced market distortions through improved revenue policy and administration, with greater attention to institutional environments, incentives, and anticorruption strategies in this work. A more recent Board-approved strategy (World Bank 2007) stated that regulatory reform in tax and customs can

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\(^{28}\) This somewhat understates the actual commitment, since it includes only the 185 projects with a revenue theme code. The value of the revenue components of 57 additional projects coded as supporting revenue by IEG but without revenue theme codes has not been estimated.
be a successful instrument for reducing opportunities for corruption. It also advocated coordination with the IMF in tax and customs reform, and with the OECD on its Tax Haven Initiative. Other strategic World Bank (2011, 2012) documents support these improvements.

32. Overall, IEG assesses strategic interest for this area as relatively low in relation to the other areas, but increasing. Revenue lending commitments are the smallest of the areas under review.

b. **Stakeholder Interest (high)**

33. With the IDA18 commitment to domestic resource mobilization, there are signs that stakeholder interest in revenue support to low-income countries will increase. IEG’s understanding is that the Bank had previously expected the IMF, with its comparative advantage, to take the lead in this work. With the new global commitment to DRM this is changing, with some Executive Directors hoping that DRM can reduce the need for official development assistance. Senior management has high interest in an evaluation that could discuss the internal coherence of the Bank’s approach to revenue mobilization, the efficiency cost of raising revenue, the equity aspects of taxation, and both revenue and expenditure aspects of fiscal sustainability. Executive Directors asked for more visibility on the Bank’s tax work at the country level at a 2017 Seminar on Engagements on DRM and Illicit Financial Flows. They asked for a detailed timeline for implementing the emerging DRM strategy, including aspects of non-tax revenue, fees, and levies, asking for more clarity in the division of labor among international organizations based on comparative advantage.

34. The IMF suggested that the work of the International Finance Corporation (IFC) should be included. They also pointed out to IEG that a key disconnect concerns the Doing Business Indicators. IEG’s evaluation (2008b) and follow-up work (Independent Doing Business Report Review Panel, 2013; and Owens 2013), all criticized the methodology—still in use—for promoting deregulation and lower taxes, rather than assessing the regulatory burden, and that decisions on overall taxation levels should depend on a country’s fiscal requirements and policy context.

**DATA AVAILABILITY**

a. **Internal Portfolio**

35. Existing evaluative evidence includes 90 ICRRs and seven PPARs. Thus, only 8 percent of projects with ICRRs have been assessed with PPARs, below the IEG target of 20–25 percent. IEG’s Public Sector Evaluation (2008a) assessed support to tax administration, but not tax policy. The recent Learning Note on Tax Revenue Mobilization provides a review of the
operations approved from FY05–FY15 for which an ICRR is available (80 DPFs and 18 IPFs) and 17 IFC Advisory Services on business taxation for which an EvNote has been prepared.29

b. External Data Sets

36. The most comprehensive data set is the Government Finance Statistics compiled by the IMF. Other data sets include some indicators related to revenue by country (CPIA and PEFA), which can be used to analyze trends. Data are also available on tax administration performance in country reports using, for example, the Tax Administration Diagnostic Assessment Tool. Analysis of the impact of taxation and social spending on inequality and poverty in individual countries using the Commitment to Equity methodology is also available for 30 developing countries.

c. Practitioner Literature

37. The search for literature by major development institutions (IMF, OECD, regional development banks) under “public revenue” found 391 publications, of which 78 percent have been published by the IMF. A quick review of the selection shows that the search engines of the different institutions do not work the same way. IMF publications include a lot of country reports whereas Inter-American Development Bank (IDB) publications do not, even though the IDB has a significant portfolio of operations and analytical work that cover revenue reforms. IDB is currently finalizing an evaluation of its support to taxation.

d. Academic Literature

38. A Boolean search with Web of Science over the 2007–16 period by IEG found 1,826 journal articles on this topic. Contrary to the World Bank interventions, which tend to be concentrated on revenue administration, only 2 percent of the academic publications covering revenue focus on this issue, while 51 percent of these publications cover policy issues such as taxation efficiency and equity.

Potential Scope of Evaluation

39. Revenue interventions have high programmatic and institutional coherence, mainly focused on improving general revenue administration and efficiency, with MFM managing 77 percent of lending commitments, and MFM and GOV managing 78 percent of ASA. Strategic interest as measured by lending volume was generally low during the FY08–17 period with an understanding that the IMF would take the lead in this area. However, there were sharp increases in revenue components of adjustment lending in some years. Stakeholder interest has recently increased with the new global commitment to DRM. Cross linkages with other finance areas are strong (Table 1) since revenue interventions are normally a small part of larger public finance.

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29 While IFC interventions were included in the learning note, they have not been included in the portfolio assessed in the present report.
operations, with both revenue and expenditure measures contributing to overall goals of fiscal consolidation and stabilization.

40. In view of these considerations, there is scope for evaluating World Bank support to revenue as part of an evaluation. A possible focus area could be on support to tax administration and efficiency, supported by DPF operations managed by MFM. This would enhance both programmatic and institutional coherence. Although the focus might be on DPF operations, the evaluation could look for synergies with investment operations under way in the same country; for example, the Bank’s work on the details of revenue administrations might sharpen higher policy-level dialogue supported by DPFs. The role of the Doing Business Indicators could also be assessed, given the concern over tax-related indicators in IEG’s previous evaluation. A key evaluation question could be: to what extent was Bank support to tax reform effective and sustained over a period sufficient to achieve structural improvement? The main indicators could be improved scores on CPIA question 14: Efficiency of Revenue Mobilization, and PEFA indicators (2016) PI-3, Revenue Outturn; PI-6.2, Revenue outside financial reports; PI-19, Revenue Administration; and PI-20, Accounting for revenue.

41. Another evaluation question could be: To what extent do countries achieve tax objectives with support from Bank projects, but are unable to achieve broader public finance outcomes? These questions can also be adapted to the other three public finance areas considered below in this assessment.

42. The evaluation would look for plausible association between Bank support and observed changes. The presumed relatively small inputs (expert staff, policy dialogue, lending) relative to the IMF would make it hard to build a case for attribution of changes primarily to Bank support. An issue in using PEFA indicators will be that some of the latest 2016 indicators are not directly comparable with the previous indicators, so that analysis of repeat PEFA assessments would need to take this into account. A further issue is that while most interventions during FY08–17 have been in middle-income countries, there is high stakeholder interest on increasing revenues for IDA recipients following from the new global commitment to DRM. An evaluation of Bank support mainly to middle-income countries may have limited value in informing the possible new emphasis on low-income countries.

**Evaluability Assessment—Public Expenditure**

43. Because of the lack of a separate theme code for public expenditure, IEG began by identifying interventions from FY08–17 under MFM and GOV using theme code 27: “public expenditures, financial management, and procurement,” and estimating the total combined portfolio commitment and number of projects for quantitative analysis. The total commitment and number of projects for each separate topic area was not estimated. For the purposive sample for qualitative analysis, IEG started with the above portfolio. Then, based on the project abstract,
each one was assigned to the category “public expenditures and aggregate level of public spending,” “PFM,” or both. DPFs were categorized based on at least one prior action coded for these areas. Additional DPFs were added based on prior actions, even if there was no theme code 27. Still more operations and ASA were added based on a review of abstracts using a word search.

44. The Bank’s support in this area aims to improve budget reliability, allocative and technical efficiency, equity, public investment management (PIM), and policy-based budgeting.³⁰ Budget reliability comprises an approved budget that comes close to the actual budget expenditure outturn, with only minor reallocations between the main budget categories during execution. Allocative efficiency provides assurance on whether a country or sector achieving optimal mix of expenditures. Technical efficiency provides insight into the efficiency with which inputs are converted into outputs. Equity ensures whether public money reaches those with the greatest need. PIM assesses the economic appraisal, selection, costing, and monitoring of projects, particularly the largest ones. Policy-based measures include sound macroeconomic and fiscal forecasting, a clear fiscal strategy, annual budgets derived from medium-term budgets with explicit medium-term ceilings, orderly and timely participation of relevant stakeholders in the budget preparation process, and the extent of legislative scrutiny of the budget.

45. The Bank’s intervention logic is mapped in Figure 3, using the same structure as for previous public finance areas.

³⁰ These areas correspond broadly to PEFA pillars 1, 2, 3.11, and 4.16, 4.17, and 4.18 (PEFA Secretariat 2016, pp. 11–12.)
Figure 3. Intervention Logic—Public Expenditure

**Inputs / Activities**
- Lending Support
- Policy Dialogue
- Analytical Work
- Technical Assistance and Training
- Design, Procurement and Installation
- Project Management

**Assumptions**
- Size of budget support in relation to government expenditure
- Scores on relevant WGI and CPIA indicators
- Other political economy factors
- Coordination and harmonization of relevant donor practices

**Outputs / Intermediate Outcomes**
- Approved budget that comes close to the actual budget expenditure outturn.
- Only minor reallocations between the main budget categories during execution.
- Improved allocative efficiency.
- Improved share of poor received targeted assistance.
- Increased share of priority expenditure in GDP.
- Strengthened operational efficiency by reducing leakages.
- Improved accessibility and quality of services.
- Sustained increase in infrastructure, social assistance, education, and health.
- Economic appraisal, selection, costing and monitoring of projects, particularly the largest ones.
- Sound macroeconomic and fiscal forecasting.
- Clear fiscal strategy.
- Annual budgets derived from medium-term budgets with explicit medium-term ceilings.
- orderly and timely participation of relevant stakeholders in the budget preparation process.
- Legislative scrutiny of the budget.

**Final Outcomes**
- Budget Reliability
- Allocative and Technical Efficiency
- Equity
- Sound Public Investment Management
- Policy based fiscal strategy and budgeting
- Aggregate Fiscal Discipline
- Strategic allocation of resources
- Efficient service delivery

**Impact**
- Sustained and Inclusive Growth and Poverty Reduction

**Links to Twin Goals and SDGs**
Programmatic and Institutional Coherence

a. Programmatic Coherence (moderate)

46. On this basis, 86 percent of the public expenditure (PE)/PFM commitment was divided about equally among AFR, EAP, ECA, and LCR. Africa had the largest number of PE/PFM projects (44 percent): a larger share than the other areas. 87 percent of the value of PE/PFM commitments were supported by DPFs (Figure 4).

Figure 4. World Bank Lending to Public Expenditure and PFM, FY08–17

Source: IEG.

47. A review of a sample of policy actions and project activities found 10 main categories. The largest number of interventions comprised support to program, performance, or results-based budgeting. While the Bank has supported these across all regions and lending instruments, they were most prominent in low-income countries. The next largest number comprised support to social services; for example, a decree to introduce universal health care coverage, a strategic plan for social protection, expanding an existing social safety net, and creating a social welfare agency, all with implications for public finance. Examples of support to PIM include a decree laying out procedures for evaluating, selecting, and approving projects, and issuing a public investment law. Support to public-private partnerships (PPPs) has been predominantly in the Africa Region, perhaps to leverage private capital where the public sector falls short; while there are links to public finance, the special nature of PPPs might best be looked at in a separate evaluation. Support to medium-term expenditure frameworks focused on strengthening the link between policy formulation and budgeting, and was also focused on the Africa Region. A review of outcomes supported by projects in this area found greater focus: over half of all operations supported only 3 of 11 possible outcome areas: PIM, pro-poor spending, and results-based management. ASA was broadly focused on some the same areas, with substantial work on the public expenditure implications of social service delivery, and on PIM. However, there was very
limited ASA on results-based budgeting, and on PPPs. ASA also has focus areas such allocative efficiency that are not addressed as much in lending.

48. This apparent lending focus raises some questions. For example, it is unclear whether a focus on performance-based budgets in the Africa Region is warranted given capacity limitations. In addition, why there does not appear to be a stronger focus on maintenance and the trade-off between capital and recurrent cost, or on the link between expenditure management and service delivery? Overall, there is a high proportion of DPF commitments, and many projects in Africa. There is a great deal of focus on outcomes supported, but a wide range of activities and outputs supported in this area. Commitments are also broadly shared across regions.

b. Institutional Coherence (high)

49. For projects with public expenditure components, 73 percent are managed by MFM, 19 percent by GOV, and the remainder are spread over 6 GPs. The fact that 85 percent of these operations are DPFs explains the dominance of MFM in this area. ASA was spread over 12 GPs, with no clear division of labor or pattern of concentration. On the client side, the Ministry of Finance manages most projects in this area. Considering the high concentration of management of lending by MFM, institutional coherence is rated high.

Strategic and Stakeholder Interest

a. Strategic Interest (high)

50. Five hundred twenty-one lending projects approved during FY08–17 had public expenditure, financial management, and procurement components as indicated by theme code 27, or by IEG’s assessment based on component descriptions or prior action content. These components had a total commitment value of $21.0 billion, comprising 59 percent of the Bank’s public finance commitment. Forty percent of the total number were in lower middle-income countries, 32 percent in low-income countries, and 24 percent in upper-middle-income countries. The Africa Region had the largest number of ASA (30 percent), followed by ECA (22 percent) and EAP (15 percent). Forty-three percent of ASAs were done in in lower-middle-income countries, 24 percent in upper-middle-income countries, and 18 percent in low-income countries.

51. Support to public expenditure and financial management over the period has increased, but with considerable variation year to year (Figure 4).

52. The importance of public expenditure is highlighted in many Bank strategies. The earlier strategy (World Bank 2000) called for moving upstream, working with clients on public expenditure reviews and tracking surveys, and integrating this knowledge into country strategy formulation. It emphasized that sustainable poverty reduction requires that essential systems of public expenditure management be developed and nurtured, with attention to the “rules of the
game” that shape policy outcomes such as medium-term expenditure frameworks. It called for greater integration of public expenditure management into political economy analysis; better coordination between individual sector analyses to develop an integrated, systemic picture; and closer links between budgets and actual spending. The current strategy (World Bank 2007) reaffirmed support to the earlier strategy, and called for strengthening transparency and oversight of budgetary resource use. Other strategic World Bank (2011, 2012) documents support these improvements.

53. Overall, IEG assesses strategic interest in this area as high. This has long been an area of comparative advantage for the Bank, supported by ASA—including public expenditure reviews and PEFA assessments—with the PEFA Secretariat administered by the Bank. Lending in the area has increased over the period, although unevenly.

b. Stakeholder Interest (moderate)

54. Stakeholders across the board noted in IEG interviews that the Bank’s role in public expenditure distribution is critical. They noted, however, that there appears to have been a shift away from expenditure policy toward PFM “nuts and bolts” in recent years. Stakeholders noted that particularly important themes in expenditure policy would be the trade-off between investment and recurrent expenditures, and the role of PIM. It was noted, however, that a lot of analytical work had already been done on aspects of public expenditure policy and expressed a preference for less-well researched topics such as tax policy, macroeconomic debt sustainability, and fiscal decentralization. Some stakeholders noted that public expenditure policy should only focus on the perspective of the Ministry of Finance.

DATA AVAILABILITY

a. Internal Portfolio

55. Existing evaluative evidence includes 138 ICRRs and 19 PPARs. There is extensive coverage of this issue in major evaluations such as IEG (2008a, 2010: 57–68, 2011). Only 14 percent of projects with ICRRs have been assessed with PPARs, below the IEG target of 20–25 percent.

b. External Data Sets

56. IEG found several important data sets on the topic of public expenditure. First, IMF’s Government’s Finance Statistics (GFS) contains data on government expenditure—by function of government—for all reporting countries in the GFS framework. While time series data exist for some regions (ECA and parts of LCR and EAP), for other regions (AFR, South Asia Region [SAR] and Middle East and North Africa [MENA]) data are mostly lacking. Another important data set is BOOST (World Bank 2017a), a World Bank platform where expenditure data can be accessed to analyze potential sources of inefficiencies, and become better informed about how
governments finance the delivery of public services. Currently, the tool is available for 23 countries. Third, the World Bank (2017b) Data Portal contains several variables related to public expenditure: investment data with private participation (per sector), government expenditure by sector, but also output and outcome data on fiscal deficit, social services, business environment, poverty, growth, and other topics.

57. Important data limitations, both geographically and topically, should be kept in mind. For example, PEFA does not directly measure the links between budgeting and performance. However, an evaluation could use PEFA indicator PI-8, Performance information for service delivery, and compare the results there with results on indicators measuring budget preparation and execution. As discussed earlier, adjustments will need to be made to compare PEFA ratings over time.

c. Practitioner Literature

58. After searching the websites of six important institutions—IMF, OECD, IDB, African Development Bank, Asian Development Bank, and European Bank for Reconstruction and Development—IIEG found 1,570 publications on public expenditure planning. The IMF topped the list with 620, followed by the OECD with 520.

d. Academic literature

59. IIEG performed a Boolean search to find peer-reviewed literature on public expenditures, by sub-topic, using Web of Science. A total of 3,395 journal articles were found on this topic, PPP (1,457) and PIM (966) comprise 70 percent of the academic literature, while only a handful of studies covered medium-term expenditure frameworks and public expenditures (4) and few papers covered pro-poorness and public expenditures (35).

Potential Scope of Evaluation

60. Public expenditure planning has high institutional coherence, with MFM and GOV managing 86 percent of lending commitments; however, there is moderate programmatic coherence, with 80 percent of activities spread over five sub-categories. Strategic interest is high. There is moderate stakeholder interest in the area, for example on the trade-offs between investment and recurrent expenditures and on the role of PIM. Yet concerning ASA, stakeholders expressed a preference for less-well-researched topics such as tax policy and macroeconomic debt sustainability.

61. Given the above, the evaluation may wish to take a targeted approach looking at specific issues, such as the effectiveness of the Bank’s engagement in performance budgeting and whether that has led to improved budget allocations and service delivery. The preponderance of DPFs suggests looking at efficacy of channeling Bank resources through country systems for expenditure planning. To what extent were projects designated as on-budget, aligned with the
fiscal calendar, and relying on standard budget preparation procedures? Is there evidence that these country systems were strengthened by channeling the Bank’s fund through them? Lastly, the extent to which analytical work and lending are complementary would be an interesting perspective to take as clear gaps are emerging: for example, the large body of work on global and regional issues in comparison to the small volume of lending. In terms of scope it may be preferable to focus on a few high-impact clients rather than the overall portfolio, especially given how the overall lending is skewed toward few clients only.

**Evaluability Assessment—Public Financial Management**

62. World Bank support in this area aims to improve predictability and control in budget execution, accounting and reporting, and external scrutiny and audit. Predictability includes cash management, control of arrears, payroll, and non-salary expenditure, procurement, and external audit. Accounting and reporting includes financial data integrity, and in-year and annual financial reports. External scrutiny includes external audit, and legislative scrutiny of audit reports.\(^{31}\) The Bank’s intervention logic is mapped in Figure 5 using the same structure as for previous public finance areas considered.

**Programmatic and Institutional Coherence**

*a. Programmatic Coherence (moderate)*

63. As discussed earlier, most PE/PFM commitments\(^ {32}\) were supported by DPFs, and their prior actions supported the full range of PFM dimensions. The most common types of outputs supported by investment lending (9 percent of commitments) include support on integrated financial management systems, public procurement, and fiscal transparency (e.g., financial reporting, public access). The most common ASA across the sample included PEFA assessments, Public Expenditure Reviews, Reviews of Standards and Codes, and Public Procurement Assessments. Overall, programmatic coherence is assessed as moderate due to the predominance of adjustment lending, and a small number of similar areas receiving support, but with no regional focus on commitments, with four regions having roughly equivalent shares.

*b. Institutional Coherence (high)*

64. Eighty-seven percent of portfolio commitments are managed by MFM, and 12 percent by GOV. On the client side, most projects in this area are managed by the Ministry of Finance.

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\(^{31}\) These areas correspond broadly to PEFA pillars 5.21–5.26, 6, and 7 (PEFA Secretariat 2016, pp. 12–13).

\(^{32}\) IEG did not try to separate commitments coded as Theme 27 into the two topic areas. However, the purposive sample for qualitative analysis does separate projects into the two areas, as discussed in paragraph 43.
Figure 5. Intervention Logic—Public Financial Management

- **INPUTS / ACTIVITIES**
  - LENDING SUPPORT
  - POLICY DIALOG
  - ANALYTICAL WORK
  - TECHNICAL ASSISTANCE AND TRAINING
  - DESIGN, PROCUREMENT AND INSTALLATION
  - PROJECT MANAGEMENT

- **ASSUMPTIONS**
  - Size of budget support in relation to government expenditure
  - Scores on relevant WGI and CPIA indicators
  - Other political economy factors
  - Coordination and harmonization of relevant donor practices

- **OUTPUTS / INTERMEDIATE OUTCOMES**
  - Cash forecasting and monitoring
  - Expenditure arrears monitoring
  - Integration of payroll and personnel records
  - Procurement complaints management
  - Effective expenditure commitment controls
  - Internal audits and reporting implemented and responded to
  - Bank accounts reconciled
  - Financial data integrity assured
  - Coverage and comparability of reports assured
  - Accurate, timely in-year budget reports produced
  - Completed annual financial reports submitted for external audit
  - Audits attain full coverage and meet standards
  - Independence of Supreme Audit Institution assured
  - Quality audit reports submitted for legislative review and follow-up
  - Timely and transparent legislative scrutiny of audit reports
  - Recommendations made on audit by legislature

- **FINAL OUTCOMES**
  - Predictability and control in budget execution
  - Accounting and reporting
  - External scrutiny and audit

- **IMPACT**
  - Improved Effectiveness
  - Improved Efficiency
  - Strengthened Transparency
  - Improved Accountability

- **LINKS TO TWIGGOALS AND SGDS**
  - SUSTAINED AND INCLUSIVE GROWTH AND POVERTY REDUCTION
STRATEGIC AND STAKEHOLDER INTEREST

a. Strategic Interest (high)

65. As discussed earlier, 521 lending projects approved during FY08–17 had public expenditure, financial management, and procurement components as indicated by theme code 27, or by IEG’s assessment based on component descriptions or prior action content. These components had a total commitment value of $21.0 billion.

66. The importance of PFM is highlighted in many Bank strategies. The 2000 strategy called for filling the skill gaps in financial management and procurement, improved internal accounting standards, and going beyond a narrow technical focus to enhancing the role of the legislature in financial accountability. The 2007 strategy called for the Bank to improve PFM related to both revenues and expenditures, pointing out that capable and accountable states are the strongest defense against corruption. This strategy repeatedly highlights the importance of the multidonor PEFA performance measurement program as a harmonized system for assessing and monitoring the quality of PFM systems. Other strategic World Bank (2011, 2012) documents support these improvements. There is extensive coverage of this issue in major evaluations, such as IEG (2008a, 2010: 57–68, 2011, 2012). Support to public expenditure and financial management over the period has increased, but with considerable variation year to year.

67. Overall, IEG assesses strategic interest in this area as high. Lending commitments in the area are relatively high, supported by ASA, including PEFA assessments, with the PEFA Secretariat administered by the Bank. Lending in the area has increased, although unevenly.

b. Stakeholder Interest (high)

68. The Governance GP has expressed interest in the evaluation of PFM, which forms the bulk of its portfolio. Through multiple meetings, representatives of the Governance GP (that is, Global Lead on PFM and Technical staff) shaped the three frontier topics in PFM—PIM, PFM and Service Delivery, and Transparency, Accountability, and Participation. They also prioritized attention on PFM in the FCS. They expressed interest that subtopics like budgeting, financial management information systems, and capacity building would be covered.

Data Availability

a. Internal Portfolio

69. Existing evaluative evidence includes 202 ICRRs and 19 PPARs. Only 8 percent of projects with ICRRs have been assessed with PPARs, below the IEG target of 20–25 percent. This issue is also extensively covered in major evaluations, such as IEG (2008a, 2010: 57–68, 2011, 2012, 2013, 2016), including in the latter two, evidence on implementing PFM reforms in FCS.
b. External Data Sets

70. The Open Budget Survey is implemented by independent researchers based in each of the countries surveyed who conduct analysis to determine the answers to 140 questions, and the results are reviewed by an anonymous expert. Governments in all survey countries are also invited to review and comment on the results. The bulk of the questions examine the amount of budget information that is made available to the public through eight key budget documents. Based on the answers to the questions, each country is given a score between 0 and 100 on the Open Budget Index—a broad, comparable measure of budget transparency. The information on country scores and rankings is available at IBP, 2017.

71. PEFA assessments administered by the Bank measure the performance of PFM systems in many important respects. At the time this assessment was prepared, 546 PEFA assessments had been carried out in 144 countries. Many of these are repeat assessments, allowing a perspective on changes in PFM practices and results over time. However, these comparisons need to be adjusted for changed definitions of indicators, as mentioned earlier.

72. CPIA is estimated for all Bank borrowers under which a rating of countries is assessed for 16 indicators grouped in four clusters: economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions. The Quality of Budgetary and Financial Management is measured by question number 12.33

73. ROSCs summarize the extent to which countries observe certain internationally recognized standards and codes. The relevant document is IMF’s Code of Good Practices for Fiscal Transparency. It covers four key elements of fiscal transparency: Fiscal Reporting, Fiscal Forecasting, and Budgeting, Fiscal Risk Analysis and Management, and Resource Revenue Management. IMF (2017) staff have analyzed countries’ adherence to these principles and practices in the Code, and 93 countries have published their results.

74. IMF and the World Bank have developed Public Investment Management Assessment tool to evaluate 15 institutions that shape the decision-making in the PIM in three stages—planning, allocating, and implementation. This tool has been piloted since 2015.

c. Practitioner Literature

75. There is a substantial amount of policy literature on PFM by major institutions like the IMF, OECD, and regional development banks. A search for PFM on their websites resulted in 10,985 policy documents. Most them were by the IMF, followed by the European Bank for Reconstruction and Development, and Asian Development Bank.

33 The data on CPIA for IDA countries can be accessed at World Bank 2017b.


d. Academic Literature

76. IEG performed a Boolean search for peer-reviewed literature on public financial management, by sub-topic, using Web of Science. A total of 500 journal articles were found on this topic; 80 percent covered accounting and audit, and the rest covered budgeting, budget execution, and transparency.

Potential Scope of Evaluation

77. Bank support in this area has moderate programmatic and institutional coherence, and high strategic and stakeholder interest. There is extensive evaluative evidence to build on with both major evaluations and individual ICRRs and PPARs, along with extensive internal and external data sets.

78. On this basis, there is scope for an evaluation of World Bank Group support to PFM. As per stakeholder interest, the evaluation could focus on the low-income and FCS countries and the three frontier topics—PIM, PFM and Service Delivery, and Transparency, Accountability, and Participation. From the portfolio analysis, it emerged that there are not many projects on the PIM, and on links between PFM and service delivery. However, to the extent there are projects in those areas, those should be included. There are substantial number of PFM projects in low-income and FCS countries and on the theme of transparency, accountability, and participation.

79. A broad evaluation question could be: to what extent do Bank-funded PFM projects help countries to achieve their PFM outcomes (cf. para 61 above)? Some potential specific questions are as follows:

- Whether and to what extent is there an effective control of the total budget and management of fiscal risks?
- Whether and to what extent is planning and execution of budget in line with government priorities aimed at achieving policy objectives?
- Whether and to what extent budgeted revenues are used to achieve the best levels of public services within available resources?
- Whether and to what extent has the performance of PFM systems improved as an outcome of this operation along the six critical dimensions of PFM: budget reliability, transparency of public finance, policy-based fiscal strategy and budgeting, predictability and control in budget execution, accounting and reporting, and external scrutiny and audit?
- Whether and to what extent the performance of PFM systems and outcomes can be attributed to Bank’s intervention?

80. As mentioned earlier, answering such questions will require that data limitations in using PEFA scores and other measures be addressed, particularly when analyzing changes over time.
Evaluability Assessment—Fiscal and Debt Sustainability

81. The Bank’s support in this area aims to improve management of assets and liabilities, and policy-based fiscal strategy. Asset and liability management comprises fiscal risk reporting of public corporations, subnational governments, and contingent liabilities; public asset management, including financial and non-financial asset monitoring and disposal; and debt management, including approval of debt and guarantees, recording and reporting, and debt management strategy. Policy-based fiscal strategy includes macroeconomic and fiscal forecasting; fiscal strategy adoption, impact, and reporting. The Bank’s intervention logic is mapped in Figure 6, using the same structure as for previous public finance areas. An evaluation would need to assess the possibility of reverse causality concerning “macroeconomic stability,” since it is a condition for budget support to proceed in the first place.

Programmatic and Institutional Coherence

a. Programmatic Coherence (moderate)

82. The largest debt/fiscal commitment was to ECA (45 percent), followed by EAP (17 percent) and LCR (13 percent). Africa had the largest number of projects (31 percent). 98 percent of lending commitments in the area were through DPFs.

83. Following the Highly Indebted Poor Countries (HIPC) initiative, the Bank and IMF developed a Debt Sustainability Framework to allow countries to tailor their financing and anticipate future risks. To this end, specific tools were developed and applied across countries to strengthen debt management capacity and institutions to reduce their vulnerability to shocks and safeguard debt sustainability. Standardized ASA and programmatic DPFs were the main instruments to support used by the Bank to support debt management.

34 These areas correspond broadly to PEFA dimensions 3.10, 3.11, 3.13, 4.14, and 4.15 (PEFA Secretariat 2016, pp. 11–12).
Figure 6. Intervention Logic—Debt and Fiscal Stability

**INPUTS / ACTIVITIES**

- **LENDING SUPPORT**
  - Size of budget support in relation to government expenditure
- **POLICY DIALOG**
  - Scores on relevant WGI’s and CPIA indicators
- **ANALYTICAL WORK**
  - Civil service capacity and willingness to reform
- **TECHNICAL ASSISTANCE AND TRAINING**
  - Other political economy factors
- **DESIGN, PROCUREMENT AND INSTALLATION**
  - Coordination and harmonization of relevant donor practices
- **PROJECT MANAGEMENT**

**ASSUMPTIONS**

- Monitoring public corporations
- Monitoring sub-national governments
- Monitoring contingent liabilities and other fiscal risks
- Improved risk management for PPPs
- Sustainable pricing for electricity and water from public corporations
- HIPC, MDRI and DRF
- DEMPA, strategy and reform plan
- Debt relief, law
- Domestic borrowing plans
- Improved forecasts
- Macrotaxical sensitivity analysis
- Spending ceilings
- Medium term fiscal plan
- Contingent financing
- Sustaining critical spending during financial crisis
- Improved sustainability of pension and social security systems

**OUTPUTS / INTERMEDIATE OUTCOMES**

- Fiscal risk reporting
- Public Asset Management improved
- Contingent liabilities reporting improved
- Macroeconomic and fiscal forecasting established

**FINAL OUTCOMES**

- Macroeconomic stability
- Improved resilience to shocks
- Aggregate fiscal discipline
- Strategic allocation of resources
- Efficient service delivery

**IMPACT**

**LINKS TO TWIN GOALS AND SDGs**

**SUSTAINED AND INCLUSIVE GROWTH AND POVERTY REDUCTION**
84. The Debt Sustainability Framework has also induced the Bank and IMF to integrate debt issues into policy advice to support long-term sustainability of fiscal policy and therefore overall debt sustainability. Ensuring overall fiscal and debt sustainability require that sustainability be secured across sectors. Thus, the Bank has embarked on a large range of activities to support debt sustainability depending on the country context. For example, in addition to ensuring macro stability, the previous section described other activities supported by the World Bank Group, notably those linked to the sustainability of the energy and water sectors as well as social sectors (notably pension, health, and social security) and PPP. Other important sector issues not discussed here are financial sector stability and climate change, which can significantly affect fiscal and debt sustainability over the long term. Consequently, the analytical work and lending to support these sector reforms draw on a very large set of activities and vary according to country context. For example, the review of our stratified sample and interviews with stakeholders noted that pension issues and PPP are respectively more prominent in ECA and Africa countries.

85. Overall, IEG assesses moderate programmatic coherence. There are many different activities and different patterns depending on country context. On the other hand, most lending consists of DPFs, and there is a strong regional focus on commitments to ECA.

**b. Institutional Coherence (high)**

86. Most debt and fiscal sustainability projects are managed by MFM (80 percent of lending commitments). Eight percent is managed by Finance & Markets, and the rest by other GPs. MFM also manages the bulk of ASA (81 percent) with GOV the second most important provider (10 percent). On the client side, most projects in this area are managed by the country’s Ministry of Finance, often with support from the central bank.

**Strategic and Stakeholder Interest**

**a. Strategic Interest (high)**

87. All interventions from FY08 to FY17 identified using theme code 21, “Debt management & fiscal sustainability,” and/or theme code 23, “macroeconomic management,” were included. In addition, based on the project abstract, IEG assigned additional projects with debt/fiscal sustainability content. Based on this, the Bank approved 162 lending operations during the period supporting debt and fiscal sustainability, for an estimated commitment amount of $8.6 billion, comprising 24 percent of the total public finance commitment.\(^{35}\) DPFs accounted for 98 percent of the lending commitment, with investment and PforR operations making up the rest. There is no sustained trend in the value of commitments, although there were sharp increases in FY09 and FY17 (Figure 7). The Africa Region had the largest share of these projects (31

\(^{35}\) This amount somewhat understates the actual commitment, since it includes only the 136 projects with theme codes 21 or 23. The value of the components of 26 additional projects coded as supporting debt or sustainability by IEG but without the relevant theme codes has not been estimated.
percent), followed by ECA (20 percent) and LCR (17 percent). Thirty-eight percent of the total number were in upper-middle-income countries, 37 percent in lower-middle-income, and 18 percent were in low-income countries.

88. The Bank also delivered 266 ASA and 160 research reports during the period. The Africa Region had the largest number of ASA (33 percent), followed by ECA (22 percent) and EAP (15 percent). Thirty-eight percent of ASAs were done in lower-middle-income countries, 27 percent in middle-income countries, 18 percent were regional, and 14 percent were in low-income countries.

Figure 7. World Bank Lending to Debt and Fiscal Sustainability, FY08–17

89. The importance of debt and fiscal sustainability is highlighted in many Bank strategies. The 2000 strategy called for improved fiscal management to achieve macroeconomic and development objectives (debt management, contingent liabilities) through better coordination of fiscal and monetary policy, and better awareness of public liabilities. The 2007 strategy reaffirmed the objectives of this strategy and pointed out the importance coordinating with the IMF on debt relief, and using HIPC expenditure tracking of improvements in PFM. Other strategic World Bank (2011, 2012) documents support these improvements.

b. Stakeholder Interest (high)

90. Interviews with stakeholder in various GPs and the IMF, noted strong interest across GPs and regions on the topic of debt sustainability. Debt sustainability is considered a big issue in the whole World Bank Group and at the IMF. Several chief economists selected this topic in their top three choices among the proposed set of modules. One interlocutor noted that “Tax and debt are topics that are hotter and perhaps more interesting and would catch a lot of attention, notably because of the Addis Ababa’s conference commitments and large agenda—this would be high
profile, corporate wise.” Yet most interlocutors noted that the area was very broad and had to be narrowed to make it more tractable.

**Data Availability**

**a. Internal Portfolio**

91. Existing evaluative evidence includes 70 ICRRs and 6 PPARs. Only 9 percent of projects with ICRRs have been assessed with PPARs, below the IEG target of 20–25 percent. IEG’s recent (2016) evaluation of the World Bank Group’s Support to Capital Market Development commented specifically on one related aspect of capacity building—the links between these public debt management capacity building efforts and the government bond market development work undertaken by the World Bank Group capital markets units. Other recent IEG evaluations relating to policy-based guarantees (IEG PPAR on policy-based guarantee for Serbia 2016 and IEG Findings from Evaluations of Recent Policy-Based Guarantees 2016) point toward the importance of close World Bank and IMF collaboration for sound debt management for the implementation and outcomes of the Bank’s policy-based guarantees. The IEG Evaluation World Bank Group Engagement in Small States (2016), in chapter 3, on “Strengthening Resilience,” also discusses the Bank’s support for better debt management in the Organization of Eastern Caribbean States and Pacific Islands Countries. The World Bank and IMF are about to issue a joint Board paper, Assessing Recent Capacity Building in Medium-Term Debt Management Strategies.

**b. External Data Sets**

92. Some useful internal data sets on debt include: international debt statistics; debt sustainability analysis by country; the PEFA module containing information on the management of liabilities (notably contingent liabilities); statistical update of the HIPC initiative; the Joint External Debt Hub—jointly developed by the Bank for International Settlements, IMF, OECD and World Bank Group; the Haver Analytics, providing time series data for the global strategy and research community; and data from the Institute of International Finance.

**c. Practitioner Literature**

93. A word search of international lending institutions and OECD found more than 18,000 reports published during the period, with about half covering debt and half covering fiscal sustainability. Eighty-nine percent of these were published by the IMF.

**d. Academic Literature**

94. IEG prepared a list of academic publications to use to identify research papers in this area which is available for use by the evaluation team, but the publications could not be reviewed for this assessment.
POTENTIAL SCOPE OF EVALUATION

95. IEG assesses moderate programmatic and high institutional coherence. While there are many different activities and different patterns depending on country context, most lending consists of DPFs, and there is a strong regional focus on ECA. Eighty percent of lending commitments are managed by MFM, and 98 percent of the lending is through DPFs. Strategic and stakeholder interest is high, with 24 percent of public finance lending supporting the area, Bank strategies highlighting its importance, and stakeholders indicated the topic would catch attention because of Addis Ababa conference commitments.

96. In view of the above, there is scope for evaluating World Bank support in this area as part of an overall evaluation. It would be important to narrow the focus given the regional and country heterogeneities.

97. One interesting topic could be to review Bank activities in African countries since they reached the HIPC completion point by assessing Bank analytical work and lending through activities seeking to both improve debt management and overall fiscal and debt sustainability. This is quite relevant as some HIPC countries are now showing signs of stress again (e.g., Ghana, Ethiopia, Mozambique, and possibly Tanzania or Burundi). The Bank and IMF are revising their Debt Sustainability Framework, notably changing selected thresholds, but many other factors that this evaluation could point to, may also come into play. For example, the Bank and IMF have conceived debt sustainability as technical issues, but several other issues may have lessened the effectiveness of engagement, such as neglecting political economy issues or lacking means to ensure the implementation of recommendations for debt sustainability. Work on this set of topics would likely go beyond debt management issues themselves, and might be explored in separate papers, or in freestanding Country Program Evaluations to be produced in parallel.

98. An alternative could be to pick a specific topic and assess the relevance and effectiveness of cross-sector Bank interventions to promote sector sustainability whenever the latter endanger overall fiscal and debt sustainability. For example, the evaluation could focus on:

- Ensuring sustainability in the energy sector to foster debt sustainability: covering countries where the power sector causes large economic imbalances that are a source of vulnerability. This topic may cover countries in several regions and could be linked to the revenue component.
- Ensuring sustainability in the social sector: covering countries where pension, health, or social security issues jeopardize overall fiscal and debt sustainability. This topic may cover many countries in ECA and could cover issues related to the expenditure component.

99. Other sector issues not analyzed in the review of the stratified sample could also be particularly relevant:
• Ensuring sustainability through appropriate financial sector policy: Financial sector repression can endanger fiscal and debt sustainability. This issue (not analyzed in the review of the stratified sample) was noted as relevant for countries in SAR.
• Climate change and debt sustainability: This topic could cover countries particularly vulnerable to climate change, notably small states.

100. Another alternative could be to ensure that in all forthcoming sector evaluations, the debt sustainability dimension would be assessed, whenever relevant, to gather evidence that could serve for a major evaluation in IEG’s work program in the future. As mentioned earlier, answering such questions will need to address data limitations in using PEFA scores and other measures, particularly when trying to analyze changes over time. Again, these topics could be explored in separate papers or in freestanding Country Program Evaluations to be produced in parallel.

Conclusions and Potential Scope of Overall Evaluation

101. Public finance lending is a significant product line, with an increasing share of total Bank commitments over the period from 8 percent to 11 percent, supported by extensive ASA and research. The four topic areas are assessed as having mainly high programmatic coherence, with moderate coherence in debt and fiscal sustainability due to highly variable interventions across regions and countries, and moderate coherence for PFM. There is high institutional coherence throughout. There is mainly high strategic interest, except for low but increasing interest in revenue support. There is high stakeholder interest, except for moderate interest in public expenditure. There are previous major evaluations to build on covering all four areas, as well as considerable evidence from ICRRs. There are also PPARs, although much less than the 20–25 percent of ICRRs targeted by overall IEG norms, thus opening a need for further evaluation in this area. The analysis confirms that there is sufficient data, coherence, and interest for a public finance evaluation. The following discusses possible evaluation priorities.

102. The largest share of overall public finance lending commitments (by value) went to ECA (26 percent), followed by LCR (22 percent) and EAP (20 percent). Thirteen countries accounted for 25 percent of the (combined) number of lending and ASA projects, and 30 countries accounted for 50 percent of (the number of) lending projects. The revenue, expenditure, and PFM lending and ASA highly overlap, while debt and fiscal decentralization portfolios only moderately overlap with other themes. About 77 percent of lending projects with revenue content and 73 percent of projects with expenditure content, also have some PFM content. Almost half of the projects with revenue content also have some expenditure components. Furthermore, more than three-quarters of the debt and fiscal sustainability lending projects also have some PFM content. Like lending, 40 percent of revenue and expenditure ASA overlaps and one-third of expenditure ASA overlaps with PFM ASA. As to research, there is 9 percent overlap between revenue and expenditure.

103. Based on the evidence presented, an evaluation would focus both on achievement of objectives and longer-term results. In doing so, it could draw on public finance support provided
through adjustment lending. It would assess both the results of this lending and the role of other types of lending, ASA, and research being carried out at the same time and in the same country. Ninety percent of public finance commitments are through DPFs, most of which are managed by the MFM practice. The evaluation could examine hypotheses concerning how to improve public finance outcomes, the broader impacts on improving governance, service delivery and contributing to the twin goals, and the transmission mechanisms through which these operations achieved these results. Possible contributing factors to be examined could include the size of the budget support in relation to government expenditure, and the scores on PFM and broader governance assessments. The evaluation could also look at indicators of overall administrative quality and capacity such as incentives, personnel selection, and organizational culture as possible contributing factors. These hypotheses could be further tested by analyzing investment project financing, ASA, research, and other Bank support linked with the DPFs, including the IFC’s work with Doing Business Indicators.

104. In the revenue area, a possible focus could be on support to tax administration and efficiency. The main evaluation question could be: to what extent was Bank support to tax reform effective and sustained over a period sufficient to achieve structural improvement? Challenges will include determining attribution of the Bank’s support to results achieved, and comparing differently formulated PEFA indicators across periods of time. Budgeting and expenditure analysis may want to focus on specific issues, such as whether the Bank’s support to performance budgeting has led to improved budget allocations, and the crowding in of private capital. IEG may also want to focus on a few high-impact clients. Analysis of financial management and reporting could focus on FCS and frontier topics, in line with stakeholder interests. Evaluation questions could include: How effective are financial controls in managing fiscal risks? Is budget execution in line with approved budgets, as validated by accounting, reporting, and audit? Is any improved performance attributed to the Bank’s intervention? Analysis of fiscal and debt sustainability could focus on the ability of countries to maintain achievements reached during their HIPC completion point. This analysis could look at specific sectors such as energy or pensions, and how governments address challenges that jeopardize overall fiscal and debt sustainability in these areas.

105. Finally, the evaluation could also assess the Bank’s influence on government policies and institutions via policy dialogue and analytical work (including possible missed opportunities) as well as the coherence of Bank strategies on public finance. For example, can a diagnostic rather than best practice approach, emphasizing continuous adjustment to incremental reforms with room for experimentation and constant adaptation, work together with the Bank’s desire to finance specific results identified in advance? Are there sufficient links between ASAs and Bank lending? IEG will also consider the possible contradiction between advice from tax policy specialists and the incentives created by the Doing Business Indicators and related advice on business competitiveness.
Attachment 3

A. Detailed Evaluation Questions

1. First Question: To what extent did the World Bank have a relevant and coherent approach underlying its interventions in the public finance areas?
   
   b. To what extent were the approach objectives, scope, and implementation plans clear, realistic and sensitive to, and congruent with the respective context?
   
   c. To what extent was the approach responsive to the World Bank's twin goals of poverty reduction and, since 2013, shared prosperity?
   
   d. To what extent was the approach consistent with the priorities and needs of country clients?
   
   e. To what extent was the approach consistent with the objectives and priorities of the global development community (for example, the SDGs) and development partners?
   
   f. To what extent was the approach consistent with the state-of-the-art technical and policy knowledge in the four thematic areas?

2. Second Question: What has been the nature and structure of World Bank support in each of the public finance areas over the evaluation period?
   
   a. What has been the nature and the evolution of the World Bank lending and nonlending support to public finance over time?
   
   b. What has been the regional and country distribution, including International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) breakdown?
   
   c. What has been the thematic distribution of World Bank public finance support?
   
   d. What has been the evolution of World Bank partnerships for public finance areas?
   
   e. What have been the effects of different lending instruments (DPF, IPF, and PforR)?

3. Third Question: To what extent were the World Bank interventions in support of public finance effectively implemented at the country level?
   
   a. To what extent was the World Bank’s strategy for public finance—as reflected in public finance–oriented pillars and objectives—clearly outlined and motivated in individual Country Assistance Strategies (CASs) or, recently, in Country Partnership Frameworks (CPFs)? Which approaches for incorporating public finance into CPFs have worked better in terms of CAS/CPF outcomes?
   
   b. Was World Bank assistance at the country level underpinned by sound analysis and adequate knowledge of institutional realities (including governance and political economy)?
   
   c. Was the World Bank intervening mainly where ownership and commitment were strong to begin with? To what extent did the World Bank ensure or help foster country ownership and commitment where it was weak to begin with?
   
   d. To what extent did World Bank assistance use lending and technical assistance instruments and knowledge appropriate for country conditions? To what extent did the World Bank use a prioritized, selective, and phased approach? To what extent
was the assistance oriented toward results?

e. To what extent were staff skills, internal organization, incentives, and relations with external partners suitable for providing effective assistance to the client?

f. To what extent was World Bank assistance provided in collaboration with other donors and other development partners, especially the IMF, given its primary international mandate in the macro-fiscal area? How effective was this collaboration at the country level?

4. Fourth Question: To what extent did the World Bank contribute to sustainable public finance reform in client countries and how instrumental was the Bank’s support in terms of influencing public finance policy?

   a. What have been the public finance outputs and intermediate outcomes associated with World Bank interventions in each of the public finance areas?

   b. To what extent has the World Bank achieved better results in some areas of public finance than others or has generated better results in some types of country situations than in others?

   c. Have public finance intermediate outcomes translated into higher-order outcomes and impacts (as described in Figure 1) To what extent and under what conditions has the achievement of project outcomes been associated with longer-term, sustainable improvements in country public finance performance?

   d. To what extent did the World Bank programs covering fiscal and debt sustainability prioritize medium to long-term development objectives over short-term stabilization?

   e. What is the role that the World Bank has played in countries that were moving in a negative direction—closer to debt distress thresholds? In that regard, what have been the contributions of analytical work—for example, debt sustainability analysis, expenditure and investment reviews—as well as policy dialogue and lending?

   f. How have the economic implications of tax measures supported in lending operations compared with those of public expenditure measures in those operations?

   g. To what extent has the World Bank promoted “best practice” PFM systems in its programs? Has the World Bank ensured that its programs support “functioning” PFM systems?
B. Evaluation Design Matrix

<table>
<thead>
<tr>
<th>Main Methods</th>
<th>Basic Evaluation Questions</th>
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<tr>
<td></td>
<td>I. To what extent did the Bank have a relevant and coherent approach underlying its interventions in the public finance areas?</td>
</tr>
<tr>
<td>1. Review of Bank Approaches and Thematic Analysis</td>
<td>1. Collect information about the World Bank policies and approaches in four core public finance areas. 2. Desk review of Bank’s public finance approach documents 3. Desk study on linkages between ASAs and lending products. 4. Semi-structured interviews with Bank staff and managers covering evolving Bank approaches in thematic areas. 5. Incorporate findings from portfolio review and analysis, country-level cases study analysis, and intervention-level case study analysis into relevant thematic areas focusing on implementation and results.</td>
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<td>Same information as in column I for item 3.</td>
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### 2. Portfolio Review and Analysis

1. Identify global total portfolio (Portfolio composition has already been determined as part of evaluability assessment).
2. Analysis of portfolio by public finance areas, lending instruments, regions, IBRD/IDA, FCV states, ASA activities, ICRR ratings.
3. Supporting input from ICRs, ICR Reviews, and PPARs.
4. Separate analysis for lending and ASAs financed by trust funds.
5. Complementary analysis from aggregate review of country-level case study findings (below).

Same information as in column II at the country level with focus on understanding the implementation of public finance operations in each country. Complementary structured interviews on the country portfolio will be conducted with Bank staff in the field, government and other development partners.

Same information as in column II at the country level with focus on understanding the effectiveness of public finance operations in each country. The team will use the theory of change framework (AP Figure 1) and assess whether the intended results are achieved and what has been the Bank contribution to these results.
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3. **Country-level Case Study Analysis**

- Collect and summarize information on fiscal developments in the country.
- Review the Country Partnership Frameworks from the public finance perspective (normally two for the evaluation period).
- Review of lending portfolio and ASAs benefitting from portfolio review and analysis.
- Review all the relevant project documents (PADs, ISRs, ICRs, ICRRs, PPARs and information regarding trust-funded operations and key trust funds).
- Interviews with key stakeholders, normally including the Ministry of Finance, and with relevant key donors for the field-based country-analysis.

In addition to the information and analysis under column III, the individual case studies will also assess the broader public finance developments and trends in the country, drawing on PEFA material, CPIA ratings, and relevant IMF material, and judge the degree of connection to the Bank’s activities. The country-level case studies will also as relevant consider the extent to which the Bank’s work focused within public finance on maximizing the availability of development financing.
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<td>4. Intervention-level Case Study Analysis</td>
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Attachment 4

Relevant Previous Evaluations

A. Learning Product: Tax Revenue Mobilization (FY17)

1. This learning note reviewed World Bank Group support to tax policy and administration reform over FY2005–15, covering development policy operations (DPOs), investment projects, and IFC Advisory Services on business taxation.

2. The note observed that over the FY2005–15 period, the majority of Bank support to tax policy and administration reform (205 projects in 107 countries; total commitments of $28.4 billion) had been provided through programmatic DPOs. For most of the operations with the tax theme code, the tax reform component was a minor part of the operation. About two-thirds of the commitments for tax operations were delivered by the Macroeconomics and Fiscal Management (MFM) Global Practice while Governance delivered 15 percent.

3. Most of the approved operations were in LCR (32 percent by numbers) and AFR (30 percent) regions. But in terms of size of commitments, 42 percent of the approved operations were in LCR, ECA (19 percent), and EAP (16 percent). More funds for tax reforms were committed in middle-income countries (78 percent) than in low-income countries (5 percent). Bank support for tax reforms has tended to go to countries where the tax-to-GDP ratio is 10 to 20 percent. IFC Advisory Services in business taxation are much smaller than Bank operations and are usually a small part of investment climate advisory services addressing other regulatory issues.

4. The review covered 98 World Bank operations for which an ICRR was available (80 DPOs and 18 investment projects), and 17 IFC Advisory Services on business taxation with an EvNote. With a few exceptions, the reviewed DPOs did not specifically address the efficiency and equity of tax systems, while usually supporting measures on tax policy and/or tax administration to raise government revenue and/or strengthening the investment climate. In most DPOs, fiscal consolidation was also pursued through reforms of public expenditures. The development objectives of most investment projects focused on improving the effectiveness and efficiency of public administration, with tax administration objectives as part of these wider public finance management objectives. IFC Advisory Services aimed to reduce costs and time for businesses to comply with tax regulation. Generally, when the tax component focused on tax administration, the relevance of the design was substantial, but it was weaker when including tax policy measures. Also, while relying mostly on tax administration reforms often increased the chance of success, it rarely addressed the major structural weaknesses of the country tax system in terms of its capacity to raise adequate tax revenue, while also raising its efficiency and its equity.

5. The tax components of DPOs have been rather less successful than the overall operations of which they were a part. Tax objectives were achieved in 72 percent of DPOs while 81 percent of
these operations met their development objectives. DPOs tended to be more successful in supporting tax administration reforms than tax policy changes, possibly because the latter encountered significant backtracking and political opposition. Even when successful, implementation of investment projects was marred by significant delays and only 4 out of the 15 implemented projects were not restructured.

6. Improvement in monitoring and evaluation (M&E) occurred over time in programmatic DPO series. While a strong Bank team in the field facilitated good monitoring, challenges remained, including data limitations and inadequate monitoring frameworks linked to institutional capacity limitations. Also, the tax-to-GDP ratio, the most common outcome indicator, is too broad to measure the impact of the tax reforms supported by Bank operations. In the absence of satisfactory output/outcome indicators, M&E was often confined to monitoring prior actions and triggers. While in some cases the tracking of progress indicators and actions was good, it was less successful in tracking results, and little evaluative material was available to explain why objectives were or were not achieved.

7. Lessons included the following:

- **While government ownership is a prerequisite for any policy reform, it is particularly important for politically sensitive tax reforms.** Design, monitoring, and supervision should take that into consideration.
- **Correcting structural and systemic issues requires long-term sustained engagement.**
- **Crisis can be an opportunity to further tax reforms and calls for flexibility.**
- **Tax policy and administration reforms are usually necessary but not sufficient.** To bring sustainable improvement in government revenue, other well-functioning institutions, such as the judicial system, are necessary and other pervasive issues, such as corruption, must be addressed across the public sector.
- **The Bank may need in-house capacity to conduct analytical and diagnostic work to support tax components in DPOs, especially where the IMF does not have a relevant program.**
- **The potential synergies between DPOs and investment projects need to be better exploited.**
- **Trade-offs between increasing government revenue and improving tax system efficiency on the one hand and increasing equity on the other would be clear entry points for Bank involvement in tax resource mobilization, especially under the shared prosperity agenda.** A holistic evaluation of World Bank support to public finance is needed to assess the World Bank’s role and contribution.

8. The evaluation agreed that public sector reform (PSR) can potentially contribute to the goals of poverty reduction and growth, as well as accountability of government to citizens, and sought to examine the extent to which programs achieved the objectives of PSR from the Bank’s 2000 strategy, focusing on projects from FY99 to FY06, while also looking back to the previous decade to see the long term of countries’ PSR programs. The analysis focused on the four areas outlined in the Bank’s 2000 public sector strategy that pertained to the way a core government organizes itself: public financial management (PFM), civil service and administrative (CSA) reform, tax administration reform, and anticorruption and transparency.

9. In terms of IEG’s three standard evaluation concerns—relevance, efficacy, and efficiency—the evaluation was mainly about efficacy, that is, seeing what the Bank-supported programs have done and figuring out what was effective and why. On this basis, key findings included the following:

- Three-quarters of countries getting Bank PSR lending in the period 1999–2006 experienced at least some improvement in the governance Country Policy and Institutional Assessment (CPIA) measure. Countries with PSR lending improved 0.3 points on average in the CPIA from 1999 to 2006; countries without PSI lending did not on average show a major change. However, several countries improved even without Bank lending for PSR, especially those that started at low governance levels, indicating that the Bank’s support for PSR was not indispensable, even though it usually did seem to be helpful.
- Countries with lower initial ratings on governance were more likely to improve than those with higher ratings, and IBRD countries improved more often than IDA countries.
- IDA countries that had more PSR loans did better—about as well as the IBRD borrowers (one-timers)—whereas IBRD repeat borrowers did not do better.
- ECA had the highest rate of improvement for countries getting PSR lending, but the rate of improvement for nonborrowers was almost as high. LCR had the second highest rate of improvement for PSR borrowers and a high differential with nonborrowers. AFR and EAP both had 70 percent improvement rates for borrowers, with AFR having the larger differential from the nonborrowers.
- Of the 238 PSR projects that closed during CY1999 through 2006, three-quarters of PSR projects with IEG ratings received an overall outcome rating of at least “moderately satisfactory” and almost half received a rating of “satisfactory” or “highly satisfactory.” Project design (quality at entry) and supervision usually received more favorable ratings than for overall outcomes, suggesting that the main source of difficulty is with the countries’

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performance. PSR projects to IBRD countries received a larger share of “satisfactory” outcome ratings than IDA and blend countries.

- PFM and revenue administration projects showed better country improvements than quality of public administration projects (civil service reform).

10. The evaluation noted some factors to consider in ensuring successful PFM operations:

- Getting the basics right before supporting more complex financial management reforms.
- To have PFM reforms first rolled out in developed countries to be appropriately transferred and adapted to developing country settings.
- Case studies showed that technical assistance funded with investment loans had been particularly important in encouraging civil service reform.
- Linking CSA reforms to PFM reforms may help overcome the perceived lack of tangible benefit to CSA reform, such as to develop measurable indicators of results.
- To develop an appropriate reform strategy for tax administration, success has depended on starting with a good diagnostic of the existing problems of the existing tax administration. With respect to both diagnosis and strategy design, it is advisable to profit from work done previously by other donors, and complement it with Bank work.
- Working with other donors has often been important in the studied tax administration cases. IMF has often helped with the diagnosis and strategy; others, such as Department for International Development (DFID) and the European Union (EU) often helped with cofinancing. Still, the role of Bank expertise has been important; even when the IMF is providing a lot of technical advice, having the Bank help design and manage the actual project has been essential, per interviews with country counterparts.
- In some of the case study countries, reforms on other public sector themes improved transparency and reduced bureaucratic corruption. Reforms to financial management, civil service, and tax administration are important indirect approaches to reducing the potential for corruption. The persistence of state capture may obscure progress in fighting bureaucratic corruption.
- Popular pressure and the desire for faster economic growth and improved public services have frequently motivated reforms, while a fiscal crisis has frequently motivated countries to seek support from the Bank and other donors for PSR.
- Four realities that have limited the role of financial support as a motivation for reform: (a) Countries where the Bank had the most financial leverage had the furthest to go to improve institutions, but the weakest capacity to implement change. (b) The Bank was often the leader of a concert of donors, which added to the financial leverage but also made the demands more diverse and less focused. (c) The Bank might find itself under pressure to lend for various reasons to avert default despite PSR conditions that are vague or not well enforced. (d) The Bank’s tight schedules for commitment and disbursement of lending, especially for IDA, often conflicted with the long periods typically needed to implement PSR and the need to respect political cycles and build consensus and capacity.
11. The evaluation made the following recommendations:

- **Recognize the complexity and political nature of PSR:** This implies the need to (i) set project objectives with realistic recognition of the time it takes to get significant results, (ii) understand the political context, identifying prerequisites to achieve the objectives, and (iii) focus first on the basic reforms that a country needs in its initial situation and that generate political support for the process.

- **Prioritize PSR Efforts:** Devote more effort at both country and thematic levels to identify in each country where PSR—including anticorruption efforts—will contribute most to poverty reduction and growth.

- **Set a better framework for CSA:** Despite the difficulties of improving CSA reform, it is not something that can be ignored. Improving PFM to the point where it gets beyond just processes and has real effects on public service performance and accountability has not happened without also improving the civil service. A better framework for CSA reform will require things such as elaboration and implementation of a Public Expenditure and Financial Accountability (PEFA)-like set of actionable indicators for CSA performance.


12. Building on more than two decades of experience, the World Bank’s 2007 governance and anticorruption (GAC) strategy reaffirmed its continuing commitment to the crucial and challenging agenda of helping countries develop accountable and effective states.

13. Focusing on the country operational aspects of the overall GAC agenda, IEG assessed the relevance and effectiveness of the strategy and its first phase of implementation efforts over fiscal years 2008–10. A key feature of the evaluation is its benchmarking of the content and quality of the Bank’s country-level engagement on GAC issues, before and after the 2007 strategy.

14. The evaluation observed a statistically significant increase in the share of post-GAC projects that committed to use country financial systems. When committed to do so, approximately 80 percent of projects were on-budget, aligned with the fiscal calendar, and used budgeting procedures (through provision of large-scale operation and maintenance), NCB procedures for procurement, civil service personnel rules, and audit procedures. In Africa, projects using at least some country systems increased from 11 percent pre-GAC to 40 percent post-GAC. In principle, the Bank’s increased use of these systems in weaker settings allowed countries to more efficiently deploy limited capacities on pressing domestic priorities rather than sui generis donor project management and reporting requirements.
15. During GAC implementation, the ring-fencing of fiduciary controls on Bank projects was given particular attention. These methods sought to limit exposure to fraud and corruption risks and manage reputational risks to the Bank and borrower governments. The focus on ring-fencing methods in some countries (such as the use of an independent procurement agent in Cambodia) but not in others reflected the Bank’s lack of consistency in setting risk tolerances. Generally, initiatives designed to manage the Bank’s reputational risks relating to GAC were not necessarily the same as those that would help countries take on calculated development risks.

16. The evaluation also looked at efforts to strengthen the Bank’s approach on political economy analysis, finding that it had received greater attention and support post-GAC. But the quality and coverage of political economy issues in the Bank’s economic sector work did not show the systematic improvements evident in projects. The operational benefits of freestanding political economy analysis reports were often limited by an overly academic orientation, uneven methodological rigor, and a lack of consistency between recommended actions and prevailing interpretations of the Bank’s Articles of Agreement.

17. Recommendations included the following:

- Focus on helping countries making tangible and time-bound governance improvements, while acknowledging and seeking to resolve trade-offs.
- Update the Bank’s approach to institutional strengthening.
- Clarify the Bank’s “zero tolerance” stance on corruption and improve operational controls.
Attachment 5

Review of Bank Approaches and Thematic Analysis

Conceptual Roots and Results

1. Four separate papers will draw appropriate lessons and conclusions regarding the four thematic areas and their results, based on a literature review, the evaluability assessment, the country case studies, the intervention-level analyses, and the portfolio analysis. Semi-structured interviews will be conducted to supplement written material, and to delve deeper into questions, for example, concerning partnerships and country conditions. The four thematic areas are described below:

- **Public revenues:** increase revenues and voluntary compliance with revenue measures, as well as address issues related to tax and customs administration and the tax base, with a view to enhance the equity and efficiency of revenue collection.
- **Public expenditures and aggregate level of public spending:** improve the allocation and operational efficiency of public expenditures, the soundness of subsidies and budgetary transfers, and strike an appropriate balance between poverty reduction and growth promotion objectives of public expenditures.
- **Fiscal and debt sustainability:** improve the management of assets and liabilities and of policy-based fiscal strategies, through interventions covering macroeconomic and fiscal policies, fiscal risk reporting, and public asset and debt management.
- **Public financial management systems:** improve budget planning, preparation and execution, accounting and reporting, and institutional accountability and transparency.\(^ {37} \)

2. The structure and content of each thematic area paper should be as set out below (but note that some of these questions are illustrative and should be adapted as appropriate). Also, some of these questions may arise across two or more themes. Each thematic paper will address questions that arise the most in the literature for that theme, drawing on evidence from practices under the particular theme.

3. Each paper will begin with a concise summary of key findings. The first main section will then summarize key broad areas and issues debated in the literature for the area in question, including research by the Bank, over the last 20 years, with emphasis on the last ten years.

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\(^ {37} \) Accountability ensures actions and decisions taken by public officials are subject to oversight so as to guarantee that government initiatives meet their stated objectives and respond to the needs of the community they are meant to be benefiting, thereby contributing to better governance and poverty reduction. Transparency in public finance is defined as the availability of reliable, relevant and timely information about the institutional arrangements for public finance allows for the assessment of a government’s financial position and true cost and benefit of government activities. Budget transparency refers to the full disclosure of budget data on government revenues, allocations, and expenditures (ideally for the whole public sector). See The International Handbook of the Public Financial Management (2015).
years. Questions to be covered may include, inter alia: What is the current consensus on the role of policy and associated issues in each thematic area? How has that consensus changed in the evaluation period (last ten years)? What is the role for targeting best practice vs. best fit? To what extent is managing for results desirable vs taking a trial and error approach? Do many reforms improve form but not function, and if so why? What are the key political economy factors enabling and constraining reform? How does a leadership’s governing strategy determine acceptance/adaptation/rejection of reform elements? To what extent does capacity building link training to improved performance? What are the challenges of adapting stakeholders to technology and technology to stakeholder needs? What are the new or emerging approaches and tools in each thematic area and is the Bank adopting these new approaches and tools?

4. The second main section will review the cross-country evidence on the Bank’s support—lending and knowledge (Bank financed, technical assistance, RAS)—for each thematic area since July 2007, based primarily on the portfolio review but informed as relevant by the findings from the country case studies and the intervention analyses. Questions may include, inter alia: What has been the structure of Bank’s support to public finance and what is the evaluative evidence on the outcomes of that support? What are the key strengths and weaknesses? And how can effectiveness of such support be improved in the future? Has the Bank’s public finance support resulted in improved public sector performance, such as better service delivery? Were the benefits achieved greater than the costs incurred? In what technical areas and country contexts has the Bank been effective/ineffective and why? What connections link activities within and between the four areas? What are the linkages between lending and ASA interventions? What have been the roles of partnerships?

5. The second section of each thematic review will also review evidence that the Bank’s public finance support is improving its value proposition to clients over the period under study. Are the Bank’s public finance projects becoming more adaptive to country context and politics, and more responsive to demand from the private sector and civil society? Have blueprints been replaced to an extent with more responsive and opportunistic approaches? Is more attention paid to implementation and results monitoring? How serious are governments about public finance reform? Are stated intentions matched by follow-through on implementation that achieves intended results? Are clients more serious about loan-funded than grant-funded work? Were relevant analytical frameworks used to underpin diagnostic work? Were the menu, sequencing, and product choices by the Bank informed by this diagnostic work? Are analytical work and toolkits providing higher quality diagnosis, more relevant to Bank and country needs, and better aligned with country capacities? Have product choices shifted toward more flexible, long-term

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38 The thematic reviews will also compile and present systematically the findings for their respective themes from the individual country case studies and the individual intervention analyses.
lending instruments? If so, have they been coupled with effective measures to mitigate fiduciary risks of corruption?

6. The last part of this section will look at **overall country outcomes**. This is based on the in-depth **evidence, insights and lessons from country case studies**. Are public finance systems supported by the Bank improving? Which areas are making most progress, and which are lagging? What are the results, including intermediate and final outcomes? What accounts for those improvements and lack thereof? If so, is there a link between these improvements and the Bank’s work? Is the Bank supporting the most challenging public finance reforms? To what extent has the Bank in its public finance work focused (explicitly or implicitly) on maximizing the availability of development finance to a country? Are there major public finance reforms that are clearly needed, yet not addressed in the Bank support? Are there unintended consequences of Bank support, positive or negative?

7. The concluding section will provide a full summary of key findings (while a shorter summary provided upfront). A reference list will be attached, along with a list of stakeholders interviewed by the thematic review author.
Attachment 6

Country Selection Criteria for Country-level Case Study Analysis

1. The selection of case study countries for the evaluation was undertaken through purposive sampling to ensure variation within the group. The selection exercise was carried out on an identified public finance portfolio of 573 lending and 1,191 ASA projects to 143 World Bank country clients in 6 regions (Table 1). The final group of 26 countries selected under this exercise was then considered subsequently for the smaller group of 15 planned case studies (field-based or desk-based).

Table 1. Number of Public Finance support recipients by region

<table>
<thead>
<tr>
<th>World Bank Region</th>
<th>Number of countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFR</td>
<td>47</td>
</tr>
<tr>
<td>EAP</td>
<td>18</td>
</tr>
<tr>
<td>ECA</td>
<td>30</td>
</tr>
<tr>
<td>LCR</td>
<td>24</td>
</tr>
<tr>
<td>MNA</td>
<td>16</td>
</tr>
<tr>
<td>SAR</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>143</strong></td>
</tr>
</tbody>
</table>

Source: IEG calculations, Business Intelligence database.

2. Out of these 143 countries, the pool from which case study countries were selected was restricted to the group of countries that met the following criteria:

i. **Criteria 1: Continual World Bank lending:** For each region, one initial criterion—continual Bank lending for Public Finance—narrowed the pool of countries from which the case study countries were selected. The selection exercise only considered countries that had at least one public finance lending operation in each of the two periods, FY08–12 and FY13–17. This resulted in a pool of 82 countries that had at least one Public Finance lending project in each of the two periods (Table 2).  

ii. **Criteria 2: Intensity of World Bank lending and ASA support:** For each region, the country selection exercise aimed to include countries with both high and low intensity of World Bank support. Intensity of World Bank support was established for each country by comparing the number of public finance interventions in the country against the region’s average number of public finance interventions. For example, if the number of public finance lending operations in a country was below the regional average number of

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39 There were only 80 countries that had at least one public finance lending project in the two periods. Two countries were added although they did not meet criteria: Myanmar was added because it reengaged with the World Bank in the second period of review, and Mexico was also added as an important Bank client and to take advantage of the ongoing work on the Mexico Country Program Evaluation.
public finance lending operations, the country was classified as having a low intensity of lending support. Similarly, if the number of Public finance ASA projects in a country was above the regional average number of ASA projects, it was considered to have a high intensity of ASA support.

iii. **Criteria 3: Fragile situations:** The selection exercise also sought to include countries classified by the World Bank as fragile situations.

iv. **Criteria 4: World Bank lending groups:** The selection exercise sought to include a mix of IDA, IBRD, and blend countries.

**Table 2. Public Finance support to countries with at least one lending operation in both periods**

<table>
<thead>
<tr>
<th>World Bank Region</th>
<th>Number of countries</th>
<th>Number of public finance lending commitments</th>
<th>Average number of commitments per country</th>
<th>Number of public finance ASA products</th>
<th>Average number of ASA per country</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFR</td>
<td>32</td>
<td>228</td>
<td>7.1</td>
<td>247</td>
<td>8</td>
</tr>
<tr>
<td>EAP</td>
<td>9</td>
<td>56</td>
<td>6</td>
<td>112</td>
<td>12</td>
</tr>
<tr>
<td>ECA</td>
<td>14</td>
<td>79</td>
<td>6</td>
<td>170</td>
<td>12</td>
</tr>
<tr>
<td>LCR</td>
<td>15</td>
<td>92</td>
<td>6</td>
<td>97</td>
<td>6</td>
</tr>
<tr>
<td>MNA</td>
<td>6</td>
<td>27</td>
<td>5</td>
<td>33</td>
<td>6</td>
</tr>
<tr>
<td>SAR</td>
<td>6</td>
<td>39</td>
<td>7</td>
<td>104</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>82</strong></td>
<td><strong>521</strong></td>
<td><strong>6</strong></td>
<td><strong>763</strong></td>
<td><strong>9</strong></td>
</tr>
</tbody>
</table>

Source: IEG calculations.

3. By applying the above criteria 2–4 to the first sample of 82 countries, that sample was progressively reduced to 26 mostly IDA countries. For example, employing the second criteria countries were included in the sample taking into account their lending and ASA intensity, in order to ensure that all four intensity dimensions were included (high-low for both lending and ASAs). Subsequently, under Criteria 3 fragile countries were included in the sample to ensure that such special cases will also be included in the final sample. The final step (criteria 4) involved ensuring that the final sample includes IBRD, blend, and IDA countries, while also oversampling modestly the Africa Region to reflect the large number of countries in that region (Table 3).

**Table 3. Characteristics of selected countries (long-list)**

40 Fragile situations include countries or territories with (i) a harmonized CPIA country rating of 3.2 or less, and/or (ii) the presence of a UN and/or regional peace-keeping or political/peace-building mission during the last three years. The list includes only IDA-eligible countries and non-member or inactive territories/countries without CPIA data.
Taking into account the important budget availability and time constraints for the evaluation, this list was subsequently reduced to 15 countries. In the final list, there are 7 IDA, 5 IBRD and 3 blend countries. Out of 7 IDA countries three are FCS from Africa, East Asia and SAR regions (Table 4). Any subsequent substitutions between desk-and field-based case studies or from within the list of 26 countries will only be made for reasons such impossibility of fielding missions due to country conditions. Stratification and the selection of a minimum number of countries per stratum was applied to potentially allow for the identification of patterns of regularity not only at the level of the overall population of countries with Bank engagement in public finance, but also at the level of the individual strata (e.g. IBRD, IDA).

Table 4. Characteristics of selected countries (short-list)

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of IDA countries</th>
<th>Number of IBRD countries</th>
<th>Number of blend countries</th>
<th>Total</th>
<th>Of which, number of FCS</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFR</td>
<td>3</td>
<td>-</td>
<td>1</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>EAP</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>ECA</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>LCR</td>
<td>1</td>
<td>3</td>
<td>-</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>MNA</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>SAR</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>5</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: IEG.
Attachment 7

Country-level Case Study Analysis Framework

Introduction

1. This note provides guidance for the preparation of country case studies for the Public Finance for Development Evaluation. It presents questions that should be asked/followed by all case study evaluators. Each case study should include the material suggested in this framework, and use the suggested format. While case study authors may consult other relevant material, they are required to respond systematically to all the questions listed here. The framework will subsequently be complemented with a detailed template for recording consistently some of the analytical answers.

2. Explanatory case studies will be carried out for this evaluation. These are typically used in qualitative evaluations to answer questions of proximate causality in complex contexts where survey and experimental techniques will be impractical (Yin 2003). The objective is to understand how and why Bank interventions may or may not have contributed to specific, desired outcomes and to positive longer-term developments in the public finance area. Designed in this manner, the case studies will provide country-specific “narratives of proximate causality channels” in which the World Bank’s public finance (PF) interventions may contribute to outcomes.

3. Many of the public finance challenges countries face involve contextual unknowns, different interests, and multiple transactions that can enhance risk. Issues can be intensely political because they can challenge how power and resources are distributed. To address such issues, the Bank needs to be flexible and adaptive, with the ability to focus on priorities and bottlenecks, and to learn from experience. Facing such challenges can require addressing a range of motivational problems, allowing solutions to emerge from trial and error, and engaging in and supporting teamwork with highly varied functional roles and skill sets. The country case studies will therefore assess the extent to which the World Bank Group has been learning about what works, and what does not, in individual country contexts and more generally.

4. The country case studies will consider Bank public finance lending, knowledge products, capacity building assistance and partnerships clustered around sectoral and/or policy pillars in the country strategies. Consideration of individual interventions in such clusters and country contexts will potentially permit a better understanding of interlinkages between interventions and not just those of individual interventions. The period of analysis is FY2008 to FY2017.41

41 For any statistics, this means lending operations approved during the period FY08-17, and ASAs delivered during this period. However, the analyses and discussions in the country case studies should also summarize concisely
5. Countries for the case studies have been identified using the case study selection criteria, which aim at balancing regional representation with representative Bank operations as determined by the portfolio analysis for the countries. Some case studies will be desk reviews, and others will in addition include field visits.

6. In all cases, authors are required to conduct interviews with relevant Bank staff for their selected operations, when these staff are still working for the Bank. There may be additional interviews with senior Bank managers as appropriate. In the countries to be visited, there would be deeper interaction with Bank field staff and in particular stakeholders and authorities.

7. In each country case study, effort should be made to:

   (i) Understand the objective(s) of the interventions (or clusters of interventions), whether they were explicit or not, and how relevant they were to country development goals and the Bank’s comparative advantage as expressed in relevant strategies—in particular country program strategies.

   (ii) Determine how the Bank’s actions/activities in public finance have evolved during the evaluation period, and ascertain if there has been a strategic change in focus on public finance over the period of analysis and what were in case the reasons for change.

   (iii) Document achievement of objectives of key public finance interventions within the country strategy context and, to the extent possible, trace their contribution to government development objectives, providing specific examples of influence and impact on reforms and development goals.

   (iv) Report on longer-term developments regarding public finance, including the sustainability of Bank interventions, and attempt to trace factors that affected sustainability.

   (v) Report on how well the Bank responded to changing country contexts and priorities in public finance.

   (vi) In countries without a recently completed Systematic Country Diagnostic (SCD) and Country Partnership Framework (CPF), the assessment should examine the last two Country Partnership Strategies (CPSs) covered within the evaluation period FY2008–FY2017. Where an SCD as well as a CPF has been completed the assessment should examine both documents. In short, country-level case study analysis will examine all CPFs applicable for the evaluation period and the SCD if available.

   (vii) Case studies should list and examine past Country Program Evaluations (CPEs), Country Assistance Strategy Completion Reports or Country Learning Reviews (CASCRs or CLR), Country Assistance Strategy Completion Report Reviews (CASCRRs /CLRRs), and major sector analyses of strategic pillars on public finance relevant activities leading up to this period, and should as relevant discuss prior approvals implemented during the period.
including in particular any relevant Project Performance Assessment Reports (PPARs). Relevant available material from the IMF should also be consulted.

8. Some of the country case studies will be on a desk basis and some will include country visits. Both sets of case study analysis will collect and review the same Bank documents (as described in this framework) and will be using the same analytical and reporting approaches. However, country-level case study analysis with country visits will also include interviews with relevant stakeholders in the field to provide a richer discussion of some aspects, in particular concerning the views of government counterparts and other development partners—possibly also of Bank field-based staff. The desk-based case study authors will note where the absence of field interviews may lead to informational gaps or analytical weaknesses, and will try to address those through phone-based interviews with Bank staff.

9. The role of the International Finance Corporation (IFC) in public finance: IFC’s technical assistance programs can have important influences on the tax and expenditure policy and investment climate related programs in some countries, and IFC may also at times be directly involved in projects that involve the Ministry of Finance or Economy Ministry. Case studies should report such cases and their impacts in relation to Bank PF objectives and activities, but will otherwise not evaluate the IFC activities.

10. The role of development partners: Some development partners such as the IMF, EU, and United Kingdom DFID may be involved in supporting aspects of public finance and/or in coordinating public finance work through sector working groups. In particular, the case studies should address the division of labor with IMF, including the extent to which the Bank and IMF have collaborated effectively, exploited synergies, and provided consistent policy advice, including in both crisis and non-crisis situations (differentiating between the two). However, the evaluation will not assess the concordat between the two institutions. IEG has discussed the planned evaluation with the IMF Independent Evaluation Office (IEO). It is likely that there will be informal consultations with the IEO from time to time during the evaluation, and field visits should in any case always seek meetings with the IMF resident representative.

11. In such cases where there may have been close collaboration between IMF and the Bank on Development Policy Financing (DPF) or macro-fiscal interventions in technical assistance (TA) and knowledge areas, the quality of team collaboration should be assessed in terms of clarity and implementation of division of labor and team collaboration. Evaluators of the country case studies should also probe into the broader role of development partners in coordinating and influencing fiscal issues in their respective countries. Where there is a coordinated, formal donor public finance support group, it will be important to discuss collaborations with the Bank on budget support (e.g., DPFs) and relevant projects. Domestic institutions that may be playing a role include the Ministry of Finance, Controller and Accountant General’s Office, Auditor General’s Office (External and Internal Audit), Procurement, Investment Promotion, Revenue
Agencies, Budget Offices, Debt Offices, Public Investment Offices, civil society organizations and Academia.

12. Trust funds: The use of trust funds in support of public finance objectives and activities should be examined. Such activities may be listed in an annex for completeness. Particular attention must be given where applicable to the use of multidonor trust funds for public finance purposes—their objectives, modalities, and results.

13. The findings from the case studies will be aggregated for the evaluation. It is therefore important that the case studies follow as much as possible the same template and answer the same questions in the same space/order. The case studies will provide important inputs for three of the four main evaluation questions, as discussed below. These inputs need to be addressed overall and for each of the four thematic areas: (1) Public Revenues. (2) Public Expenditures and Aggregate Level of Public Spending. (3) Fiscal and Debt Sustainability. (4) Public Financial Management Systems. Objectives, activities and results will need to be organized so as to differentiate clearly for case study readers between these four areas.

14. Lending and ASA Portfolio: Previous work has identified the universe of PF loans and ASA activities. However, as described in annexes to the draft AP, a number of possible candidates were dropped for various reasons including lack of consistent information. For all the country case studies it should be considered whether to add back any operations for inclusion under the case study review. Any such add-backs should be discussed in a separate annex for completeness.

15. The country case studies will need to apply judgment in several areas, but it is advantageous to use more specific yardsticks wherever possible. Examples of yardsticks include indicators from PEFA, CPIA ratings, tax/GDP ratios, ratios of budget surplus/deficits and indebtedness, and ratios of pro-poor spending.

Format for Country-Level Case Study Analysis

16. Each country case study shall follow the format below, to be adjusted as needed once the specific focus areas of the evaluation have been determined. The entire case study should normally not be more than 20 pages of text, plus necessary statistical annexes, a list of people met, a list of evaluation and validation products used, a list of trust-funded activities, and a list of all Bank interventions (lending and ASA), including any interventions added back as discussed above. Case study authors should prepare an executive summary of one page along with the main report. A separate worksheet with all the questions shown below will be available to the authors of the country case studies. It is recommended that these be used to ensure that all questions have been considered and answered where relevant, and also to have later access for any specific
answers to questions if needed. In most cases, the case study authors will also conduct a more in-depth analysis of selected interventions. This is covered in a separate framework, but the work to deliver on the two frameworks should of course be planned and carried out as one exercise.

17. Overall, the suggested standard format is divided in six sections: 1. Introduction and Country Overview, 2. Overview of World Bank Public Finance Programs in the Country Partnership Framework and Public Finance Activities, 3–4. the two Main Evaluation Questions, 5. Key findings from intervention-level case study analysis, and 6. Conclusions. The first two sections should be largely descriptive, Section 3 and 4 largely analytical, and Section V. should report on the key findings from the separate report on the intervention-level analysis.

1. Introduction and Country Overview:

18. Key political and macroeconomic developments during the evaluation period. Briefly answer the following questions, complemented by a table if data are available:

   g. Key political and economic events and trends. Summarize here the key public finance issues and priorities from the subsequent discussion in this section.
   h. Summarize the “fiscal story” over the decade in aggregate terms by reporting on the basic fiscal indicators (e.g., overall fiscal balance, primary balance, and interest payments, and debt dynamics) and policy developments and outcomes. IMF Article IV, IMF program, CEM/PER, PEFA, CPIA, and DPF documents should be consulted as appropriate. If there is a PPAR of a series of DPFs for the study period, please consult.
   i. What is the tax burden? Percentage of tax revenue to GDP. Is the ratio stable, increasing or falling? Is tax revenue increasing because of economic growth?
   j. What are the main sources of revenue for the country? Highlight resource-rich country revenue issues and any EITI aspects. Is domestic revenue mobilization adequate or inadequate? Is the Bank financing a significant proportion of the country’s financing gap? (that is, the difference between revenues and expenditures).
   k. What is the broad composition of the country’s budget—status and recent trends? Review in terms of fiscal balance, total revenue (tax and non-tax), total expenditure (recurrent and capital), expenditure on social sectors (health, education, social protection, and subsidies). Any issues in the Bank’s PF programs regarding the SOE dimension of fiscal debt sustainability, or gender, climate change, decentralization or governance?
   l. How sustainable is the country debt? What factors are driving debt dynamics?

42 It is likely that the worksheet will require the authors to rate some of the questions along a prescribed numerical scale. Such ratings will be for the internal use of the evaluation team, largely for aggregation purposes.
2. Overview of World Bank Public Finance Programs in the Country Partnership Framework and Public Finance Activities:

19. It is recommended to have a concise opening overview para, and then to discuss each CAS/CPF separately, from the oldest to the newest, and with a concise closing para. (Overall context: To what extent is public finance relevant in the Bank’s strategies for the country?)

m. How did the overall size of the Bank’s portfolio (lending and ASAs) evolve over the evaluation period—overall, broad composition, and portfolio related (fully or partly) to public finance?

n. What were the strategic contexts and objectives of World Bank Group activities in PF at the country level?

o. What has been the thematic distribution (public revenues, public expenditures and aggregate level of public spending, fiscal and debt sustainability, and PFM) of World Bank PF support?

p. What has been the evolution of World Bank partnerships for the PF area?

q. How well has the World Bank Group articulated its PF objectives in its strategies? Review the CPF, and CPS for the country, and consult closely the SCD where available.

r. How has the World Bank Group PF strategy evolved and aligned with the public finance strategies of the authorities? Did the World Bank Group approach emphasize building strong relationships and deep knowledge, experimenting, and maintaining tight feedback loops between learning and action? Did Bank PF strategy consider equity implications in its PF engagements, including possible trade-offs between efficiency and equity?

s. In this regard, was there any evidence that Bank programs or operations focused on the PF dimensions of maximizing development financing for the country?

t. Is there evidence—from Implementation Completion Report Reviews (ICRRs), Project Performance Assessment Reviews (PPARs), or other documentation—that the Bank has had a clear theory of change of its public finance interventions, adapted as needed based on continuous learning of what works, and what does not, in the specific country context?

u. What were the main conclusions of diagnostic work that influenced the Bank’s focus on PF—and what were the analytical underpinnings for Bank lending decisions? How well have the strategic documents used past diagnostic work, such as ASAs, sector work, Public Expenditure Reviews, TA, and the knowledge emerging from the operational experience in PF? What were the major lacunas in the past diagnostic work that adversely affected the ability of country strategies to fully identify critical constraints?
v. Has the Bank used instruments that emphasized its own strategy? (Consider selectivity and mix of instruments in CPFs.) And did it use any results-based lending approaches?

w. Possible rated summary questions: How important was PF in the Bank’s overall strategy for the evaluation period? How important were each of the four thematic areas?

3. Evaluation Questions:

20. Regarding the third main evaluation question: To what extent were the World Bank interventions in support of public finance effectively implemented at the country level?

g. To what extent was the World Bank’s strategy for public finance—as reflected in public finance–oriented pillars and objectives—clearly outlined and motivated in individual Country Assistance Strategies (CASs) or, recently, in Country Partnership Frameworks (CPF)? Which approaches for incorporating public finance into CPFs have worked better in terms of CAS/CPF outcomes?

h. Was World Bank assistance at the country level underpinned by sound analysis and adequate knowledge of institutional realities (including governance and political economy)?

i. Was the World Bank intervening mainly where government ownership and commitment were strong to begin with? To what extent did the World Bank ensure or help foster country ownership and commitment where it was weak to begin with?

j. To what extent did World Bank assistance use lending and technical assistance instruments and knowledge appropriate for country conditions? To what extent did the World Bank use a prioritized, selective, and phased approach? To what extent was the assistance oriented toward results?

k. Did the knowledge product under review focus on strategic public finance issues in terms of country goals and Bank strategy? Some of the strategic issues include taxation, expenditure allocation, budgeting, implementation of systems for budget management, fiscal sustainability and debt management. In this regard, what was the use of PEFA assessments—and is it possible to determine the relative success of dimensions measured by PEFA versus those not so measured, or by the availability of PEFA and other ROSC-type ratings?

l. Did the ASA inform or influence Bank PF strategy or lending operations? In this regard, the possible use of PERs and PIMAs.

m. Did the ASA inform or influence government’s strategy, policy or reform actions?

n. To what extent were staff skills, internal organization, incentives, and relations with external partners suitable for providing effective assistance to the client?

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43 The first overall evaluation question—To what extent did the World Bank have a relevant and coherent approach underlying its interventions in the public finance areas—will be addressed through the thematic reviews. This will also be done for the second evaluation question—What has been the nature and structure of World Bank support to public finance areas over the evaluation period—drawing on the material provided by the case studies in the section on Overview of World Bank PF Programs in the Country Partnership Framework and Public Finance Activities.
o. To what extent was World Bank assistance provided in collaboration with other donors and other development partners, especially the IMF, given its primary international mandate in the macro-fiscal area? How consistent were the policy advices in particular between the Bank and the IMF? How effective was this collaboration at the country level?
p. The degree of importance of trust-funded projects and activities for the PF programs and the achievement of results.

21. Regarding the fourth main evaluation question: To what extent did the World Bank contribute to sustainable public finance reform in client countries and how instrumental was the Bank’s support in terms of influencing public finance policy?

h. What have been the public finance outputs and intermediate outcomes associated with World Bank interventions in each of the public finance areas?
i. To what extent has the World Bank achieved better results in some areas of public finance than others or has generated better results in some types of country situations than in others?
j. Have public finance intermediate outcomes translated into higher-order outcomes and impacts (as described in Figure 1). To what extent and under what conditions has the achievement of project outcomes been associated with longer-term, sustainable improvements in country public finance performance?
k. To what extent did the World Bank programs covering fiscal and debt sustainability prioritize medium to long-term development objectives over short-term stabilization?
l. What is the role that the World Bank has played in countries that were moving in a negative direction—closer to debt distress thresholds? In this regard, what have been the contributions of analytical work—for example, debt sustainability analysis, expenditure and investment reviews—as well as policy dialogue and lending?
m. How have the economic implications of tax measures supported in lending operations compared with those of public expenditure measures in those operations?
n. To what extent has the World Bank promoted “best practice” PFM systems in its programs? Has the World Bank ensured that its programs support “functioning” PFM systems?
o. To what extent did the Bank seek (explicitly or implicitly) to maximize the availability of development finance through its PF programs and operations, and with what degree of success?
p. Overall, how successful has the Bank been in its PF engagements, and which factors have been associated with success or failure?

4. Key findings from intervention-level case study analysis

22. The intervention-level case study will be reported separately. However, in the main case study report this section will summarize the key findings from the intervention-level analysis and connect such findings to other findings from the case study.
5. Conclusions:

23. Key findings and lessons—can be done in bullet form, and probably not more than half a dozen. If not done before, this is also the place to summarize the level of activities and results for each of the four thematic areas, the overall assessment of the role of lending versus ASAs and relationships between the two, the coherence (or otherwise) between results as measured by project ratings and perceived results (including sustainability) on the ground, and any key observations concerning the relationships between the Bank and the IMF for PF in the country. Any important findings regarding “maximizing availability of development finance” should also be included in this summary final section.
Attachment 8

Preliminary Portfolio Review

Public Finance Portfolio Universe Identification

1. To determine the public finance lending and ASA portfolios has been a lengthy and laborious exercise. IEG first determined the lending and ASA portfolios for the period FY08–17 based on the implementing Global Practice (GP), the assigned theme codes, and for DPFs, the coding of prior actions. Subsequently, a two-step process confirmed (or not) the existence of public finance content, and where confirmed, interventions were then categorized into one or more of the four public finance areas (revenues, public expenditures, PFM, and fiscal and debt sustainability). This resulted in a portfolio of 573 lending and 1,191 ASA interventions. This attachment first describes the process in more detail, then summarizes key statistics for the identified portfolio.

2. **Step 1: Identification of projects based on theme codes and GPs:** The primary modality of World Bank support for Public Finance was through lending and Advisory Services and Analytics (ASA). To determine the universe of the Public Finance portfolio, projects were identified based on (i) the implementing World Bank GP; and (ii) the assigned World Bank theme codes. The first stage of the portfolio identification exercise included all projects that met at least one of the following criteria:

   i. All projects implemented by the Governance and Macro and Fiscal Management (MFM) Global Practices.

   ii. All projects coded with at least one of the following Operations Policy and Country Services (OPCS) theme/sector codes:

      a) 21 Debt management and fiscal sustainability
      b) 23 Macroeconomic management
      c) 27 Public expenditures, financial management, and procurement
      d) 28 Tax policy and administration

3. Out of the 3,318 IDA/IBRD lending projects approved during FY08–17, 680 projects met at least one of the two criteria above.

---

44 The Bank’s thematic and sector coding system is the basis for analysis of and standard reporting on the nature of Bank interventions. Thematic codes are meant to capture Bank support to corporate priorities such as Millennium Development Goals and global public goods. At least one thematic code is assigned to all client-oriented Bank activities (mainly lending operations, economic and sector work, and technical assistance) by task teams at the appraisal stage. A total of five thematic codes can be identified for a single activity. Each theme and sector code is coupled with a percentage indicative of the degree of focus of the Bank intervention on the designated theme.

45 The Governance and MFM practices were selected because they are the World Bank units charged with developing and sharing expertise covering public finance.
4. **Step 2: Identification of projects from the OPCS prior actions database:** The second stage involved the identification of Development Policy Loans (DPLs) whose prior actions were coded with at least one of the four public finance theme codes.\(^{46}\) The prior actions database was useful in identifying projects not coded with public finance theme codes but having one or more prior actions coded with one of the four public finance theme codes. This stage resulted in the identification of 404 DPLs, 24 of which had not been identified in step 1. Consequently, after step 2, the preliminary lending portfolio comprised of 704 projects.

5. **Step 3: Selection and classification of the public finance portfolio:**\(^{47}\) The final stage of the portfolio identification exercise involved a two-step process that began with a review of each project’s objectives and components to confirm the existence of public finance content. Projects that were found to have public finance content were then categorized into four public finance themes.\(^{48}\) The classification of the projects followed the protocol below:

   i. A project was assigned to a topic area if it was deemed to have components/activities that correspond to the content in that area.
   
   ii. If the project abstract did not have sufficient information to enable the classification of the project, the project design documents and/or prior actions database were consulted.
   
   iii. All projects coded with at least one of the four themes were included as the final identified portfolio for this public finance evaluation.

**Identification of the ASA Portfolio**

6. The approach used to determine the universe of relevant ASA projects was similar to that used for the lending portfolio. The initial identification of relevant ASA was based on assigned OPCS theme codes and the implementing Global Practices. Specifically, all ASA delivered during FY08–17 that also met the following criteria were included:

   1. All ASA under the Governance and MFM Global Practices.
   2. All ASA coded with at least one of the following OPCS theme/sector codes:

      a) 21 Debt management and fiscal sustainability

---

\(^{46}\) The World Bank prior actions database is a consolidated database of all prior actions associated with development policy operations approved since 1980. The database was developed and is maintained by the OPCS Vice-Presidency of the World Bank. For each policy operation in the database, OPCS assigns a theme code reflecting the main objective(s) of the reform measures (prior actions in the policy matrix) supported by the operation. The theme codes assigned to the prior actions are independent of the theme codes assigned to the project.

\(^{47}\) The identification, selection and classification of the FY08–16 portfolio was undertaken by IEG teams as part of an evaluability assessment exercise. Using the same methodology, the portfolio was updated to include FY17 activities.

\(^{48}\) Based on a review of relevant literature and consultations with relevant World Bank units, the public finance activities were broadly categorized into four areas/themes: (i) public revenues; (ii) public expenditures; (iii) public financial management; (iv) debt management and fiscal sustainability.
b) 23 Macroeconomic management
c) 27 Public expenditures, financial management, and procurement
d) 28 Tax policy and administration.

7. This yielded a portfolio of 3,207 ASA, broadly evenly split between economic and sector work (ESW) and nonlending technical assistance (NLTA). Next, where available, ASA abstracts were extracted from ImageBank\(^{49}\) and merged into the existing global portfolio. This included abstracts for only 1,734 AAA. Only these were subjected to further review. The non-availability of abstracts for 1,473 ASAs was noted in the final write up of the evaluability assessments and will be considered during the portfolio review phase of the evaluation. The classification of the projects used the following protocol:

i. An ASA project was assigned to a topic area if its subject matter was deemed to correspond to the content in that area.

ii. If the project abstract did not contain sufficient information to enable the classification of the project, the ASA project documentation was consulted.

iii. All projects coded with at least one of the four themes were defined as the final identified portfolio for this public finance evaluation.

**Results of the Portfolio Identification Exercise**

8. Based on the selection criteria, a final portfolio of 573 lending and 1,191 ASA interventions was identified (Table 1). The portfolio consisted mainly of AAA interventions, which comprised 68 percent of the overall number of public finance interventions.

<table>
<thead>
<tr>
<th>Table 1. World Bank Public Finance selected portfolio, FY08–17</th>
<th>Lending</th>
<th>AAA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial No. of identified projects</td>
<td>704</td>
<td>3,207</td>
</tr>
<tr>
<td>o/w No. of project with no abstract*</td>
<td>-27</td>
<td>-1,473</td>
</tr>
<tr>
<td>o/w No. of project not coded*</td>
<td>-20</td>
<td>-</td>
</tr>
<tr>
<td>o/w No. of project coded as irrelevant to 4 topics</td>
<td>-84</td>
<td>-543</td>
</tr>
<tr>
<td><strong>Final No. of project coded as relevant</strong></td>
<td>573</td>
<td>1,191</td>
</tr>
</tbody>
</table>

Source: IEG; Business intelligence.

Note: *Although these projects were not considered as part of the evaluability assessment, they will be reviewed during the portfolio review exercise of the evaluation.

9. There was a high degree of overlap between PFM and the other public finance thematic areas and only a moderate overlap between the other themes and the fiscal and debt sustainability theme. About 77 percent of the lending projects with revenue content, 73 percent of the projects with expenditure content and 78 percent of the debt and fiscal sustainability

\(^{49}\) The World Bank database of documents.
projects, also had some PFM content (Table 2). Almost half of the projects with revenue content also had some expenditure components.

Table 2. Overlaps between Public Finance Themes
(Total no. of lending projects in each theme, % of no. of projects overlapped with other theme)

<table>
<thead>
<tr>
<th>Topic area</th>
<th>Number of projects</th>
<th>Percent of projects</th>
<th>Overlap with revenue</th>
<th>Overlap with expenditure</th>
<th>Overlap with PFM</th>
<th>Overlap with fiscal and debt sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>242</td>
<td>100</td>
<td>47</td>
<td>77</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>281</td>
<td>40</td>
<td>100</td>
<td>73</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>PFM</td>
<td>446</td>
<td>42</td>
<td>46</td>
<td>100</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Fiscal and debt sustainability</td>
<td>162</td>
<td>50</td>
<td>48</td>
<td>78</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: IEG calculations.

10. The World Bank has supported public finance through both lending and AAA with the intensity of AAA support increasing in recent years. On average, the annual number of public finance lending commitments declined from 63 during the FY08–12 period to 52 commitments during FY13–17. Conversely, the average annual number of ASA deliveries increased from 89 to 150 products during the same period (Table 3). The average annual volume of public finance support held steady across the two periods although there were sharp increases in in FY09, FY14 and FY16 (Figure 1).

Table 3. Public Finance Lending Support by Period, FY08–17

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of years</th>
<th>Average number of public finance commitments</th>
<th>Average value of public finance commitments(^\text{50}) ($ billion)</th>
<th>Number of public finance AAA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008–2012</td>
<td>5</td>
<td>63</td>
<td>3.5</td>
<td>89</td>
</tr>
<tr>
<td>2013–2017</td>
<td>5</td>
<td>52</td>
<td>3.6</td>
<td>150</td>
</tr>
<tr>
<td>Total/average</td>
<td>10</td>
<td>57</td>
<td>3.6</td>
<td>119</td>
</tr>
</tbody>
</table>

Source: IEG, Business Intelligence.

\(^{50}\) Public finance commitment amounts were obtained by the multiplying the total public finance thematic percentage by the project commitment amount. For projects that did not have public finance theme codes assigned, the project documents were reviewed, and an amount assigned.
11. The Bank most frequently used DPLs as an instrument for public finance lending and expanded the NLTA product line for ASA. Over the FY08–17 period, the Bank approved 409 public finance DPLs amounting to $32 billion and accounting for 71 percent of the number of public finance lending commitments (90 percent in terms of value) (Table 4). Investment lending projects accounted for 27 percent of the number of public finance commitments while the share of PforR was only 2 percent (Figure 2).\textsuperscript{51} The Bank delivered 697 ESW and 494 NLTA during the FY08–17 period with significant increase in number of NLTA after FY12 (Figure 3).

---

\textsuperscript{51} PforR projects have comprised about 3 percent of the number of public finance projects since 2012 when the instrument was first introduced.
### Table 4. Public Finance Lending by Year and Instrument

<table>
<thead>
<tr>
<th>Lending instrument type</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development policy financing</td>
<td>35</td>
<td>48</td>
<td>54</td>
<td>46</td>
<td>40</td>
<td>38</td>
<td>47</td>
<td>38</td>
<td>32</td>
<td>31</td>
<td>409</td>
<td>71</td>
</tr>
<tr>
<td>Investment</td>
<td>25</td>
<td>16</td>
<td>24</td>
<td>19</td>
<td>8</td>
<td>12</td>
<td>15</td>
<td>10</td>
<td>11</td>
<td>15</td>
<td>155</td>
<td>27</td>
</tr>
<tr>
<td>Program for Results</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>9</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>573</td>
<td>100</td>
</tr>
<tr>
<td>Value (US$ billions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development policy financing</td>
<td>1.5</td>
<td>4.3</td>
<td>3.9</td>
<td>2.4</td>
<td>3.5</td>
<td>2.4</td>
<td>4.1</td>
<td>2.4</td>
<td>3.9</td>
<td>3.5</td>
<td>32.0</td>
<td>90</td>
</tr>
<tr>
<td>Investment</td>
<td>0.5</td>
<td>0.4</td>
<td>0.3</td>
<td>0.4</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
<td>0.6</td>
<td>3.1</td>
<td>9</td>
</tr>
<tr>
<td>Program for Results</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.3</td>
<td>0.5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>2.0</td>
<td>4.7</td>
<td>4.2</td>
<td>2.8</td>
<td>3.6</td>
<td>2.6</td>
<td>4.3</td>
<td>2.7</td>
<td>4.1</td>
<td>4.5</td>
<td>35.6</td>
<td>100</td>
</tr>
<tr>
<td>Average size per project (US$ millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development policy financing</td>
<td>43.9</td>
<td>89.4</td>
<td>71.9</td>
<td>52.3</td>
<td>88.2</td>
<td>62.5</td>
<td>87.4</td>
<td>64.1</td>
<td>122.5</td>
<td>114.3</td>
<td>78.3</td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>20.2</td>
<td>25.9</td>
<td>13.7</td>
<td>20.7</td>
<td>15.1</td>
<td>20.2</td>
<td>7.3</td>
<td>17.7</td>
<td>13.2</td>
<td>41.8</td>
<td>19.8</td>
<td></td>
</tr>
<tr>
<td>Program for Results</td>
<td>18.3</td>
<td>50.0</td>
<td>37.5</td>
<td>93.7</td>
<td>51.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>34.1</td>
<td>73.6</td>
<td>54.0</td>
<td>43.0</td>
<td>76.0</td>
<td>52.4</td>
<td>65.7</td>
<td>54.3</td>
<td>92.0</td>
<td>90.9</td>
<td>62.1</td>
<td></td>
</tr>
</tbody>
</table>

Source: IEG.

---

### Figure 3. Public Finance AAA Interventions by Product Line, FY08–17

Sources: IEG, World Bank Business Intelligence, and ImageBank.

12. The Africa Region had the largest share of public finance commitments by number while the ECA region was highest in terms of value. By number, the AFR region, with the highest number of borrowing countries, accounted for the largest share of both lending and AAA projects (42 percent of lending commitments and 30 percent of AAA). By value, however, the ECA and LCR regions together accounted for close to half of the value of lending for public finance commitments (Table 5).
Table 5. Public Finance Interventions by Region, FY08–17

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of countries receiving support</th>
<th>Public finance lending</th>
<th>Public finance AAA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number of commitments</td>
<td>Percent</td>
</tr>
<tr>
<td>AFR</td>
<td>47</td>
<td>243</td>
<td>42</td>
</tr>
<tr>
<td>EAP</td>
<td>18</td>
<td>68</td>
<td>12</td>
</tr>
<tr>
<td>ECA</td>
<td>30</td>
<td>93</td>
<td>16</td>
</tr>
<tr>
<td>LCR</td>
<td>24</td>
<td>100</td>
<td>17</td>
</tr>
<tr>
<td>MNA</td>
<td>16</td>
<td>28</td>
<td>5</td>
</tr>
<tr>
<td>SAR</td>
<td>8</td>
<td>41</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>143</td>
<td>573</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: IEG, World Bank Business Intelligence.

13. The Governance and Macroeconomics & Fiscal Management (MFM) GPs were the main actors for the public finance interventions. In both number and value of commitments, the MFM and Governance GPs were the dominant implementing practices. MFM and Governance accounted for 61 percent and 25 percent of lending projects and 35 percent and 47 percent of AAA respectively. By value, the share of MFM and Governance GP commitments was 75 percent and 13 percent respectively (Table 6).

14. About half of the public finance lending portfolio has already been reviewed by IEG suggesting the possibility of greater evaluative material. Out of the 573 projects in the public finance lending portfolio, 286 (50 percent) have already been validated by IEG and have Implementation Completion and Results Report Reviews (Table 7). This suggests the possibility of a richer source of reviewed material from which the evaluation could draw its findings.
Table 6. Public Finance Lending by Global Practice, FY08–17

<table>
<thead>
<tr>
<th>Global Practice</th>
<th>Public finance weighted commitments ($ billion)</th>
<th>Percent</th>
<th>Number of commitments</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFM</td>
<td>26.8</td>
<td>75</td>
<td>352</td>
<td>61</td>
</tr>
<tr>
<td>Governance</td>
<td>4.8</td>
<td>13</td>
<td>142</td>
<td>25</td>
</tr>
<tr>
<td>Finance &amp; Markets</td>
<td>1.0</td>
<td>3</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>Energy &amp; Extractives</td>
<td>0.6</td>
<td>2</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>Social Protection &amp; Labor</td>
<td>0.5</td>
<td>1</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Social, Urban, Rural and Resilience Global Practice</td>
<td>0.5</td>
<td>1</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Education</td>
<td>0.4</td>
<td>1</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Transport &amp; ICT</td>
<td>0.4</td>
<td>1</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Poverty and Equity</td>
<td>0.3</td>
<td>1</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Water</td>
<td>0.2</td>
<td>0.4</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>0.2</td>
<td>0.005</td>
<td>11.0</td>
<td>2</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>35.6</strong></td>
<td><strong>100</strong></td>
<td><strong>573.0</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: IEG, World Bank Business Intelligence.

Table 7. Project Status of Public Finance Portfolio

<table>
<thead>
<tr>
<th>Portfolio status</th>
<th>Number of commitments</th>
<th>Percent</th>
<th>Value of commitments ($ billion)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active projects</td>
<td>120</td>
<td>21</td>
<td>6.4</td>
<td>17</td>
</tr>
<tr>
<td>Reviewed by IEG</td>
<td>286</td>
<td>50</td>
<td>20.7</td>
<td>56</td>
</tr>
<tr>
<td>Closed but not reviewed</td>
<td>167</td>
<td>29</td>
<td>10.2</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>573</strong></td>
<td><strong>100</strong></td>
<td><strong>37.4</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: IEG, World Bank Business Intelligence.
Attachment 9

Intervention-level Case Study Selection and Framework for Analysis

Introduction

1. The multilevel Public Finance (PF) evaluation will involve data collection and analysis at several levels: the global portfolio, the country level (selected case study countries), and the operational level (selected operations across countries)—the topic for this framework. This level of analysis has been added to enhance the depth of the analysis and increase the granularity of operational insights, by looking in more detail at some selected interventions across countries (their design, implementation, processes, and outcomes). The analysis will rely mostly on desk study (of lending and ASA-related documentation) and, where possible, on interviews with relevant stakeholders.

2. Each World Bank client country is different, including in terms of level of development, political issues, government structure, development priorities and policies, and relationship with the Bank and other development partners. Also, the information that can reasonably be obtained on a desk basis (without the benefit of field visits or similar efforts) will inevitably be limited for many Bank operations and even more for specific interventions. In particular, for development policy financing (DPFs) there is no Bank funding of specific activities, and may be little available written information on many aspects of the desired policy objectives. The intervention-level analysis will be carried out and results interpreted within these constraints.

Coverage

3. The selected interventions are lending operations organized by thematic areas, and ASAs:

   i. Lending operations in Public Revenues
   ii. Lending operations in Public Expenditures and Public Financial Management; and
   iii. Lending operations in Fiscal and Debt Sustainability;
   iv. ASAs primarily in PFM and Public Expenditures.

4. For the lending operations (i-iii above), purposive samples have been selected from the portfolio of completed operations with available ICR Reviews for the case study countries. The operations with the highest shares for each of the three themes were identified, for a total of 32 lending operations from in all 13 (out of the 15) country-level case study analysis countries. Because of the theme codes, public expenditures and public financial management are grouped together, but the evaluators will review and try to ascertain the relative weights of these two themes in the respective lending operations. The list of these 32 operations is attached, grouped by themes. Overall, the purposive sampling of lending operations from case study country portfolios will help to enhance the

   52 These two themes are using the same theme code.
depth of analysis, as the latter will benefit from other data collection and analysis activities at country level. By contrast, given the heterogeneity in lending operations across the thematic areas, and the restriction of the samples to case study countries, the external validity of findings may be limited (e.g. pending the level of convergence or divergence of findings across operations).

5. The individual operations will be assessed by the respective case study evaluators, and the results will then be aggregated and assessed by the authors of the thematic reviews. Accordingly, for the individual operations the assessment for each operation needs to distinguish clearly between each theme addressed in the operation.

6. Apart from three thematic areas samples of lending operations, a purposive sample of ASAs (in thematic areas of public revenues, PFM and public expenditures) will be selected for in-depth analysis. Any assessment of ASAs is difficult due to high variability in available information as well as in the nature, size and importance of the individual tasks—from large formal documents to brief informal notes. The operational analysis of ASAs will therefore need to be carried out as part of the country-level case studies. The framework for the ASA-level case studies has been adjusted to include identification and review of the ASAs for all countries selected for country-level case study analysis. On this basis a subsequent standard reporting template will be completed by the authors of the country-level case studies and the results utilized by the authors of the thematic reviews. Overall, the same pros and cons to depth of analysis and generalizability of findings as in the purposive sampling of lending operations apply here as well.

**Evaluation Questions**

(a) **Lending Operations:**

7. For the three purposive samples of selected lending operations, the evaluators will review the identified lending operations in each of the thematic areas, drawing on loan appraisal documents, ICRs and ICR Reviews, and any available PPARs, and supplement this material with discussions with relevant Bank staff (and with recipients and relevant development partners for field case study countries). This analysis will assess quality at entry, quality of implementation, to help answer the following questions:

8. For Evaluation Question 3 (To what extent were the World Bank interventions in support of public finance effectively implemented at the country level?):

   i. Was Bank assistance at the operational level underpinned by sound analysis and adequate knowledge of institutional realities (including governance and political economy)?

   ii. To what extent did Bank assistance use lending instrument appropriate for country conditions?
iii. To what extent did different Bank lending instruments reinforce the use of other instruments and how did they interact with and complement each other?

iv. To what extent did the Bank use a prioritized, selective, and phased approach?

v. To what extent was the lending assistance oriented toward results?

9. For Evaluation Question 4 (To what extent did the World Bank contribute to sustainable public finance reform in client countries and how instrumental was the Bank’s support in terms of influencing public finance policy?):

i. What have been the public finance outputs and intermediate outcomes associated with these operations?

ii. To what extent did the Bank operations covering fiscal and debt sustainability prioritize medium- to long-term developments over short-term stabilization?

iii. What if any was the role of the operations in countries that were moving in a negative direction—closer to debt distress thresholds?

iv. For operations addressing reform of public revenue (tax) how were the economic implications of tax measures supported in comparison to those of public expenditure measures in these operations?

(b) ASAs interventions (including trust-funded activities and reimbursable advisory services):

10. For the purposive sample of selected ASAs, the reviews in the context of the country-level case studies will seek to help answer the following questions through assessments of quality of ASA, its timeliness, links to lending operations, and importance for overall progress in relevant public finance areas:

For Evaluation Question 3 (To what extent were the World Bank interventions in support of public finance effectively implemented at the country level?):

i. Was Bank assistance underpinned by sound analysis and adequate knowledge of institutional realities?

ii. To what extent did Bank assistance use lending and technical assistance instruments and knowledge appropriate for country conditions?

iii. To what extent, and in which areas, was the Bank’s knowledge assistance provided in collaboration with other donors and development partner (especially the IMF)?

iv. How effective was this knowledge cooperation?
11. For Evaluation Question 4 (To what extent did the World Bank contribute to sustainable public finance reform in client countries and how instrumental was the Bank’s support in terms of influencing public finance policy?):

i. To what extent has the Bank promoted “good practice” PFM systems in its knowledge work?
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<th>Project Name</th>
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<th>Thematic Area</th>
<th>Region</th>
<th>Approval FY</th>
<th>IEG Eval Type</th>
<th>IEG Outcome Rating</th>
<th>Instrument Type</th>
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<th>Debt/Age Distribution</th>
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Note: DPF=Development Project Financing, ICRR=Implementation Completion and Results Report Review, PPAR=Project Performance Assessment Report, P0V=Poverty and Equity, GOV=Governance, MFM=Macroeconomic and Fiscal Management, PFM/PE=Public Financial Management/Expenditure, U=Unsatisfactory, M=Moderately Unsatisfactory, S=Satisfactory, HS=Highly Satisfactory, MS=Moderately Satisfactory, NR=Not Rated, N/A=Not Applicable

**Table 1. List of selected lending operations for intervention-level case study analysis**

53 This table presents the selected lending operations for in-depth analysis, applying the approach described in the text. As to ASAs their final selection and description can only be determined during the country-level case study analysis.
Attachment 10

Public Finance—Summary of Messages from Consultations

1. During the extensive preparation of the operational public finance database, IEG undertook a series of conversations with senior Bank staff (including MFM and Governance GP heads, practice managers, and regional chief economists), which were supplemented by messages from core training courses during MFM and governance “weeks,” and a review of materials on their websites. The full list of people met is at the end of this summary.

2. Overall, the consultations showed considerable interest in an evaluation to discuss aspects such as the internal coherence of the Bank’s approach to revenue mobilization, efficiency and equity aspects, and revenue and expenditure aspects of fiscal sustainability. Particularly important themes in expenditure policy would be the trade-off between investment and recurrent expenditures, but a lot of analytical work had already been done on various aspects of public expenditure policy and a modest preference was expressed for topics that have been less well researched, such as tax policy, macroeconomic debt sustainability, and fiscal decentralization. The Governance GP also expressed an interest in the evaluation of PFM. During the consultations, several more specific points were also raised, some of which are summarized below.

3. Priorities:

- **Short-term stabilization** is a constant issue, recently concerning clients that have been squeezed by declining commodity prices and need help with fiscal adjustment issues, possibly combined with exchange rates issues. There was an added emphasis on fiscal adjustment in the aftermath of the global crisis. Some clients should have come to the Bank during their cyclical upswings, but this is quite rare—they come when they have to make cuts.

- Given reduced donor funding, developing countries are turning to PPPs for financing **infrastructure investments**; such investments have led to large borrowing needs with revenue consequences for the governments.

4. Taxation:

- More recent **taxation work** has focused on tax incidence analysis and the poverty/distributional impacts of taxation. Key questions from a country perspective on the tax side: what is going to be the impact of the global slowdown on profit

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54 These interviews took place during FY17, well before the preparation of this Approach Paper.
shifting and transfer pricing? This arises particularly in the current patterns of global value chain manufacturing (e.g., as in East Asia or in the NAFTA region).

- **Tax policy:** There used to be equal emphasis on revenue and expenditure, but this has tilted to the expenditure side, leaving revenue issues to be dealt with by the IMF. During this period the Bank lost much of its expertise. IMF tax analyses and DSAs [Debt Sustainability Analysis] are very good, but just look at revenues and have neglected the marginal cost of taxation—fiscal policies can have distortionary taxes. Expenditure tax is regressive, but it depends on what it is replacing. Only recently has the emphasis on tax been revived. The evaluation could look at possible missed opportunities over the period. There is a role for the Bank to look at efficiency aspects of raising revenue. There has been a lot of demand from the international community that the Bank play a more prominent role in revenue administration. But this is a pervasive, political problem. Tax administration is tied to corruption, and many countries do not have an appetite for radical reforms. Fiscal sustainability is more important for resource-rich LMICs [lower-middle-income countries] where the debt ceiling is about to be reached.

5. **Public Expenditures:**

- There is no global guidance on the prioritization of public expenditure. Country-specific recommendations are provided in PERs and SCDs. There is little thinking on capital versus current expenditures or public investment management—though that is beginning.
- **PERs are the main analytical product** for about 30 countries per year. DPFs mostly have a table with analytical underpinning. Regions may also produce flagship reports, especially LCR. PERs have become more focused on specific topics, often on social sector issues.
- **PIMA:** Would encourage to look at the PIMA [Public Investment Management Analysis]. You will not have a long-term perspective because a lot of the work is recent, but it is very important.

6. **Debt Sustainability:**

- Some former HIPC countries are now showing signs of strain again. Rating agencies have not been able to spot poor-quality debt issuance as not all issues are rated. The Bank and the IMF are revising the Debt Sustainability Framework.
- Growing worries about pro-poor expenditures in a few countries. The link between debt sustainability and growth is very difficult to attribute. Have proposed changes to the DSF, looking at type I and type II errors. The Bank makes a lot of use of the DSF.
It is the basis for macro work. Countries pay attention because it affects financing decisions.

- **The Bank and IMF** conceived debt sustainability as a technical issue and **mostly neglected political economy issues**. They did not focus on getting countries to adopt the recommendations from the debt sustainability reports. The Bank is calculating the path of debt sustainability, but countries listen to their voters—political decisions.

- **Decentralization and subnational finance issues** come up a lot. There are some suggestions that subnational PERs may be of lesser quality.

7. **The Bank and the IMF**:

- **Bank-IMF concordat signed in 1998**. The Bank focuses mostly on the expenditure side and the IMF on the revenue side, but no strict dividing line. Now less follow-up on the concordat, also since there are only a few IMF programs left. A decision was taken that the Bank should exit taxation, which was ceded to the IMF. In the last 10 years, the Bank has supported a lot of tax measures through its policy-based lending. The IMF may have done the diagnostic work, but the Bank may have provided support on the policy or tax administration side. Whatever the IMF works on regarding tax, the information never reaches the Bank often due to issues of confidentiality.

- **IMF views**. The concordat is still valid for the division of responsibilities, but the relationship has evolved over time. The Bank took the lead on expenditure and the IMF on tax policy, but the Bank has since set up the Tax Global Practice and a Tax Unit. Public financial management is a shared responsibility. Two institutions have to coordinate their work. One question is how well the Bank is looking at the structure of public expenditure and how it is being coordinated. Some of the areas of interest to IMF are spread over three Global Practices. It was easier when PREM was the major counterpart. IMF works with the Bank on the DSA. Getting inputs from the Bank has been a perennial issue, in part because the Bank is decentralized while the IMF is centralized. We have a sense that TADAT [Tax Administration Diagnostic Assessment Tool] it is working well and countries love it. The Bank has done more work on fiscal decentralization where IMF has done little. The current DSF focuses on solvency and debt servicing issues. In principle, the DSF is a joint exercise, but the bulk of the work on DSA is done by the IMF staff because it depends on the macroeconomic framework prepared by the IMF. However, joint in terms of the judgment—required for IDA allocation. The NCBP (Non-Concessional Borrowing Policy) is done within the Bank.
8. Public Finance Agenda in Africa:

- Agenda has been limited and was focused on public expenditure management with fiscal policy content. There was an effort to push the tax incentive agenda by private sector development colleagues—as a way to attract investment.
- How was the fiscal space used? There is a big difference between resource-rich and resource-poor countries. In most resource-rich countries large infrastructure programs were implemented without calculating economic rates of return.
- What is missing is a discussion of how to really mobilize revenue—not clear what direction it should now take. Need to focus on less regressive taxation—land and real estate taxation could generate more revenue than Bank lending. IMF has focused on consumption-based VAT and taxing the informal sector, but new taxes without investment in tax administration can lead to more corruption. Natural resource sector taxation is missing—difficult to increase revenue if the only sector that is doing well is not paying taxes. The extractive sectors are pushing against taxation, while macroeconomists push for taxation. This is about bargaining power, the capacity of countries to negotiate, and corruption.
- ASAs: Proliferation of ASAs in Africa Region—50 percent of these are in Urban and Water. Trust-funded ASAs are often supply-driven. There is no way to coordinate what we should be doing ASA on. Each GP raises its own trust funds.

9. Public Finance Agenda in Other Regions:

- ECA. Public finance work has been demand-driven, often driven by the EU, the desire to receive EU financing, and the requirements about transparency and governance for EU support. Not much Bank work in those parts of ECA not tied to the EU—like Central Asia. There is still unfinished business in much of the region.
- LCR. Debt, revenue management, expenditures and fiscal policy are all equally important topics in LCR, so for the evaluation it will all depend on how deep it will go—breadth versus depth. A decade ago tax was not a core work topic for the Bank beyond tax administration; it has expanded since then through DPFs for instance. There is a tax and an equity angle that is strong in LCR, and there is also an issue of generating additional revenue to support fiscal consolidation. In LCR in general the analytical work precedes DPF lending for 2–3 years.
- A useful evaluation would be to see how the Bank is set up to deliver high-quality work in public finance area. Some other interesting topics are related to the Tax Group, the IMF-World Bank Group tools to perform assessments and the coordination, to get more granularity that is much needed to assess such topics.
List of Bank and IMF Staff Interviewed

Bank Staff
Jim Brumby, Director, Governance GP
Cesar Calderon, Lead Economist-AFRCE
Punam Chuhan-Pole, Lead Economist- AFRCE
Shanta Devarajan, Chief Economist, MNA Region
Bill Dorotinsky, Adviser, Governance GP
Norbert Fiess, Lead Economist, GMFDR
Shan Gooptu, Global lead for fiscal issues, MFMGP
David Gould, Lead Economist ECACE
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Samia Msadek, Director, Strategy and Operations, MNA Region
Martin Rama, Chief Economist, SAR Region
Pablo Saavedra, Practice Manager, MFM, LAC Region
Luis Serven, Senior Adviser, DEC
Sudhir Shetty, Chief Economist, EAP Region
Nicola J. Smithers, PFM Global Lead, Governance GP
Robert R. Taliercio, Practice Manager, Governance GP
Mark Rolan Thomas, Director, Country Credit Risk, in the Chief Risk Officer Vice-Presidency
Marinus Verhoeven, Lead Economist, Governance GP
Debby Wetzel, Senior Director, Governance GP
Albert Zeufack, Chief Economist, AFR Region

IMF Staff
Sanjeev Gupta, Deputy Director, Fiscal Affairs Department
Sean Nolan, Deputy Director, Strategy, Policy and Review Department
Charles Collyns, Director, IEO
Ruben Lamdany, Deputy Director, IEO