
Country Financial Accountability Assessments and Country Procurement Assessment Reports: How Effective Are World Bank Fiduciary Diagnostics?

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Independent
Evaluation Group

Acronyms, Abbreviations and Symbols

ADB	Asian Development Bank
AFR	Africa Region (Sub-Saharan Africa)
CAS	Country Assistance Strategy
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Report
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
DfID	Department for International Development (UK)
DPL	Development Policy Loan/Lending
EAP	East Asia and Pacific Region
ECA	Eastern Europe and Central Asia Region
ESW	Economic and sector work
EU	European Union
FM	Financial management
FY	Fiscal year
HIPC	Heavily Indebted Poor Countries
IA	Integrated Assessment
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
IDF	Institutional Development Fund
IEG	Independent Evaluation Group (formerly OED)
IEGCR	Independent Evaluation Group, Country Evaluations and Regional Relations
IFAPER	Integrated Fiduciary Assessment and Public Expenditure Review
IGR	Institutional Governance Review
IMF	International Monetary Fund
JBIC	Japan Bank for International Cooperation
LAC	Latin America and the Caribbean Region
MNA	Middle East and North Africa Region
NGO	Nongovernmental organization
OECD	Organization for Economic Co-operation and Development
OED	Operations Evaluation Department (changed its name to IEG in December 2005)
OPCS	Operations Policy and Country Services
OPCV	Operations Policy and Country Services Vice Presidency
OPR	Operational Procurement Review
PEFA	Public Expenditure and Financial Accountability
PEIR	Public Expenditure and Institutional Review
PEMCOM	Public Expenditure Management Committee
PER	Public Expenditure Review
PFM	Public financial management
PIU	Project Implementation Unit
PREM	Poverty Reduction and Economic Management
QAG	Quality Assurance Group
ROSC	Reports on the Observance of Standards and Codes
SAR	South Asia Region
USAID	United States Agency for International Development
\$	US dollars throughout

FOREWORD

Governments and donors use public resources to implement their mandates and have important fiduciary obligations to their constituencies, who hold them accountable for transparent, economic, and efficient use of public funds. Sound and efficient public financial management (PFM) systems are critical to fulfilling this fiduciary responsibility and an important contributor to development effectiveness. The Bank, therefore, seeks to understand the weaknesses and strengths of country PFM systems to help its client countries strengthen their PFM systems (development objective) in the medium or long term, and to take appropriate measures in the short term to safeguard Bank assistance (fiduciary objective) from fiduciary risks. IEG evaluated the effectiveness of 189 *Country Financial Accountability Assessments* (CFAAs) and *Country Procurement Assessment Reviews* (CPARs) prepared between July 1999 and December 2004 to assess how these instruments furthered these two objectives.

Overall, CFAAs have contributed substantially, and CPARs modestly, to development outcomes in the ten countries where field visits were undertaken. At the same time, these instruments have been less effective in contributing to the fiduciary objective of managing risks. While they have influenced the lending levels to countries through the use of triggers in CASs, they have not had any notable influence on the choice of lending instruments or choice of sectors for assistance at the program level or on project-level financial arrangements. CPARs have had a modest influence on the design of procurement arrangements at the project level.

The quality of the diagnosis in these instruments was satisfactory, in that the assessments provided a good understanding of the strengths and weaknesses of financial management and procurement systems in client countries. This said, weak risk assessments, vague action plans, and lack of adequate empirical data to support analysis limited their overall quality. Client consultation and donor collaboration have been increasing in the preparation of these diagnostics, but internal Bank coordination among the three key departments dealing with PFM reform needs strengthening.

The announced “Strengthened Approach” to PFM diagnostic work by Management is a step in the right direction. To realize the full impact, the Approach would benefit from the recommendations of this report by : (i) ensuring that fiduciary instruments use an integrated risk analytical framework that includes a common approach to defining “fiduciary risk”; (ii) issuing revised guidelines while simultaneously implementing an integrated training program for relevant staff; and (iii) supporting the client in preparing a single integrated, prioritized, costed, and monitorable set of actions within an agreed framework for PFM reform.

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Preface

Over the past five years, the World Bank has prepared about 200 Country Financial Accountability Assessments (CFAAs) and Country Procurement Assessment Reports (CPARs) for more than 100 countries. While the Bank committed to undertaking these assessments for all active clients as part of its core diagnostics, in 2004 Bank management decided to allow greater flexibility in determining when they needed to be undertaken. The decision about when to conduct an assessment is now to be based on country context and the Bank's assistance strategy, and may take into consideration similar diagnostics conducted by other donors. In July 2005, the Bank adopted a "Strengthened Approach" to its public financial management work, which encourages structured performance measurement, country-specific and country-led efforts, coordination between relevant World Bank units and country teams, and enhanced donor collaboration.

This report presents the findings of an IEG evaluation of CFAAs and CPARs completed between July 1999 and December 2004. It examines the relevance, quality, and results of those reports; it also reviews donor collaboration, and its results, in the preparation of these diagnostics. The study team conducted field assessments in 10 countries. About 300 client stakeholders were interviewed and their views are incorporated into this report. The evaluation design was prepared in consultation with the Financial Management and Procurement Boards, operational staff, and other development partner representatives, and their views have been considered in preparing this report.

External experts from ADB and DFID have reviewed the evaluation draft reports, and their comments have been reflected in the final report.

The findings of the evaluation are expected to inform implementation of the "Strengthened Approach." The findings are expected to assist not only the Bank and other donors, but also client stakeholders. All three parties will benefit from a better understanding of the diagnostic reviews and of the fiduciary assessment work of the Bank.

Evaluation Summary

Country Financial Accountability Assessments and Country Procurement Assessment Reports: How Effective Are World Bank Fiduciary Diagnostics?

WORLD BANK ANALYSIS of a country's public financial management system is typically undertaken both to help the client country strengthen its system and to safeguard funds that the Bank provides against misuse, and is an important component of fiduciary diagnostics. The Bank's instruments for such analysis have generally been relevant; the resulting diagnostics have been of satisfactory quality and have fostered reform agendas in client countries.

Country Financial Accountability Assessments (CFAAs) have contributed substantially, and Country Procurement Assessments Reports (CPARs) modestly, to development outcomes in a sample of 10 countries examined. Client consultation and donor collaboration in the preparation of CFAAs and CPARs have been increasing, but internal Bank coordination among the three sets of units dealing with public financial management has lagged, resulting in fragmented action plans for clients.

Both instruments have had a more limited effect on managing risks to Bank assistance, owing to the lack of a sound analytical framework for assessing fiduciary risks and of associated guidance on how identified risks should be reflected in the design of country assistance strategies.

The evaluation recommends: (i) ensuring that fiduciary instruments use an integrated risk analytical framework that includes a common approach to defining "fiduciary risk"; (ii) issuing revised guidelines along with implementing an integrated training program for relevant staff; and (iii) supporting the client in preparing a single integrated, prioritized, costed, and monitorable set of actions within an agreed framework for PFM reform.

World Bank analyses and diagnoses of Public Financial Management (PFM) systems in client countries—covering public expenditure management (PEM), financial management (FM), and procurement—can contribute to two key goals. The first, a development goal, is to facilitate a common understanding among the government and development partners of the performance of PFM-related institutions, help identify priorities for action, and inform the design and implementation of capacity-building programs. The second, a fiduciary goal, is to help ensure that funding provided by the Bank is protected against misuse.

CFAAs, prepared by Bank FM units, and CPARs, prepared by Bank procurement units, support both the development goal and the fiduciary goal. These PFM-diagnostic instruments assess the strengths and weaknesses of FM- and procurement-related public

sector institutions and systems in a given client country, as well as the risks that these may pose of misuse of Bank funds provided to the country. Between July 1999 and December 2004, the Bank prepared 189 CFAAs and CPARs for about 100 countries at a cost of \$16 million. IEG's evaluation of these PFM-diagnostic instruments assesses how effective they have been in furthering the Bank's development and fiduciary goals, and makes recommendations to improve their effectiveness in the future.

Key Findings of the Evaluation

The CFAAs and CPARs evaluated are of central relevance to development effectiveness. While both diagnostic instruments are highly relevant to the Bank's work, as prepared they had greater relevance to the development goal than to

EVALUATION SUMMARY

the fiduciary goal. When used effectively, the diagnostic instruments helped provide a good understanding of the weaknesses and strengths of client countries' FM and procurement systems, respectively. The diagnostic instruments' country-level (as opposed to project-specific) perspective helped sharpen policy dialogue on PFM-related institutions and systems and identify areas for FM and procurement reform. However, in general the CFAAs and CPARs evaluated lacked a satisfactory framework for risk analysis, thereby preventing the Bank from arriving at a comprehensive risk rating (which the Guidelines for these diagnostic instruments require). This has limited their relevance for the fiduciary goal.

The overall quality of the diagnostic exercises evaluated is satisfactory. A satisfactory report is one that responds to the stated objectives, provides an in-depth understanding of the strengths and weaknesses of a client country's PFM systems, includes sufficient empirical data to substantiate the analysis, results in a prioritized action plan, provides a clear assessment of the FM or procurement risks in the country and, in the case of CPARs, additionally serves as a source of guidance for staff on procurement-related matters in planning and preparing World Bank assistance. (Management contends that CFAAs are not expected to guide FM arrangements at the project level.)

About 71 percent of the CFAAs and 64 percent of CPARs evaluated were assessed to be of satisfactory quality, although in about one-third of the cases the assessment was qualified as "moderately satisfactory." CFAAs and CPARs have shown steady improvement in quality following the issuance of the respective Guidelines. Box A lists several reports that were assessed to be highly satisfactory reports, which the evaluation deemed good practice.

Box A: Good Practice CPARs and CFAAs

Seven CPARs (Azerbaijan, Georgia, Malawi, Moldova, Russian Federation, South Africa, and Uzbekistan) and eight CFAAs (Croatia, Georgia, India-Karnataka, India-Orissa, FYR Macedonia, Poland, Romania, and Senegal) were assessed as good practices.

Satisfactory client participation ensured that the analysis in CFAAs and CPARs was country-specific and realistic, but client leadership in the diagnoses was low. Only in about 20 percent of the CPARs and about 14 percent of the CFAAs did the

government team undertake the diagnosis and take leadership in preparing the report as suggested by the CFAA Guidelines, possibly forfeiting some commitment.

Donor collaboration on CFAAs and CPARs increased over the evaluation period, particularly in the AFR, EAP, and LAC regions. Collaboration with other donors has led to the preparation of, and support for, joint programs of action in some countries.

Better internal coordination among Bank units preparing CFAAs, CPARs, and other PFM-related diagnostics such as Public Expenditure Reviews, would have resulted in greater efficiency for the Bank and avoided instances of clients receiving multiple action plans for PFM reform (one by each diagnostic).

CFAAs, and to a lesser extent CPARs, have significantly furthered the Bank's development objectives. CFAAs have been useful in garnering existing knowledge on FM systems into a single report, thereby providing a comprehensive lens for analysis and seeking remedies for identified weaknesses. CFAAs have also fostered the integration of FM issues into assistance strategies and increased the availability of resources for FM reform in several sample countries. In addition, CFAAs have contributed to varying degrees in fostering FM reform in the sample 10 countries where field visits were undertaken. Overall, CFAAs have substantially achieved their development objectives in 5 out of 10 countries, and moderately in two. In comparison, CPARs have had less success in achieving similar objectives when measured by the same indicators, and have substantially achieved their objectives only in two out of the 10 countries, and moderately in another four.

However, CFAAs and CPARs have only contributed in a limited fashion to the achievement of the Bank's fiduciary objectives.

While the diagnostics have had a substantial influence on the overall volume of Bank assistance in subsequent CASs (FM and procurement measures were the basis for triggers in several countries), the diagnostics have had limited influence on the choice of instruments and the selection of sectors for assistance. A review of more than 100 projects found these to incorporate only modest recognition of the FM or procurement risks raised by the diagnostics and their implications. At the project level, CPARs have

helped to distinguish unacceptable practices in national competitive bidding in client countries.

Key Lessons of the Evaluation

The various related diagnostics should support the client in preparing a single, integrated action plan. The Bank can strengthen the effectiveness of CFAAs and CPARs by supporting client countries in the preparation of an integrated, costed, prioritized, and monitorable set of actions for PFM reform, even when the diagnosis and the actual implementation may be undertaken through multiple instruments and activities.

To be more effective in helping to achieve the Bank's fiduciary goal, CFAAs and CPARs should incorporate an integrated fiduciary risk assessment framework. If these instruments are to effectively influence the design of Bank assistance and achieve their fiduciary goals, the instruments must assess fiduciary risk consistently and comprehensively. The diagnosis could consider the impact of corrupt practices on FM and procurement systems, if the instruments are to realistically measure risks.

A strengthened role for the country and greater collaboration with relevant donors in the preparation of CFAAs and CPARs would enhance their impact. The diagnostics are most effective when their findings are integrated into the government's reform strategies and policies. The process for preparing CFAAs and CPARs would benefit from a clear country-led dissemination strategy that would broaden and deepen the ownership of the analyses, thereby strengthening commitment for reform among a wider range of client stakeholders.

The diagnostics should help the client track and measure the costs and results of PFM reform.

Few diagnostics have provided any indicators to track and measure the results of planned activities (outputs or intermediate outcomes) or to understand the costs of reform (inputs). To improve impact, action plans should include progress-monitoring indicators.

Finally, the efficiency and effectiveness of CFAAs and CPARs would increase with better internal coordination among the various units responsible for PFM—three operational units lodged in two vice-presidencies and three sector boards. Incentives and mechanisms could be created for effective planning and coordination among the three units. In certain contexts, integrated

diagnostics may be the answer; in others, flexibility for independent diagnosis is best retained.

Recommendations

Management has already addressed some of the concerns enumerated above in announcing a “Strengthened Approach” to PFM diagnostic work (July 2005). The approach stresses the need for greater client leadership and country specificity in the analysis, stronger results orientation, integrated implementation, and enhanced collaboration with other donors. For the “Strengthened Approach” to be as effective as possible, Bank management should, in coordination with key donors and client country representatives, consider three sets of recommendations:

1. **Gear CFAAs and CPARs more directly to the fiduciary goal.** In order to accomplish this, Management could:

- Agree on a common definition of “fiduciary risk” that would be applied consistently in all PFM diagnostic instruments;
- Develop a comprehensive and integrated risk analytical framework that would include a standardized methodology for aggregating country-level PFM risks; and
- Guide staff on how the risk assessments in these diagnostics should influence the design of Bank assistance both at the project and program level, and revise guidelines as needed.

2. **Enhance the quality of the diagnostics.** In order to realize this, Management could:

- Issue revised guidelines jointly prepared by the three sector boards on undertaking integrated diagnostics; and
- Develop an integrated learning program for staff from all three Networks on implementing the “Strengthened Approach.”

3. **Strengthen the impact of fiduciary work and associated outcomes.** In order to achieve this, Management could:

Ensure that the Bank supports clients in preparing a single integrated, prioritized, costed, and monitorable set of actions within an agreed framework for PFM reform even though the diagnosis may be undertaken using multiple instruments.

Management Action Record

COUNTRY FINANCIAL ACCOUNTABILITY ASSESSMENTS AND COUNTRY PROCUREMENT ASSESSMENT REVIEWS: HOW EFFECTIVE ARE WORLD BANK FIDUCIARY DIAGNOSTICS?

MANAGEMENT RESPONSE (SUMMARY)

1. Management welcomes this Independent Evaluation Group (IEG) evaluation of Country Financial Accountability Assessments (CFAAs) and Country Procurement Assessment Reports (CPARs) that were undertaken between July 1999 and December 2004. Management supports the broad thrust of many of the observations and recommendations contained in IEG's evaluation. In particular, Management notes the evaluation's conclusions that these specialized assessments have contributed positively to partner countries and thereby to the Bank's development objectives. In addition to generating a significant knowledge base on public financial management (PFM) issues, the CFAA and CPAR instruments have helped initiate dialogue on PFM issues, generate country ownership, and catalyze reforms in many countries. (See Annex __ for a more detailed Management Response to this review.)

2. *Reinforcement of Broad Direction of Management Actions.* Several findings of the evaluation confirm Management's thinking on strengthening the Bank's PFM work. Management agrees on the need for attention to a number of areas: for example, prioritizing and sequencing PFM reforms; disseminating PFM analytic work findings; establishing better linkages with corruption issues in all PFM work; and providing staff guidance and training. Indeed, Management is already acting on many of the recommendations of the evaluation. Drawing on lessons of implementation experience, in July 2005 Management issued a memorandum to staff, emphasizing these and other areas to strengthen the Bank's PFM work. These measures are being implemented, and Management will continue to emphasize these aspects.

3. *Areas of Divergence.* In spite of the usefulness of IEG's review, Management has observations and comments on some of the analysis and recommendations.

- Management does not agree that these tools have made only a limited contribution to the design and arrangements of Bank assistance; they have been among the main sources of country-level PFM knowledge, including information on procurement (which is not covered under any other type of assessment).
- The IEG review gives little coverage to the important contribution of CFAAs and CPARs to the Bank's fiduciary work on DPOs; however, CFAAs and CPARs have been central contributors to the knowledge base for DPOs and have provided the platform to initiate PFM (including procurement) dialogue with partner countries,

build government commitment, and catalyze reforms supported under DPOs. Management also notes that CFAAs and CPARs are one of the inputs – but not the only input – in decisions about extending DPO lending to a country.

- For investment lending, Management does not agree with the IEG findings that CFAAs and CPARs have had little influence at the project level: they provide the country context for the financial management (FM) and procurement (PR) assessments that are mandatory for all projects. They have also provided very useful information to assist in assessing whether country FM and PR systems can be used in Bank-financed investment projects.
- Management does not see a tension between the development and fiduciary objectives of these instruments and notes that the development and fiduciary objectives usefully complement one another. Management also does not agree that the development objectives of CFAAs and CPARs would be better served by focusing on a few sectors or selected functions: partner countries have found the coverage of the entire PFM cycle useful.
- Management does not agree that there is a need to develop a separate integrated risk analytic framework for addressing country-level risks posed by corruption; as the Bank's Governance and Anticorruption Strategy provides, such risks are most appropriately addressed in the Country Assistance Strategy (CAS) process.
- Finally, Management does not consider that it would be helpful to mandate action plans in CFAAs and CPARs (although the current CFAA and CPAR instructions provide guidance on including a prioritized action plan for implementing CPAR recommendations). Country circumstances should dictate whether an action plan is included, and what its level of detail should be. Similarly, there is no need to mandate a PFM concept note, since the Bank's approach to country PFM issues is covered in the CAS.

4. **Management Actions.** Management points out that CFAAs and CPARs are no longer mandatory: in the interest of better coordination, PFM work is more centered on a common PFM performance framework, the Public Expenditure and Financial Accountability (PEFA) assessment (with the CPAR and OECD/DAC procurement benchmarking tool feeding into the PEFA work). Thus Management has already put in place the more integrated approach IEG calls for. In response to the evaluation, Management has agreed to issue updated guidance to staff on assessing fiduciary risks in the use of country PFM systems in Bank-supported operations and on preparing CPARs; to continue implementing its active training program in fiduciary areas; and to continue strengthening the Bank's PFM work, emphasizing (a) country ownership of PFM reforms; (b) prioritizing and sequencing of PFM reforms; (c) better measurement and monitoring of PFM performance and progress, using the PFM Performance Measurement Framework developed by the PEFA partnership program; (d) coordinated work by the three Bank operational teams (Financial Management, Procurement, and the Public Sector Governance Unit in Poverty Reduction and Economic Management); and (e) coordination with other development partners. (See attached Management Action Record matrix.)

Recommendation	Management Response
<p>Gear CFAAs and CPARs more directly to the fiduciary goal. In order to accomplish this, Management could:</p> <ul style="list-style-type: none"> • Agree on a common definition of “fiduciary risk” that would be applied consistently in all PFM diagnostic instruments; • Develop a comprehensive and integrated risk analytical framework that would include a standardized methodology for aggregating country-level PFM risks; and • Guide staff on how the risk assessments in these diagnostics should influence the design of Bank assistance both at the project and program level, and revise guidelines as needed. 	<p><i>Mostly Agreed</i></p> <p>In Management’s view, the Bank’s operational policies and guidelines provide sufficient guidance to staff on taking into account country PFM performance and fiduciary risks in decisions on and design of development policy operations and investment lending (see OP 8.60, Development Policy Lending; “Good Practice Note: Financial Management Issues in Development Policy Operations,” “FM Practices Manual,” and “Revised Instruction for Carrying out Assessment of Agency’s Capacity Assessment to Implement Procurement, Setting of Prior-Review Thresholds and Procurement Supervision Plan”).</p> <p>The integrated approach to PFM work and use of the PFM performance measurement indicators help provide a holistic view of country PFM performance and risk, covering all dimensions of the PFM system. Management suggests that the emphasis now should be on further operationalizing these measures, including providing further guidance to staff on assessing fiduciary risks in the use of country PFM systems in Bank-supported operations</p> <p>Management will consider its agreed actions to be complete with the issuance of updated guidance to staff on assessing fiduciary risks in the use of country PFM systems in Bank-supported operations.</p>
<p>Enhance the quality of the diagnostics. In order to realize this, Management could:</p> <ul style="list-style-type: none"> • Issue revised guidelines jointly prepared by the three sector boards on undertaking integrated diagnostics; and • Develop an integrated learning program for staff from all three Networks on implementing the “Strengthened Approach.” 	<p><i>Ongoing/Agreed</i></p> <p>Within the overall framework of measures announced for strengthening the Bank’s PFM work (outlined in the July 2005 memorandum issued by the Vice Presidents of the PREM and OPCS Networks), carrying out PEFA assessments has necessitated better coordination among the FM, Procurement, and PREM teams. In addition, work on revised guidelines for CPARs is under way.</p> <p>Staff learning has been, and will continue to be, a major area of emphasis. Since December 2005 PFM training sessions on the “strengthened approach” have been regularly provided for FM, Procurement, and PREM staff, both in Washington and overseas. Training sessions on the “strengthened approach” delivered in collaboration with the PEFA program have included workshops for Bank staff and bilateral donors (September 2005; June and November 2006; January, May, October and November 2007) and training events for multilateral development banks (December 2005 and December 2006). More training programs are planned for Bank staff and other development partners on the PFM performance measurement framework and the “strengthened approach,” in addition to the Bank’s regular core PFM courses that focus on PFM concepts, applications, and cases. The forthcoming Fiduciary</p>

	<p>Forum will devote a substantial time to PFM learning.</p> <p>Management will consider its agreed actions to be complete with the issuance of updated guidance to staff on CPAR preparation, and the continued implementation of the learning program for staff. Management will report on the state of its PFM work in its Annual Reports to the Audit Committee.</p>
<p>Strengthen the impact of fiduciary work and associated outcomes. In order to achieve this, Management could:</p> <ul style="list-style-type: none"> • Ensure that the Bank supports clients in preparing a single integrated, prioritized, costed, and monitorable set of actions within an agreed framework for PFM reform even though the diagnosis may be undertaken using multiple instruments. 	<p><i>Ongoing/Agreed</i></p> <p>Building on the investment over the past few years, Management has taken steps to strengthen the Bank’s PFM work, emphasizing (a) country ownership of PFM reforms; (b) prioritizing and sequencing of PFM reforms; (c) better measurement and monitoring of PFM performance and progress using the PFM Performance Measurement Framework developed by the PEFA partnership program; (d) coordinated work by the three Bank operational teams (FM, PR, and PREM-Public Sector Governance); and (e) coordination with other development partners (see “Strengthening the Bank’s PFM Work,” July 25, 2005, Memorandum issued by the Vice Presidents of the PREM and OPCS Networks). These measures are being implemented. Management will continue to emphasize these aspects, thus helping improve the outcome and impact of the Bank’s PFM work.</p> <p>Management notes that this is a continuing, longer-term effort and will consider it complete when the “strengthened approach to PFM work” is followed in a majority of active countries. Management will report on the state of its PFM work in its Annual Reports to the Audit Committee. The Annual Reports for FY07 include capacity building as a follow-up to CFAAs and CPARs as a central theme.</p>

1. Evaluation Background and Methodology

“Our real goal is to help countries build up institutions that can deliver resources to the people who need them and that means, especially, to the poorest people...governance helps make institutions of government accountable to the people they are supposed to serve. And part of this is transparency – meaning better accounting, better knowledge of what’s going on.”

World Bank President Paul Wolfowitz, March 26, 2006

1.1 Governments and donors use public resources to implement their mandates. Both, therefore, have important fiduciary obligations to their constituencies, who hold them accountable for transparent, economic, and efficient use of public funds.¹

1.2 Sound and efficient public financial management (PFM) systems² are critical to fulfilling this fiduciary responsibility, both for the client and the Bank. PFM has three aspects: public expenditure management (PEM), financial management (FM), and procurement of goods, works, and services. Good governance is necessary in all three areas for the efficient and effective use of public resources; it also ensures greater accountability of the state to its citizens and other stakeholders.

1.3 A number of studies, including the World Bank’s *Assessing Aid* (Dollar and Pritchett 1998), *2002 Annual Review of Development Effectiveness: Achieving Development Outcomes: The Millennium Challenge* (OED 2002), and *The Quality of Growth* (Thomas et al. 2000), provide evidence that weak PFM systems decrease development effectiveness. The *Quality of Growth* study found, for example, that a climate for successful development “requires an integrated approach linking economic, institutional, legal, and participatory elements: building transparent and effective institutions for budgeting and public investment programs, as complements to macroeconomic policies; establishing merit-based public administration (as in Malaysia, Singapore, and Thailand) and efficient and honest customs and procurement agencies; and promoting civil liberties and popular participation” (Thomas et al. 2000, Chapter 6).

1.4 Sound FM systems are necessary to ensure that funds are used for their intended purposes. For example, non-transparent methods of accounting and reporting make it difficult even for vigilant citizens or other stakeholders to understand how public resources are spent. Strong external and independent audit agencies increase the chances of proper use of public funds. Procurement is also a “ma-

Evaluation Essentials

- ❖ Governments, the Bank, and other development partners have fiduciary obligations to their constituencies to ensure that funds are used for their intended purposes
- ❖ The CFAA and CPAR have been the Bank’s primary instruments to understand fiduciary risks at the country level
- ❖ Between July 1999 and December 2004, 189 reports were prepared at a cost of \$16 million, but there has been no assessment of their overall effectiveness
- ❖ On July 25, 2005, Bank management announced a “Strengthened Approach” in PFM diagnostic work
- ❖ The purpose of the evaluation is to assess the effectiveness of these instruments to provide lessons for implementing the “Strengthened Approach”

job intersection” between the public and the delivery of services (OECD 2004), estimated to account for 12-20 percent of the world’s GDP (see Table 1 for procurement as a percentage of government expenditures). According to the report “Transparency in Government Procurement,” published by the OECD/DAC Working Party of the Trade Committee in May 2003, a country with high levels of corruption is likely to achieve investment levels of 5 percent less and lose about 0.5 percent of GDP growth per year compared to countries with relatively low levels of corruption. Economic and efficient procurement also increases the funds available for investment (Table 2).³

Box 1. What Is Meant by Fiduciary Risk?

The Bank does not define the term “fiduciary risk.” The CFAA Guidelines (2003) state that the fiduciary risk, as covered in a CAS, consists of three elements:

- Financial management risk, drawn from the CFAA;
- Procurement risk, drawn from the CPAR; and
- The risk of misuse of Bank funds through official corruption, drawn from World Bank anticorruption diagnostics and elsewhere.

CFAAs and CPARs are diagnostic tools that help to identify risks to the use of Bank loan proceeds posed by weaknesses in borrower FM and procurement systems, and thus help the Bank to fulfill the fiduciary obligations imposed by its Articles. The instruments are not expected to examine “developmental risk” – the risk that Bank funds, as part of the budget flowing through the country’s PFM system, will not be well spent on poverty reduction or are not adequately poverty-focused. Other instruments, such as Public Expenditure Reviews and their variants focus on such issues. Some donors such as the U.K. Department for International Development (DfID) have defined the term “fiduciary risk” to include the risk that public expenditures are not poverty focused.

The Bank has both a development objective and fiduciary objective in analyzing fiduciary risk

1.5 The Bank has two objectives in attempting to understand fiduciary risks (see Box 1). Its **development objective** focuses on enhancing development effectiveness of public spending through strengthening PFM systems in client countries. It also uses this knowledge to further its **fiduciary objective**, which is to safeguard Bank assistance from immediate risks through improvement of design and arrangements of Bank assistance. The two objectives are distinct, although closely related. In the medium or long term, the achievement of development objectives will reduce fiduciary risks to Bank assistance. However, the fiduciary objective focuses on safeguarding Bank assistance from immediate or current risks to Bank assistance.

Table 1. Percentage of Public Sector Funds Used for Procurement

<i>Country</i>	<i>Procurement as percent (%) of total government expenditures</i>
Global	12-20
Uganda	70
Angola	58
Malawi	40
Vietnam	40
Azerbaijan	34
Bulgaria	30
Dominican Republic	20

Table courtesy of Joel Turkewitz, Senior Procurement Specialist, World Bank.

Source: Data for individual countries from respective World Bank Country Procurement Assessment Reports; global data from the Organization for Economic Cooperation and Development (OECD).

Table 2. Procurement Changes and Savings for the Philippines Social Expenditure Management Project

<i>Type of asset</i>	<i>Expected volume based on past procurement</i>	<i>Actual volume delivered after reform</i>	<i>Price savings per unit</i>
School desks and chairs	450,000	754,069	Between 22 and 77%
Textbooks	25 million	42 million	50%
Classrooms	900	1,535	39%

Source: World Bank Implementation Completion Report for Philippines Social Expenditure Management Project, 06/30/04, p. 22.

The World Bank’s Fiduciary Instruments

1.6 To fulfill these two objectives, the Bank first sought to protect its funds through a variety of approaches, including “ring-fencing” project financial management (FM) and procurement systems, improving project supervision support, strengthening project implementation units (PIUs), and imposing sanctions. However, this project-level approach was of limited value to development effectiveness, given that major systemic and institutional problems persisted in partner countries (OECD 2003b). Additionally, the Bank and other donors signaled an intention to shift from project-based donor assistance to a more general reliance on country systems and budget support operations. Robust country-level PFM systems were required if the Bank and other donors were to scale up resources with comfort.⁴ This strengthened the imperative to understand fiduciary risks in client countries.

The Bank has tried to protect its funds through a variety of internal measures, but these are inadequate when country institutions and systems remain weak

1.7 *Country Financial Accountability Assessments* (CFAAs) and *Country Procurement Assessment Reviews* (CPARs) have been the Bank’s primary instruments to diagnose and understand country-level fiduciary risks and issues related to FM and procurement (Box 2).⁵ These reports mainly assess the risks that the funds will not be used as in-

CHAPTER 1
EVALUATION BACKGROUND AND METHODOLOGY

CFAAs and CPARs have been the Bank's primary instruments to diagnose and understand country-level fiduciary risks

tended. In fiscal year 1997, the Bank initiated the *Country Profile of Financial Accountability* (CPFA), which provided an overview of the accountability environment. However, a more detailed review was deemed necessary and CPFAs were updated into CFAAs. A CFAA identifies the strengths and weaknesses of financial accountability arrangements in the public sector and the risks that these may pose to the use of Bank funds. A full-scope CFAA addresses public sector budgeting, accounting and financial reporting, internal control systems and records management, external audits, legislative oversight, and public access to information. CPARs, initiated in the mid-1980s, were originally designed as a tool for Bank staff to identify national procurement practices that could not be used under Bank-financed projects. In 1998, the instrument was revised to assess the performance of the existing public procurement system in a country and to initiate a dialogue with the government on a plan to improve the system. It was also designed to help the Bank identify operational risks and to set appropriate supervision standards; it also contributes to the design of risk mitigation plans, especially for countries that receive sector and programmatic loans. The CPAR includes an assessment of the legal framework, trade practices, financial framework, procurement organization and procedures, decision-making authority, competitiveness of the private sector, and anticorruption initiatives and programs.

1.8 There are also risks that the funds do not achieve their intended goals (such as poverty reduction)⁶, often referred to as “development risks.” Other instruments, such as the Bank’s *Public Expenditure Review* (PER) and its variants,⁷ analyze some aspects of these risks, namely those posed by the country’s fiscal position and public expenditure policies (in particular, the extent to which they are pro-poor). There are no formal guidelines for PERs and they vary in coverage of issues.⁸ PERs may examine institutional arrangements for public expenditure management and civil service reform, and revenue policy and administration. PERs also tend to be selective in scope and focus on the more pressing issues constraining development effectiveness.

CFAAs and CPARs were part of the core diagnostics required for all active clients. This requirement has now been lifted.

1.9 In 1999, in consultation with the Board of Executive Directors, Bank management started to undertake a set of five core diagnostics (including fiduciary assessments⁹ and PERs) as part of the Bank’s analytical work for all active Bank clients.¹⁰ This decision was strengthened in June 2001, when management committed to filling the gaps in the coverage of core diagnostic products as a priority for FY02-04.¹¹ Between July 1, 1999, and December 31, 2004, 189 CFAAs and CPARs were undertaken at a cost of about \$16 million. However, management found that this requirement sometimes resulted in products that were driven by Bank-specified timetables rather than by the borrowing needs of the client. In August 2004, therefore, management revised this practice to allow country directors to program analytical work based on the type and level of Bank engagement, cli-

ent priorities and circumstances, and the availability of relevant knowledge from partners. The choice of analytic tools and the scope of work would be specified in the Country Assistance Strategy (CAS) and updated during the annual country business planning exercises.

Box 2. Bank Instruments for Assessing Different Elements of Fiduciary Risks

The Bank has a variety of instruments that assess different aspects of risks at the country level. These are undertaken by different units, as follows:

- **The Financial Management Unit**
 - The *Country Financial Accountability Assessment* (CFAA) assesses fiduciary risks posed by weaknesses in FM systems.
- **The Procurement Unit**
 - The *Country Procurement Assessment Report* (CPAR) measures fiduciary risks posed by weakness in the procurement systems that may result in un-economic or inefficient procurement of goods, works, and services procured with public resources.
- **The Poverty Reduction and Economic Management (PREM) Network**
 - The *Public Expenditure Review* (PER) focuses, among other things, on the equitable use of public resources, but sometimes includes measurement of fiduciary risks posed by weaknesses in financial management systems.
 - The *Integrated Assessment* (IA) (the final report may be called by various names, such as Country Integrated Fiduciary Assessment; Public Expenditure Management, Financial Management, and Procurement Review; and Country Fiduciary Assessment, to name a few) reviews areas typically covered by the CFAA, CPAR, and PER.
 - The *Institutional and Governance Review* (IGR) measures, among other things, risks posed by corruption.
 - The *Highly Indebted Poor Countries Assessment and Action Plan* (HIPC AAP) was developed jointly with the International Monetary Fund (IMF) and tracks poverty-related spending risks in selected countries.
 - The *PFM Performance Report* (PFM-PR), developed in partnership with other donors, was introduced by the Bank in 2005 to monitor and track progress in PFM and results in the application of the PFM PM Framework.
 - The *Public Expenditure Tracking & Survey* (PETS) tool tracks the level of a country's resources available to deliver services by helping to minimize risks, losses, or diversion of public funds.
- **The Institutional Integrity Department**
 - The *Fiduciary Assessment* is a proactive instrument used to assess the effectiveness of fiduciary controls at different stages of the project cycle and to propose specific measures to improve them.

1.10 In July 2005, the vice-presidents of two departments, Poverty Reduction and Economic Management (PREM) and Operations Policy and Country Services (OPCS), reiterated that the goals of country PFM work are to improve country PFM performance as a key contributor to successful development, and apply appropriate fiduciary arrangements to the financial support the country receives. They an-

The "Strengthened Approach" focuses on achieving enhanced PFM performance

nounced a “Strengthened Approach” as the way forward in this area. The approach stressed four elements:

- **Structured performance measurement:** Management has issued a PFM Performance Measurement Framework (PFM PM Framework), a harmonized approach for measuring and monitoring performance.
- **Country-specific and country-led efforts:** PFM work should be driven by country-specific requirements and conditions, thereby facilitating country leadership in setting and managing a multi-year reform strategy with sequenced priorities.
- **Integrated implementation:** PFM work should capitalize on the inter-linkages between FM work (undertaken by the FM Unit), expenditure management work (undertaken by the PREM Network), and procurement work (undertaken by the Procurement Unit) and use integrated country teams comprising PREM, FM, and procurement staff.
- **Enhanced collaboration with donor partners:** The Bank should coordinate diagnostic and technical assistance planning and work with other development partners to reduce duplication, harmonize assistance, and reduce the burden on country partners.

1.11 A multi-donor Public Expenditure and Financial Accountability (PEFA) partnership developed the PFM PM Framework, referred to above.¹² The framework provides 28 high-level indicators to measure progress and monitor performance of PFM systems, processes, and institutions. The framework does not measure whether the fiscal policy is sustainable or whether public expenditures have their desired impact on poverty reduction. They measure the extent to which the PFM system is an enabling factor for achieving development outcomes. The Bank has recommended the use of the indicators in PFM analytic work as they would facilitate structured measurement of progress.

1.12 The Bank has not provided detailed guidance to staff on how to implement the “Strengthened Approach.” As of now, the CFAA – Guidelines to Staff (May 2003) and Revised CPAR Instructions (2002) (together referred to as “the Guidelines”) are still current for each of these instruments. These Guidelines, along with the elements of the “Strengthened Approach,” have helped to determine the evaluation questions, indicators, criteria, and benchmarks.

Objectives, Scope, and Methodology of the Evaluation

1.13 To understand the effectiveness of the Bank’s fiduciary diagnostics, and to provide timely guidance to management on future directions, IEG has reviewed 179 of the 189 CFAAs and CPARs (and their variants; Appendix A) completed between July 1999 and

December 2004.¹³ Specifically, the purpose of this evaluation is to assess the degree to which the Bank's FM and procurement work has achieved its stated objectives (both development and fiduciary), and to provide management with evaluative findings that will assist in formulating guidelines to better implement the "Strengthened Approach." The key evaluation questions are:

- **Relevance of the instruments:** To what extent were these instruments relevant to achieving the Bank's objectives?
- **Quality of the diagnostics:** To what extent were these diagnostics of satisfactory quality?
- **Internal integration, client ownership, and donor collaboration:** To what extent were the diagnostics prepared in a coordinated manner within the Bank, with the participation of the client, and in collaboration with other donors?
- **Influence of diagnostics within the Bank:** To what extent did these instruments contribute to mitigating FM and procurement risks to Bank assistance through improved design and implementation of Bank assistance?
- **Results within the client country:** To what extent did these instruments strengthen FM and procurement frameworks, institutions, and capacity in client countries?

1.14 To answer the first question, the evaluation assessed whether these instruments had relevant objectives and resulted in assessment of the right things. To answer the second question, the evaluation reviewed the 179 reports for quality of analysis. To sharpen the findings on quality, 11 integrated assessments that were among the 179 reports were assessed separately. To answer the third question, the evaluation assessed whether the 179 reports were prepared in an internally coordinated manner, ensuring client ownership, and in collaboration with other development partners. To answer the fourth question, the evaluation assessed a sample of CASs and Bank lending activities, prepared before and after the diagnostics in 24 countries, to understand whether subsequent country strategies and lending assistance addressed identified fiduciary weaknesses. To answer the final question, the evaluation reviewed whether the diagnostics effectively influenced FM and procurement reform in 10 (of the 24) countries where field visits were conducted. Attribution is complex, and the evaluation only assessed whether Bank diagnostics could reasonably have contributed to changes in the FM and procurement sector.

1.15 **Previous PFM Assessments.** Two other recent assessments have reviewed the Bank's fiduciary instruments. The first, an internal assessment by the Quality Assurance Group (QAG), "Quality of Fiduciary Reports (January 2000-June 2001)," February 14, 2002, evaluated 40 fiduciary reports to assess their quality and to develop quality benchmarks for future evaluations. The assessment also considered

CHAPTER 1
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the likely impact of the instruments on Bank assistance and client systems; but as the QAG report states, these were “early judgments” and were not intended to be thorough reviews. The evaluation found that the quality of fiduciary economic and sector work (ESW) was mixed; it established 90 percent as the benchmark for satisfactory CFAAs and CPARs—the current level for other ESW. The study also noted that the Procurement and FM Sector Boards were addressing two key challenges of improving quality, while at the same time scaling up their production and improving integration of these products better into the country work programs.

1.16 The second study, “Assessing Public Expenditure, Procurement, Financial Accountability” by PEFA, April 2003, reviewed the fiduciary instruments of several multilateral agencies, including the Bank. This study aimed to “facilitate the development of a more coordinated and effective approach to assessing and strengthening public expenditure, procurement, and financial accountability systems.” The study was more limited in that it focused on harmonization of fiduciary instruments among donors.

The evaluation examines the extent to which fiduciary instruments have enhanced development effectiveness

1.17 This IEG evaluation goes beyond the scope of the previous assessments to examine the extent to which the Bank’s fiduciary instruments have contributed to enhanced development effectiveness through effectively influencing FM and procurement reform in client countries. It also assesses the extent to which the Bank supported greater country ownership of such reform, reduced transactions costs, and improved donor harmonization. The evaluation findings provide lessons and recommendations for advancing the “Strengthened Approach.”

1.18 Chapter 2 presents the evaluation findings on relevance of the instruments in achieving their development and fiduciary objectives; Chapter 3, on the quality of diagnosis in the 179 reports examined; and Chapter 4, on integration, client ownership, and donor harmonization. Chapter 5 focuses on results—on how these diagnostics have contributed to safeguarding Bank assistance and on how they have strengthened borrower FM and procurement systems and institutions in 10 of the 24 countries. Chapter 6 presents the lessons and recommendations emerging from this evaluation. Finally, appendices to the report provide further information including the reports reviewed, evaluation methodology, and list of client and external stakeholders interviewed.

NOTES

1. For the Bank, the Articles of Agreement reiterate this obligation and require the Bank to “ensure that the proceeds of any financing are used only for the purposes for which the financing was granted, with due attention to considerations of economy and efficiency”.

2. Public financial management covers all phases of the budget cycle, including budget preparation, internal control and audit, procurement, monitoring

and reporting arrangements, and external audit. The broad objectives of public financial management are to achieve overall fiscal discipline, allocation of resources to priority needs, and efficient and effective allocation of public services. See OECD 2003a.

3. OECD 2003a, Volume 3: "Strengthening Procurement Practices in Developing Countries."

4. The European Court of Auditors' special report no. 5/2001 recommended improving PFM as a top priority in order to improve the effectiveness of budget support programs. Hauck et al. 2005.

5. See also World Bank 2001b.

6. The DfID definition of fiduciary risk includes whether the funds are poverty-focused.

7. *The Impact of Public Expenditure Reviews: An Evaluation* (OED 1998) reviewed PERs. These reports are not covered in this evaluation.

8. Draft Guidelines on the Bank's Work on Public Expenditure Analysis and Support were issued in March 2001.

9. CFAAs evolved in FY99. In FY97 and FY98, around 44 shorter Country Profile[s] of Financial Accountability (CPFA) were prepared as a way of obtaining basic country coverage as quickly as possible.

10. See World Bank 2001a.

11. World Bank 2001a. See also World Bank 2002a.

12. PEFA started in December 2001 as a \$5 million, 3-year program jointly financed by the World Bank's Development Grant Facility (DGF), the European Commission (EC), the U.K. Department for International Development (DfID), the Swiss State Secretariat for Economic Affairs (SECO), the Royal Norwegian Ministry of Foreign Affairs, and the French Ministry of Foreign Affairs. The International Monetary Fund (IMF) and the Strategic Partnership with Africa (SPA) are also partners. A Steering Committee, comprising members of these agencies, is managing the program. A secretariat has been set up and is located at World Bank headquarters in Washington, D.C.

13. While a number of French-speaking country CFAAs and CPARs were covered by the evaluation, the team could not obtain English versions of 10 CFAAs. Given the large sample of CFAAs covered by the evaluation, the team believed the exclusion of these reports would not constitute a bias. Additionally, the Mexico-States CPAR was not made available to the team.

2. Relevance of the Instruments

2.1 As stated in Chapter 1, CFAAs and CPARs are instruments that help the Bank to understand fiduciary risks created by weaknesses in financial management and procurement systems. The diagnosis helps to support the client in strengthening its financial management and procurement systems (development objective), and to ensure adequate safeguards to ensure that Bank funds will be used for their intended purposes (fiduciary objective).

2.2 This evaluation assesses the relevance of the instruments to achieve these objectives in three dimensions:

- Consistency with Bank goals
- Responsiveness to client needs and priorities
- Responsiveness to the needs of other donors

2.3 The evaluation assessed relevance of the instruments through a variety of methods including document reviews for links between PFM systems and development effectiveness, and interviews with client stakeholders and donors on the relevance of diagnostics for their work (See Appendix G). In addition, the assessment of results was used to confirm and refine the ratings on relevance. Relevance was rated on a four-point scale of *High*, *Substantial*, *Modest*, and *Negligible*.

Consistency with Bank Goals

2.4 As designed, the scope and approaches adopted by the instruments are substantially consistent with helping achieve the development objective. However, while these instruments are moderately relevant in achieving the fiduciary objective in the case of CPARs, they are only negligibly so in the case of CFAAs.

2.5 CPARs and CFAAs are designed to provide a good understanding of the weaknesses and strengths of client's FM and procurement systems. The Guidelines suggest a standard format, which if adhered to, helps to provide a common understanding among the government, the Bank, and development partners on the performance of the institutions responsible for managing the country's public finances. Such common understanding also helps to identify priorities for action and informs the design and implementation of capacity-

Evaluation Essentials

- ❖ The scope and approaches stated in the latest Guidelines for these instruments are substantially consistent with the Bank's development objective and only moderately consistent at best with the fiduciary objective
- ❖ The instruments are responsive to client needs and priorities
- ❖ The instruments do not include a set of indicators to measure or monitor progress
- ❖ Donor stakeholders in 10 countries confirmed the relevance of the instruments for their work

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building programs. The Guidelines also recognize the synergies between these systems and recommend that the diagnostics be undertaken in an integrated fashion. Thus, the instruments as designed could achieve their development objectives.

2.6 However, neither instrument equally supports the achievement of the Bank's fiduciary objectives for a variety of reasons. If the Bank aims to link the diagnosis to safeguards for Bank funds such as volume or choice of instruments for assistance, more than an analysis of institutional strengths and weaknesses is necessary; both CFAAs and CPARs need to be capable of undertaking a sound and consistent assessment of fiduciary risks at a country level. The evaluation finds, however, that these instruments, developed at different times, are not designed to provide such an assessment, with only 44 percent of CFAAs and 47 percent of the CPARs providing "Highly Satisfactory" or "Satisfactory" risk assessments (see Appendix B). First, each instrument measures different elements of fiduciary risk (FM and procurement risks); therefore, each instrument provides a fragmented view of the fiduciary risk in the country. Second, the Guidelines provide different risk models and ratings, making it difficult to arrive at an overall fiduciary assessment for the country. Third, the risk models do not take into consideration the vulnerabilities of weak FM systems to corrupt practices, thereby reducing the rigor of the risk assessment.¹ Together, this weakens the relevance of the instruments in achieving the fiduciary objectives.

Attempting to achieve both development and fiduciary objectives in a single, integrated instrument is not effective

2.7 There are also tensions to achieving both the development and fiduciary objectives through one instrument. To fulfill the fiduciary objective, a thorough diagnosis of the risks posed by the entire PFM system is necessary. To fulfill the development objective, a more in-depth focus on PFM issues—a few sectors or selected functions, such as internal controls and audits—may be more appropriate. The latter would not lead to a sound assessment of overall fiduciary risks. While they were manageable in the individual diagnostics, these tensions will be more evident in undertaking an integrated assessment. Additionally, while it is important that the client own the diagnostic and the proposed actions or recommendations if they are to be effective, such ownership may be detrimental in the case of assessing fiduciary risks, which need to be objectively determined if the rating is to be credible.² For example, recognizing these tensions, DfID uses the PFM PM Framework (the PEFA Framework) as the basis for discussion on PFM issues with the client, but undertakes a separate *Fiduciary Risk Assessment*, drawing on available information, to shape its aid portfolio and manage fiduciary risks to its assistance.

The Guidelines are weak in providing guidance on monitoring and evaluation indicators

2.8 Neither instrument includes a method to measure and monitor implementation progress. The CPAR instructions provide some sample indicators for the procurement area, but the CFAA

Guidelines are more perfunctory in this regard. The recently introduced PFM PM Framework addresses this deficiency by providing an integrated framework to measure progress. However, these are high-level indicators that may help to measure impact over a period of time, but not outputs or intermediate incomes. This further reduces the relevance of the instrument.

Responsiveness to Client Needs and Priorities

2.9 The evaluation finds that these instruments are highly responsive to client needs and can, if done properly, provide a sound diagnosis of the strengths and weaknesses of FM and procurement systems. Because the reports were required, the Bank prepared or updated these diagnostics for almost all its clients (illustration in Table 3).³ Thus, most countries received a diagnosis of their FM and procurement systems.

2.10 With the revised Guidelines, both instruments shifted from a project-level to a country-level approach, which increased the focus on country systems and institutions, and provided a better basis for increased policy dialogue on PFM issues and government accountability. The instruments also brought greater attention to capacity development issues. Overall, the evaluation findings confirm that the instruments were relevant in initiating or adjusting PFM reform agendas. A review of CASs in 24 countries indicates that in more than half of the countries, CASs prepared immediately after the diagnostic included a discussion of FM and procurement issues, and resulted in increasing the assistance available for the client for reform.

The country focus has helped to improve policy dialogue on FM and procurement issues and institutions

2.11 The Guidelines require participation of client stakeholders in the preparation of these diagnostics, and the evaluation finds that such participation enhanced the realism of the diagnosis and ensured that it responded to client priorities and needs. The Guidelines recommend that the diagnostics result in an action plan agreed with the government, the contents to be determined by country context; this increased the results orientation of the instruments. The Guidelines also suggest that the instruments be internally coordinated to enhance the effectiveness of the diagnosis and to provide the client with an integrated and comprehensive view of PFM reform in the country.

Client participation enhanced realism of the diagnosis

2.12 The country-level focus also facilitates donor collaboration around a single instrument. Client governments face the challenge of negotiating, managing, and reporting on an array of projects across a wide range of sectors and involving multiple donors. Each project, with its own systems, methodologies, and missions, typically has regular, often quarterly, reporting requirements. All these different requirements generate an immense administrative burden on the already limited capacity of developing country institutions. In seven of the 10

The country focus also facilitated donor collaboration

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countries visited, increasing donor collaboration in undertaking these diagnostics is expected to reduce the number of fiduciary diagnostics.

Table 3. Availability of Diagnostics for the Bank's 10 Largest Borrowers

#	Country	FIs undertaken during evaluation period	IBRD/IDA commitment amount (US\$b) FY00-FY05Q2
1	India	CPAR, 3 SFAA*	11.58
2	Turkey	PEIR/CFAA, CPAR	8.23
3	Brazil	CFAA, CPAR	7.64
4	Mexico	CFAA, CPAR	5.98
5	China	OPR*	5.61
6	Argentina	CFAA, CPAR	4.11
7	Colombia	CFAA, CPAR	3.46
8	Vietnam	CFAA, CPAR	2.88
9	Pakistan	CFAA, CPAR, 2 SFAA	2.67
10	Indonesia	CFAA, CPAR	2.19

Source: Fiduciary Instruments Evaluation.

*State Financial Accountability Assessments ** Operational Procurement Reviews

Donors find the instruments relevant to their work, especially when the diagnoses are undertaken collaboratively

Consistency with Approaches of Other Donor Partners

2.13 Donor representatives from the Asian Development Bank (ADB), African Development Bank (AfDB), Inter-American Development Bank (IDB), DfID,⁴ European Union (EU), Japan Bank for International Cooperation (JBIC), and other bilateral donors were interviewed during the field visits. They confirmed the relevance of the CFAA and CPAR for their work, especially when the diagnoses were collaboratively undertaken. The evaluation findings confirmed this interest: about 43 percent of the CFAAs were prepared in collaboration with development partners; of these, 90 percent have been prepared since FY03. Only a quarter of the CPARs were prepared in collaboration with other donors, but this trend is also increasing. Representatives of ADB and AfDB stated that although they relied on these instruments, they did not often have adequate resources to participate in their preparation.

2.14 To conclude, the evaluation finds that these instruments were client-responsive and substantially relevant for achieving the development objectives, while only modestly so in the case of achieving the Bank's fiduciary objectives. The tensions between the dual objectives and the lack of a comprehensive and complete risk-rating model reduce the overall relevance of these instruments.

NOTES

1. Management notes that CFAAs typically identify weaknesses in the PFM systems that might facilitate corruption such as off budget accounts, inadequate systems of internal control and internal audit, excessively complex financial administration rules and cash rationing. This comment also applies

to the evaluation's findings on corruption issues stated in para 3.2 and Box 4 in Chapter 3 (Treatment of Corruption in CFAAs and CPARs).

IEG agrees that CFAAs identify weak FM systems that might facilitate corruption and recommend how these weaknesses may be addressed in the medium or long term. However, in order to meet the fiduciary objective, it is important to ensure that these risks inform the final fiduciary risk rating for the country. The lack of such a comprehensive risk model resulted in few CFAAs considering the impact of corruption when determining the country's fiduciary risk.

2. See similar point in "Integrating PER, CFAA, and CPARs - Recent Country Experience - Discussion Paper," Para 24, PEFA Secretariat, September 2002, Washington, DC. "*it is important to note that a tension frequently exists between the assessment of fiduciary risk, on the one hand, and long-term development objectives and requirements, on the other hand. See also Pg. 12, Para 3.1.* Non-governmental stakeholders also questioned the wisdom of attempting to achieve two objectives through the same instrument. They felt that ownership compromised the independence of the fiduciary risk rating. In one country, stakeholders commented that upon the insistence of the government, the Bank team diluted the risk assessment and modified the risk rating. Government stakeholders, however, stated that the modifications were made only to correct factual mistakes in the first draft. Some donors handle these two aspects separately.

3. It was originally intended that such reviews for all IDA borrowers be completed by FY04. While delayed, with some diagnostics being delivered only in FY05 and FY06, and some proposed for FY07, this has substantially been achieved in all regions. (In India a national-level CFAA was not undertaken, but several SFAAs were completed. In EAP, neither CFAAs nor CPARs were conducted for China and Thailand (which together received nearly 50 percent of Bank assistance to the region during the Bank evaluation period); and in MNA, for Iran (which received 23 percent of the regional Bank assistance).

4. DfID and EU have their own fiduciary risk audits; but in several countries, these institutions are now increasingly collaborating on this work.

3. How Good Was the Diagnosis?

3.1 This chapter assesses the quality of the diagnosis in the CFAAs¹ and CPARs. The assessment is based on the consistency of report scope with the Guidelines; overall clarity and readability of the report; quality of empirical data supporting the analysis; the quality of risk assessment; and the readiness of the action plan for implementation. An additional indicator for CPARs was the quality of guidance for staff in designing Bank assistance.² This chapter also examines the costs of these reports.

Quality of Diagnosis

3.2 The evaluation finds that the quality of the reports was satisfactory over the evaluation period. About 71 percent of the CFAAs and 64 percent of CPARs were of satisfactory quality, although about one-third of these reports were assessed as moderately satisfactory (Table 4). The diagnostics were responsive to the stated objectives, and were highly consistent with the scope stated in the Guidelines. A few key factors limited the quality as reflected by the high percentage of moderately satisfactory ratings. These factors included the lack of empirical data that made the findings less persuasive; the failure to prioritize and sequence action plans that made these diagnostics less actionable; inadequate consideration of corruption and governance issues in assessing fiduciary risks that weakened the fiduciary objective in particular; and the failure to safeguard Bank assistance that made the reports less helpful for Bank.

Evaluation Essentials

- ❖ About 71 percent of CFAAs and 64 percent of CPARs helped to satisfactorily identify strengths and weaknesses and in a client's FM and procurement systems
- ❖ About one-third of satisfactory reports were rated moderately satisfactory because of weak risk assessment, lack of prioritized and monitorable action plans, and insufficient empirical data
- ❖ The quality of reports clearly improved after Guidelines were issued
- ❖ Inadequate consideration of corruption issues analyzing risks, particularly in CFAAs, has reduced the rigor of the fiduciary risk rating
- ❖ The average costs of preparation were lower than that suggested in the Guidelines, and there is a clear relationship between quality and costs

Table 4. Quality of CFAAs and CPARs over the Evaluation Period

<i>Sub-indicators for quality of diagnosis</i>	<i>CFAAs</i>	<i>CPARs</i>
Rated as satisfactory (including Moderately Satisfactory)	71	64
Responsive to stated objectives	87	93
Consistent with scope stated in Guidelines	82	88
Satisfactory empirical data to support findings	63	58
Satisfactory risk assessments	73	77
Satisfactory action plans	67	63

Source: IEG evaluation of 72 CFAAs and 91 CPARs.

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3.3 CFAAs have shown steady improvement in quality following the issuance of the 2003 Guidelines, increasing from 27 percent satisfactory in FY01 to 97 percent in FY04 and FY05 (including moderately satisfactory) (see Table 5 for regional breakdown). For CPARs, the average quality of reports before the 2002 Guidelines was 49 percent satisfactory; this increased to 84 percent satisfactory between FY03 and FY05. Seven CPARs (7.5 percent)³ and eight CFAAs (10 percent)⁴ were assessed as highly satisfactory.

3.4 A comparison of quality by region indicates that the Africa (AFR) and Eastern Europe and Central Asia (ECA) regions produced a larger percentage of quality CFAAs, while East Asia/Pacific (EAP) and ECA performed better in the case of CPARs. In the Latin America and Caribbean (LAC) region, all CFAAs prepared in FY04 and FY05 were rated in the satisfactory range. Only one-third of the CPARs and one-fifth of the CFAAs for small states were satisfactory, the average quality being significantly lower than the overall average.⁵ Overall, the evaluation found a higher percentage of satisfactory reports for IDA countries than for IBRD countries. More noticeable in the case of CPARs, this difference can partially be explained by the fact that a larger percentage of CPARs for IBRD countries were undertaken before the revised Instructions.

Table 5. Improvement in CFAAs between FY01 and FY05-Q2

Region	Number of CFAAs	Percent satisfactory (including moderately satisfactory)					
		FY00	FY01	FY02	FY03	FY04	FY05
AFR	17	100%*	50%	66%	100%	100%	NA
EAP	7	NA	0%	75%	0%	100%	NA
ECA	20	NA	0%	50%	80%	90%	100%
LAC	18	NA	50%	50%	60%	100%	100%
MNA	6	NA	NA	0%	50%	100%**	100%*
SAR	11	NA	0%	0%	100%	100%	100%*

Source: Fiduciary Instruments evaluation data.

*only one report; ** only two reports

NA=no CFAAs

SCOPE OF THE REPORTS

Most diagnostics have followed the standard template, which has helped ensure comprehensive and broad coverage

3.5 Bank Guidelines provide a standard template for CFAAs and CPARs, resulting in a broad and comprehensive scope. The Guidelines for both state that the reports may be more selective depending on the country context and specifics. However, all CPARs and CFAAs after the 2003 Guidelines have largely adhered to the standard format.

3.6 Adherence to a standard template helped to provide comprehensive and broad coverage of FM and procurement systems in each country, although this increased the tendency for the reports to be pre-

dominantly descriptive rather than analytical. Stakeholders and donors in the 10 countries where field visits were conducted appreciated this broad coverage particularly.

3.7 The standard template also may have contributed to a lack of focus on other areas of emerging relevance for the client, such as “green” (environmentally friendly) procurement, e-procurement, military procurement, and community-related procurement in CPARs.⁶ Over time, therefore, the relevance of these diagnostics is likely to diminish. About 10 percent discuss issues related to “green” procurement; about a quarter discuss military procurement; and less than a quarter review community-related procurement, a type of procurement that is increasingly common in Bank assistance. Additionally, the Guidelines do not focus on accountability to the public and access to information issues, and consequently very few diagnose this important aspect of accountability in the FM and procurement area.

The template also omits areas of relevance for clients

PAUCITY OF EMPIRICAL DATA

3.8 CFAA and CPAR Guidelines require the diagnosis to substantiate their analysis with empirical data to convince governments of the need for reform. In practice, however, few reports quantified the benefits that could accrue to the client through improved functioning of the financial management or procurement systems.⁷ This was particularly true in the CPARs, which proposed laws and establishment of agencies without fully justifying their need.

Few reports quantified the benefits of reform to the client

3.9 Bank staff argue that collecting relevant and sound empirical data is tedious and costly in countries where data are not readily available, and that lack of budget and time pressure make it difficult to fill the gap. Staff reaction regarding empirical data is consistent with the evaluation’s findings on links between costs and quality of data for CFAAs and CPARs (Table 6).

Table 6. Cost of Reports in Relation to Empirical Data Rating

<i>Rating for quality or empirical data</i>	<i>Average cost of CFAA in the rating range (US\$000)</i>	<i>Average cost of CPAR in the rating range (US\$000)</i>
Unsatisfactory	90	97
Satisfactory	115	105

WEAK RISK ASSESSMENTS

3.10 Overall, the quality of risk assessments was satisfactory in less than half of the CFAAs and CPARs. This is likely because the Guidelines do not have risk assessment frameworks (see Box 3). There is improvement in more recent diagnostics, particularly in CFAAs, because task teams have adapted risk models from DfID, OECD/DAC, or the PFM PM Framework. About 15 percent of the diagnostics also integrated issues related to corruption in assessing the inherent risks (Box 4).

Box 3. The PFM FM Framework Provides a Methodology for Risk Assessment

The Guidelines do not provide a clear or specific model to measure risks. This lack of guidance is evident in the diagnostics. This weakness has now been addressed by the introduction of the PFM Measurement Framework, with 28 high-level indicators covering PEM, FM, and procurement. There are some concerns:

- The performance indicators are not set out for aggregation and therefore an overall country-level risk rating is not possible.
- Out of the 28 PFM Measurement Framework indicators, only one main indicator (and a few sub-indicators) relates to procurement. An indicator by itself is unlikely to provide adequate coverage to measure procurement risks and the Procurement Unit is developing drill-down indicators.
- While the indicators do measure some of the determinants of corruption, they do not include a direct indicator for corruption.
- It is unclear how the underlying diagnosis necessary to measure the dimensions under each indicator will be achieved.
- Finally, the Framework does not indicate a benchmark for each rating.

About a third of CFAAs and CPARs did not provide risk ratings, perhaps because of client sensitivity

3.11 About one-third of CFAAs and CPARs did not provide explicit risk ratings. Client sensitivity to explicit risk ratings could be one reason. In Bangladesh, the Dominican Republic, and several other countries, at the request of the government, staff chose to provide the risk rating in an annex or in a confidential note. India permitted a CPAR to be conducted but insisted that the report not provide a risk rating; only state-level FAAs were conducted. In China, CFAAs and CPARs were not conducted, although a CFPA and an OPR were conducted. A few private sector stakeholders and nongovernmental organizations (NGOs) questioned, on the other hand, whether these instruments were appropriate for assessments of fiduciary risks when the government is so closely involved in the preparation.

Box 4. Treatment of Corruption in CFAAs and CPARs

Although CFAAs and CPARs are not instruments to measure the levels of corruption in a country, a diagnosis of FM and procurement systems should include a discussion of the vulnerability of the systems to corruption, methods to identify corrupt practices in FM and procurement systems, measures to protect against corrupt practices, and a discussion of incentives for corrupt behavior. Additionally, the risk rating must include the vulnerability of the system to corrupt practices. About 15 percent of the CFAAs integrated the impact of corruption in their risk models. Several ECA CFAAs included it as part of the inherent risk rating; the SFAAs for Orissa and Uttar Pradesh (India) rated the perceived levels of corruption and included this dimension as a factor in the overall risk rating.

A similar percentage of CPARs also integrated corruption issues in their risk analysis. The Tanzania CPAR, for example, quantified the volume of expenditure lost through corruption, found it as a problem in 14 government ministries, analyzed government efforts to combat corruption, and identified deficiencies that open up avenues for abuse. It discussed ethics and integrity, training for investigators, low NGO capacity, lack of media involvement, and protection for those who report misconduct. Recommendations were linked to existing efforts, with performance indicators to monitor progress.

3.12 Less than half of the CPARs provided satisfactory guidance to staff in addressing risks to the Bank’s portfolio and on mitigating procurement risks to Bank assistance – a stated objective of these reports according to the CPAR Guidelines. A satisfactory rating meant that the CPAR provided guidance on the inconsistencies between Bank procurement policies and the country’s processes for national competitive bidding, that it provided guidance on prior review thresholds for the country, and that it provided some guidance for Bank staff on how to enhance procurement arrangements at the project level. About 10 percent of the CPARs provided no guidance for Bank assistance (among them Algeria, Guinea, India, Mali, and Mauritius).

Less than half of CPARs provided sufficient guidance on addressing risks to the Bank portfolio

3.13 CFAA Guidelines do not explicitly require the diagnostic to influence project-level FM arrangements. The evaluation, therefore, did not consider this factor in assessing the quality of CFAAs, but examined to what extent these instruments have discussed, at minimum, the implications of country-level risks for project-level arrangements. About 15 percent of the CFAAs, mostly in ECA, satisfactorily considered such implications for project-level FM risks and recommended measures to mitigate such risks (see Box 5).

Box 5. Good Practice CFAAs that Reviewed Links between Country Risks and Design of Investment Lending

The Bulgaria CFAA discussed problems with the Bank’s portfolio and recommended the following for project arrangements: (i) implementation of the SAP R/3 FMIS software, and exploring the possibility of using it for both Bank and statutory reporting requirements; (ii) determining the skills gap between PIU FM staff and line ministry civil servants and subsequently, explore the possibility of involving the latter in the management of Bank-financed projects, with the aim of mainstreaming the project-introduced improvements into the line ministries; (iii) conducting a formal assessment of the audit firms’ capacity - both the Big 4 and local entities - to audit Bank-financed projects; and (iv) upon satisfactory peer review report, considering, initially on a pilot basis, that the National Audit Office audit financial statements of Bank-financed projects.

The Nepal and Mozambique CFAAs are among a few outside the ECA region that discussed experience with the Bank’s portfolio and rated the fiduciary risks to the Bank portfolio. The Nepal CFAA considered other available reports and made recommendations mainly directed at the Government to strengthen transparent reporting of the use of project funds and selection of qualified FM staff/auditors in PIUs. The Mozambique CFAA concluded that the fiduciary risks to Bank portfolio is high and recommended strengthening of FM assessments and preparing an FM action plan that includes as appropriate FM conditions for credit effectiveness. The CFAA recommended that, during implementation, fiduciary comfort should be obtained through project supervision (including SOE reviews and monitoring counterpart funds), external audit reports and management letters, etc.

Source: Fiduciary Instruments evaluation.

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ACTION PLANS NEED STRENGTHENING

About 59 percent of the CPARs and 49 percent of the CFAAs provided satisfactory action plans

CFAAs stressed the importance of putting resource constraints on planning for proper budgeting, but shied away from costing their own recommendation

Prioritization and sequencing of recommendations remains rudimentary

3.14 All but a handful of reports synthesized the various recommendations into action plans. About 59 percent of the CPARs and about 49 percent of the CFAAs provided satisfactory action plans (clear recommendations or actions, roughly prioritized; time-bound plans; and broad responsibilities assigned).

3.15 CFAAs pointed out the importance of putting resource constraints on planning exercises for proper budgeting and implementation, but these reports tended not to cost their own recommendations—often resulting in the production of long lists of recommendations. Only about 10 percent costed their action plans. Additionally, only about 10 percent of CFAAs and CPARs included monitoring indicators to measure progress in implementation of action plans (which is distinct from measuring reform outcomes and impact).⁸ Good practice action plans (which included monitoring indicators and costing estimates) were found in CPARs produced for Azerbaijan, Chile, Georgia, Honduras, and Nicaragua, and in CFAAs produced for Dominica, Honduras, India-Orissa, and Senegal.

3.16 Prioritization and sequencing of recommendations is critical in PFM reform (Box 6), but the evaluation finds that such phasing is still rudimentary in the majority of the reports. Action plans typically tended to focus on addressing all technical weaknesses in the FM system rather than take a more phased approach. Thus, in Morocco, client stakeholders stated that they could not reduce *ex-ante* controls without first strengthening the *ex-post* controls; in Indonesia, performance budgeting and accrual accounting systems were built into legislation without consideration of capacity constraints within the country;⁹ in Uganda, structural changes in the external Audit Institution were being pushed through, while auditors did not receive competitive remuneration packages; and performance-based budgeting was recommended in the Dominican Republic, where the basic public expenditure systems were still to be organized and strengthened.

Box 6. Effective Sequencing —The South African Experience

The introduction of performance-based budgeting was feasible in South Africa only because the budget was already program-based—at the national level, the budget was being allocated and earmarked against 36 programs. It was therefore relatively easier to move forward with 36 “real” performance agreements for these 36 programs, identifying output and outcome indicators for each program. CFAA recommendations do not reflect a similar concern for sequencing, recommending performance-based budgeting even in situations where the basic budgeting processes are not in place.

Source: Talk by Mr. Gert van der Linde, Former Accountant General, South Africa, World Bank Fiduciary Week 220, Washington, D.C.

Cost of the Reports

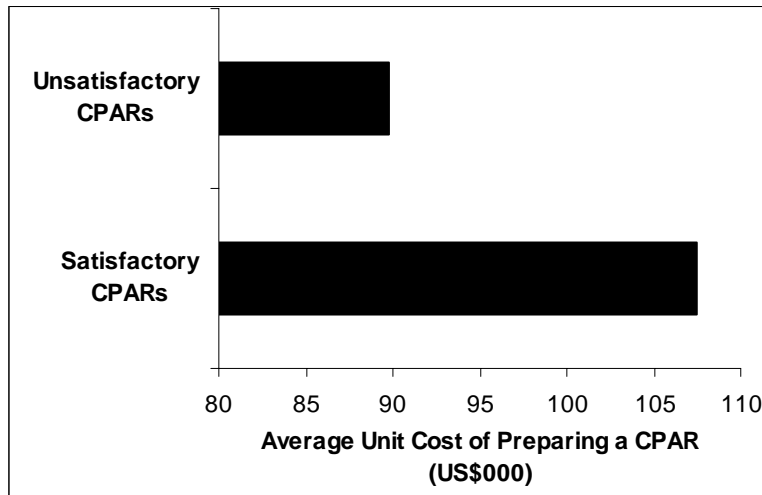
3.17 Overall, the costs of the reports were low.¹⁰ During the evaluation period, individual CPARs averaged \$101,000 and CFAAs, \$108,000, lower than the average cost of \$125,000 suggested for both reports by the Guidelines. This does not necessarily mean that these reports were under-funded. In the case of CFAAs, the reports indicate that there was cost sharing in at least one-third of the cases, the costs for which are not included in Bank databases.

Overall, the costs of the reports were low

3.18 In FY99, fiduciary ESW accounted for about 3 percent of ESW resources and 5 percent of ESW deliveries. Over the past five years, the average costs for fiduciary ESW increased to 7.7 percent and constituted about 25 percent of ESW deliveries.¹¹ Additionally, these costs are much lower than those of an average PER, costs for which are published on the Bank's Public Governance web page.¹² Thus, the costs of these fiduciary reports seem reasonable, if not low, when measured against all three benchmarks. However, the evaluation finds a clear relationship between the average costs and quality of CPARs (Figure 1), and particularly so for CFAAs. Task Managers note, however, that the budget decisions for CFAAs and CPARs in most regions are outside the scope of technical managers.

Reports rated highly satisfactory cost more than reports rated unsatisfactory

Figure 1. Quality Has a Price—Rating Relative to Cost for CPARs



3.19 To summarize, the evaluation finds the overall quality of the diagnoses during the entire evaluation period was satisfactory, although about one-third of these reports were only moderately so. Improved empirical data could have made the diagnoses more persuasive; properly sequenced, prioritized, and costed action plans could have increased the usefulness of the reports; and more rigorous and comprehensive risk assessments could have enhanced the quality of the diagnoses.

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NOTES

1. These included State Financial Accountability Assessments (SFAAs), but for purposes of the report, they are subsumed under the term CFAA.
2. Such a requirement to assess risk for the Bank portfolio was explicit only in the CPAR Instructions. The indicators were rated using a six-point scale ranging from highly satisfactory to highly unsatisfactory (see Appendix C for the sub-indicators).
3. Azerbaijan, Georgia, Malawi, Moldova, Russian Federation, South Africa, and Uzbekistan.
4. Croatia, Georgia, India-Karnataka, India-Orissa, FYR Macedonia, Poland, Romania, and Senegal.
5. The sample was small – only six CPARs and five CFAAs.
6. Lack of attention to these issues was not considered in the quality rating.
7. See a recent Afghanistan PFM Report 2006, Box 7.3, p. 58.
8. Management notes that *CFAA Guidelines* emphasize that government must take the lead in follow-up. Country circumstances therefore dictate whether an action plan is included in the CFAA and, if so, the level of detail included. The expectation therefore is that not all CFAAs will include costed action plans and/or progress monitoring indicators.

IEG observes that the CFAA Guidelines (paragraph 49) note that the “recommendations should be prioritized and their impact clearly linked to improved PFM” and that action plans “should estimate any requirements for technical assistance, capacity development and financial support from Bank sources such as IDF grants, learning and innovation loans, or lending operations, or from CFAA development partners.” IEG observes that if this guidance were followed, governments would have found it easier to prioritize and design their PFM reform agendas.
9. Government stakeholders felt that the law is ambitious, given capacity weaknesses, and these outputs may get produced to meet the requirements of law but without a link to the budget or planning realism.
10. Thirty percent of the CPARs, and about 10 percent of CFAAs mainly between FY00-01, did not reflect any costs in SAP or in Business Warehouse.
11. “Fixing ESW: Where Are We?” OPS, July 11, 2000, p. 17 and discussed at the Committee on Development Effectiveness on July 19, 2000.
12. Average Cost of PER: FY02 – \$285,395 (range \$77,477- \$552,219); FY03 – \$289,495 (range \$80,104- \$480,395) (PREM web page).

4. Integration, Client Ownership, and Donor Collaboration

4.1 This chapter assesses the processes involved in preparing CFAAs and CPARs.¹ The Guidelines recommend, and the “Strengthened Approach” reiterates, the following:

- Internal coordination between the FM, Procurement, and PREM units that prepare similar analytical work, leading to an integrated implementation of diagnostic work;²
- Client ownership and government commitment; and
- Donor collaboration in the preparation of the report.

Integrated Implementation

4.2 PEM, FM, and procurement are complementary areas that are interlinked – they should be addressed in an integrated fashion.³ The CFAA and CPAR Guidelines therefore recommend coordinated diagnosis and integrated products in order to “improve quality, reduce transaction costs (particularly to the country), and increase the likelihood that agreed reforms will be implemented” (para. 28 of the *CFAA Guidelines* and para. 15 of the *CPAR Instructions*). In introducing the “Strengthened Approach,” management has reiterated the need for “integrated implementation” by an “integrated team” consisting of staff from the three units. What is meant by “integrated implementation” is left open to interpretation, as are the processes for such implementation. This evaluation considers “integrated implementation” to include three key elements: *internal coordination* between the FM, Procurement, and PREM units during both the preparation of the diagnostic and the implementation of the action plan by the client; *coordinated diagnosis* of all PFM dimensions; and an *integrated action plan* for the client. Eleven Integrated Assessments (IAs) out of the 179 reports were also evaluated separately based on the above indicators.^{4, 5}

INTERNAL COORDINATION

4.3 The evaluation finds that present structures in the Bank do not encourage internal coordination between the three units, lodged in two Networks and three Boards. Interviews with Bank staff confirmed this finding (Box 8). It is therefore not surprising that during this period less than 15 percent of the diagnostics were prepared in a coordinated manner despite the recommendations in the Guidelines.

4.4 The levels of internal coordination varied in the 11 IAs. Four out of the 11 reports were prepared through a joint process among the three units. In the remaining seven countries, while PREM and FM co-

Evaluation Essentials

- ❖ Levels of internal coordination between PREM, FM and Procurement units in preparing CFAAs, CPARs, and related diagnostics was low, leaving the client with multiple action plans for PFM reform
- ❖ Consultation with the client, and obtaining its comments on draft reports, have been standard practice, but strengthening demand for reform needs higher levels of client ownership and participation by a wider range of stakeholders
- ❖ Donor collaboration in undertaking these diagnostics is increasing in AFR, EAP, and LAC, which is helping to facilitate the task for the client

Appreciating the complementarity between expenditure management, procurement, and financial management is essential

ordinated their work, the procurement unit conducted a separate CPAR.

4.5 In three of the countries visited where an integrated assessment was prepared, the coordination that existed during preparation has all but disintegrated subsequently, with the action plans being followed up separately (Box 7).

Box 8. Challenges to Moving Forward with the “Strengthened Approach”

- **Budgetary Processes**
 - **Current incentives** do not encourage coordination.
- **Planning Processes**
 - **Lack of guidelines** constrains preparation of integrated assessments.
 - **Placement of units** makes joint missions and technical meetings, even within the Bank, a challenge.
 - **Synchronizing missions** between the three units (and donors).
 - **Unduly large team sizes** require team leaders with significant skills in team management, task organization, and planning skills.
 - **Internal reviews and quality control** are difficult because it is a challenge for peer reviewers to comment on integrated products given the lack of guidance on an integrated conceptual framework.
- **Capacity Issues**
 - **Mindset of technical staff**, who do not always think of FM and procurement as development issues.
 - **Lack of awareness of the importance of addressing procurement issues**, which is seen as a transactional issue rather than a development issue.
 - **Incentives for coordination** are weak.
- **Country-related Challenges**
 - **Larger number of client counterparts** to contact and manage.
 - **Limited counterpart capacity** for undertaking integrated diagnoses.
 - **Client often intimidated** by size of team requiring skillful planning.

Source: Interviews with Bank Staff and Presentations at Fiduciary Week 2006.

Box 7. A Coordinated Approach—Dominican Republic

In the Dominican Republic, along with a government team and participating donors, the CFAA, CPAR, and PER teams coordinated their activities by preparing a joint concept note and joint report. Although the PER was prepared several months before the coordinated exercise, PREM staff were integrated into the task team, which supported the government in preparing an integrated action plan. An integrated policy note prepared by staff from the three sectors fed into preparation of the Bank’s Country Assistance Strategy. Most importantly, staff from the three units participated in the preparatory mission and have continued to carry out joint missions during the implementation phase. On the other hand, in Uganda and the Philippines, integration was evident during the diagnostic phase; but it disintegrated shortly thereafter, with each team interacting with the government and supporting the implementation of separate action plans.

Source: Fiduciary instruments evaluation.

COORDINATED DIAGNOSIS

4.6 Initial attempts at producing integrated reports did not help to improve quality, reduce transaction costs (particularly for the country) nor increase the likelihood that agreed reforms would be implemented. An integrated assessment (IA) is perceived to be a compilation of two or three assessments that are typically undertaken separately or sometimes simultaneously. This process is neither effective nor efficient and for the most part results in unwieldy and costly reports (Table 7). A more practical approach would have been to ensure an integrated conceptual framework for PFM analysis, such as the PFM PM Framework, within which each of these seasoned instruments or a combination of them could have diagnosed the different aspects of the PFM system. Such a common conceptual framework could have avoided a fragmentation of the analysis (see Box 9 for some good practice elements). Additionally, a coordinated approach must rationalize all instruments the Bank uses to assess the PFM sector, not just the core diagnostics (see Box 10). The Bank and other donors could then have supported the client to prepare an integrated, prioritized, and costed action plan with appropriate monitoring indicators. The Bank could have used the integrated diagnosis to arrive at a country-level fiduciary risk rating.

Early efforts at an integrated assessment have been less than successful

Box 9. Integrated Assessments with Good Practice Elements

- The Zambia and Timor-Leste assessments moored their objectives to the country context and background, and stated the objectives and scope of the diagnostic clearly.
- The Zambia IA focused the discussion around clear diagnostic themes.
- Both the Zambia and Timor-Leste diagnostics had well-integrated and sequenced action plans.
- The Uganda IA, the only one to provide a comprehensive risk rating, based its rating on 18 assessment benchmarks taken from the OECD/DAC guidelines.

Table 7. Length and Costs of Sample Integrated Assessments

<i>Country</i>	<i># of pages (body only)</i>	<i>Number of Action Points</i>	<i>WB Cost (US\$000)</i>
Cambodia	135	85	585
Dominican Republic	17	17	NA
Lao PDR	166	44	397
Mongolia	170	133	473
Niger	83	32	395
Philippines	169	277	504
Timor-Leste	62	82	NA
Turkey	142	108	561
Uganda	59	127	NA
Zambia	145	48	439

NA – Not Available.

There is an absence of an overall conceptual framework for Integrated Assessments

4.7 The absence of an overall conceptual framework for an integrated diagnosis results in the treatment of issues being dependent on the skills of the team leader or the composition of the team. Linkages between PEM, FM, and procurement are neither fully appreciated nor exploited. The Cambodia Concept Note, for example, characterizes budget execution and cash management as pressing financial management issues, but did not link these issues with procurement efficiency and controls. Integrated risk ratings were virtually absent except in the 2004 Uganda CFAA.

An Integrated Assessment may not be suitable for all country contexts

4.8 The evaluation also finds that an IA may not be an optimal approach in all country contexts, given that it becomes a very complex and challenging task to cover all aspects of a PFM system in one report. An IA may be more suitable when a few key issues need to be diagnosed. For example, in Morocco, the integrated internal control and payments system affects budget expenditure, financial management, and procurement matters. In attempting to reform the internal control system, an integrated diagnosis would be most effective. However, a PER, a CFAA, and a CPAR were prepared separately, and the PER recommended changes in the internal control systems, without fully considering the implications this would have for the procurement system. In Romania, although a more integrated approach was taken in the Public Expenditure and Institutional Review, a CFAA was still considered necessary to understand how to address some key FM-related issues.

Box 10. A Coordinated Approach Must Rationalize All Instruments the Bank Uses to Assess the PFM Sector, Not Just the Core Diagnostics

Two other instruments that track PFM-related issues and will need to be rationalized within the integrated approach are:

- Institutional and Governance Reviews prepared by PREM diagnose pressing development issues in client countries, such as corruption, decentralization, and local-level institutions. The Bangladesh IGR, for example, uses surveys and sociological assessments to show how local government reform can be fostered through bottom-up accountability and citizen participation.
- Fiduciary Reviews, carried out by the Department of Institutional Integrity, are part of the World Bank's overall strategy to strengthen its supervision and fiduciary responsibilities to its shareholders and focus on improvement of the governance environment. This review is an additional diagnostic that focuses on the effectiveness of fiduciary controls at the project level. The Cambodia fiduciary review (2005), the only one published so far, concluded that the "country fiduciary systems, including budgeting, procurement, accounting, reporting, treasury and internal/external controls are still weak." The report then recommended remedial measures to address country-level weaknesses in addition to those provided in the CFAA/CPAR (2004).

4.9 There is also no evidence that IAs have reduced the transaction costs for the client. Even when the preparation was coordinated, this has meant one single large mission at the same time, rather than three smaller missions spread over time. Client and donor stakeholders commented upon the problems of managing such large missions with such an ambitious agenda. During the implementation phase, the costs for the client remain the same because the Bank typically reverts to its original practice of focusing on each aspect separately.⁶

Integrated Assessments have not reduced transactions costs for client countries

INTEGRATED ACTION PLAN

4.10 During the evaluation period, for the most part, each diagnostic resulted in a separate action plan. The client, therefore, received multiple action plans all related to reforming different dimensions of the PFM system. Only four IAs have integrated and prioritized action plans; others just compile the action points of the different diagnostics, resulting in a daunting number of actions.

4.11 The evaluation finds that the costs can be reduced in the long term only if internal coordination can lead to an integrated set of prioritized, costed, and monitorable actions for the client, the implementation of which is then supported jointly by the three units. Even then, it is not clear that the transaction costs will decrease, but it is likely that the benefits of an integrated action plan may result in enhancing development effectiveness that may offset some costs. A good practice was identified in this regard in Yemen and Kyrgyz Republic (Box 11), where although the diagnostics were undertaken through different instruments, efforts were made to consolidate the recommended actions into one action plan.

Box 11. Good Practice Approach in Yemen and Kyrgyz Republic

In Yemen, the Bank supported the preparation of an integrated action plan based on the separately conducted PER (2001), IMF's 2002 report on budget management, the in-depth review of Accounting and Financial Management Information Systems (supported by a Bank credit), the CFAA (2004), and the government of Yemen's policies of administrative and fiscal decentralization. Procurement issues, however, were not yet integrated into this joint plan. In Kyrgyz Republic, an integrated action plan was prepared following the PER that brought together its recommendations and those of the CPAR and CFAA.

4.12 Overall, the evaluation finds that weak coordination between different Bank units, the lack of guidance on the conceptual framework for an integrated PFM diagnostic product, and the lack of an integrated and prioritized action plan decrease the utility of these diagnostics.

Client Ownership

4.13 The evaluation measured client ownership in the 179 reports using two indicators: extent of client stakeholder participation in undertaking the diagnosis and range of stakeholders involved.

CLIENT STAKEHOLDER PARTICIPATION IN UNDERTAKING THE DIAGNOSES

Consultation with government stakeholders was common, but only 20 percent of CPARs and 14 percent of CFAAs were prepared jointly

4.14 Consultation with the government and obtaining its comments on the draft report were standard practices. In addition, 75 percent of CPARs and 60 percent of the CFAAs resulted in a workshop where the findings and the action plan were discussed. However, only in about 20 percent of these CPARs and about 14 percent of the CFAAs, did the government team undertake the diagnosis and prepare the report and action plan jointly with the Bank team.⁷ Field visits found that government ownership was higher where participation was higher. For example, the Karnataka State (India) and the Ethiopian government officials considered CFAAs as their reports, while in other countries where there was no joint leadership, the reports were referred to as “Bank reports” during discussions with the IEG team.

RANGE OF STAKEHOLDERS INVOLVED IN PARTICIPATION

Country ownership of the diagnostic is only a first step and does not necessarily lead to reform

4.15 Country ownership of the diagnostic among key technocrats and bureaucrats that participated in the preparation of the diagnosis did not automatically lead to commitment for PFM reform. Commitment for reform is manifest when the diagnostic feeds into a formal policy statement or white paper or even a note owned by a much wider range of client stakeholders – political, bureaucratic, and civil – resulting in the diagnostic having a longer life after its preparation phase. For example, in Karnataka State (India) the SFAA findings have been integrated in the government’s reform policies through broader discussion and debate. There was a clear dissemination strategy for the CFAA, which did not end with its preparation. In the Dominican Republic, by contrast, the action plan was being implemented through a donor-supported project implementation unit, and the significant ownership of the diagnostic created through a highly participatory process was not translated into commitment for reform beyond the technocrats who participated in its preparation.

Consultation beyond traditional stakeholders is needed to strengthen demand for reform

4.16 Consultation beyond the traditional government stakeholders in the preparation of both CFAAs and CPARs has been weak. For example, contractors’ associations were consulted by the Bank CPAR teams, but this was mostly on a one-time basis, and associations have not been kept abreast of the CPAR findings. Civil society representatives were involved in the preparation of CPARs in a handful of countries (Dominican Republic, Philippines, Uganda). Although their involvement helped to strengthen demand for procurement reform, Bank staff note that governments, particularly in IBRD coun-

tries, are reluctant to involve non-governmental or private sector stakeholders in the process. Such participation was almost absent in CFAAs. Bank staff observed that NGOs lacked skills to participate in analyzing FM issues. NGOs confirmed this observation, but added that an opportunity to participate in the process and to be involved in monitoring the reform would have helped not only to increase their capacity but also the effectiveness of the reform.

4.17 Identifying and cultivating individual champions of reform in client countries (Niger), while useful, is risky by itself because the champion may be transferred (Pakistan, Yemen), retire, or resign (Dominican Republic, Morocco), thus impeding the reform process. Sustainable demand for reform needs more than a single champion and this approach needs to be balanced through active and continuous engagement with key actors such as legislators, external auditors, civil society, and the media. In the Philippines and Uganda, for example, effectiveness of procurement reform requires considerably more ownership, dissemination, and consensus building among a wider range of actors. This is particularly true for procurement, where informal social and cultural rules still dominate in several countries. Building these constituencies takes time and depends on specific country context. Additionally, active dissemination of the diagnostics, once disclosed, is critical. Incentives, however, for such dissemination are not evident within the Bank.

Identifying and cultivating individual champions of reform in client countries, while useful, is risky by itself

Donor Collaboration and Harmonization

4.18 Donor collaboration is measured against three indicators based on the guidelines as well as the OECD/DAC paper *Measuring Performance in Public Financial Management* (2002).⁸ These indicators are: (i) collaboration in preparing CFAAs and CPARs, (ii) coordinated assistance for FM and procurement, and (iii) alignment of donor processes and instruments.

DONOR COLLABORATION IN THE PREPARATION OF CFAAs AND CPARS

4.19 Only one-third of the CFAAs and CPARs reviewed had high or substantial levels of donor collaboration in their preparation, although such collaboration is increasing with all CFAAs and a large percentage of CPARs prepared during FY04 and FY05 having satisfactory levels of donor collaboration. Collaboration in the preparation of CFAAs was most prominent in the Sub-Saharan Africa (AFR), Latin America and Caribbean (LAC), and East Asia and Pacific (EAP) regions after 2003; this is gradually leading to a reduction of the number of fiduciary diagnostics being undertaken by different donors. The experience of the LAC region is particularly noteworthy (Box 12). In the Europe and Central Asia (ECA) region, collaboration was limited for CFAAs but moderate for CPARs. Collaboration was also limited in

Increased donor collaboration is slowly helping to reduce the overall number of diagnostics performed in client countries

the Middle East and North Africa (MNA) and South Asia Region (SAR), except in a few countries (Nepal, West Bank and Gaza). ADB staff in Pakistan noted an instance where a provincial government was preparing two separate draft procurement laws, one for the Bank and one for ADB.

Box 12. Overcoming Hurdles to Donor Collaboration

In the LAC region, to the extent permissible in terms of timetables and resources, CFAAs and CPARs are now jointly prepared by the Bank and IDB. Despite significant hurdles (both administrative and bureaucratic), IDB and Bank staff have maintained the momentum. Issues that have decreased efficiency of the process include: (i) multiplicity of review meetings, two each at the Bank and IDB (one at concept review and the other a review of the final draft report); (ii) differing fiscal years that have meant varied budget availability and timetables; and (iii) different format requirements within the two banks.

Client stakeholders appreciated the efforts at donor collaboration but cautioned that it must be sensitive and transparent

4.20 Client stakeholders appreciated the efforts at donor collaboration (Dominican Republic, Ethiopia, Honduras, Romania, and Uganda). An official in the Dominican Republic summed it up as “we can now give the same speech to different donors,” where the Bank was coordinating its PFM work even with the IMF. However, a few client stakeholders cautioned that donor harmonization must take place in a sensitive and transparent manner, or the process could lead to decisions being taken at donor forums, especially in the case of countries heavily reliant on donor assistance. Some donor representatives opined that donor collaboration in the preparation of the diagnostic is important, both at the preparatory and implementation stage. However, donors also stressed that donor partners must be selected for participation based on their experience and assistance in the PFM area. Additionally, a few donor stakeholders stated that a common format for the reports would contribute to joint ownership.

The recently introduced PFM PM Framework can facilitate donor collaboration if used in a judicious manner

4.21 The recently introduced PFM PM Framework facilitates increased donor collaboration and supports joint diagnosis and monitoring around a common framework that can lead to an integrated action plan. However, government stakeholders in Ethiopia and Uganda expressed concern that the Framework should not become an additional donor instrument, but should substitute or be merged with the CFAA or CPAR.

COORDINATED ASSISTANCE IN FM AND PROCUREMENT REFORM

Preparation of the diagnostics resulted in coordinated donor agendas in four of the 10 countries

4.22 In four of the 10 countries visited, the process of preparing the CFAA or the CPAR has contributed to enhanced coordination of donor assistance. In others, the process is still underway. For example, seven development partners have recently agreed to a joint strategy for development assistance to Uganda. DfID and the Bank have led the

process in collaboration with the African Development Bank, Germany, the Netherlands, Norway, and Sweden.⁹ In the Dominican Republic, the IA prepared by IDB and the Bank has resulted in the joint development of a public sector reform project, which will be jointly appraised and supervised by the two donors in the near future.

ALIGNMENT OF DONOR PROCESSES AND INSTRUMENTS

4.23 The alignment of donor bidding documents and financial reporting procedures can help to reduce the client’s transaction costs. The joint preparation of CPARs by key donors provided appropriate entry points for furthering such alignment at a country level. The Philippines, however, is the only country where the three key donors (ADB, the Bank, and JBIC) who jointly prepared the CPAR also initiated a process that has resulted in the harmonization of their bidding documents with those of the government. This is expected to reduce the transactions costs of procurement management. In eight other countries harmonization of bidding documents is at various stages. Financial reporting formats still varied in all countries, except in the context of sectorwide approach (SWAp) projects. Client stakeholders commented that the responsibility for the pace lay with the donors, because donors could easily ensure such harmonization of their requirements.

Client transaction costs have been reduced only in one of the 10 countries because procurement and financial reporting procedures have not been harmonized

Box 13. Fiscal ROSCs and the HIPC AAP

IMF’s Fiscal Transparency Reports on the Observance of Standards and Codes (ROSC) and the Bank-IMF Heavily Indebted Poor Countries Assessment and Action Plan (HIPC AAP) overlap considerably with the CFAA, but each instrument differs in objectives, scope, and approaches. While integration of the ROSC and the CFAA is not proposed and is perhaps not feasible, the IMF and the Bank have increased collaboration to reduce transaction costs for the clients. Efforts are being made to ensure an exchange of information on planned diagnostics and proposed missions, and to make available completed diagnostics to all partners. A Country Analytic Work (CAW) Joint Website lists several reports, but does not yet have information on planned diagnostics or scheduled missions, which would be critical. In the most recent HIPC Assessment Board paper (2005), the Bank and Fund staff proposed that any future assessment of HIPC countries would be undertaken within the PFM PM Framework, so as not to increase the number of diagnostics for these countries.

Improved coordination among donors could lead to a more efficient use of the different donor instruments to assess fiduciary risks

4.24 Another important step in harmonization would be for donors to rationalize the different instruments used for understanding FM and procurement risks in a country. In February 2001, the five multilateral development banks created a working group to address the harmonization of their policies and practices in financial management and analysis; the Islamic Development Bank joined the group in 2002. The impact of this working group is evident in the

CHAPTER 4
INTEGRATION, CLIENT OWNERSHIP, AND DONOR COLLABORATION

preparation of these diagnostics in LAC and EAP, where there is an understanding at the regional level between the Bank and ADB/IDB. Increasing collaboration between key donor agencies with formal or informal fiduciary instruments, such as the Bank, the regional development banks, DfID, and EU, is also helping to reduce the number of fiduciary instruments in AFR. In other regions, such reduction of instruments is more isolated. For example, in ECA, the evaluation noted that a CPAR was jointly prepared in 2005 by the Bank and the EU; this is commendable especially since the Bank and EU have not been able to harmonize procurement requirements in most countries.

4.25 To conclude, internal Bank coordination was weak during the period, leaving clients without a single integrated action plan for reform. Client participation in the preparation of the reports was significant, but that participation did not always lead to effective commitment to reform. Efforts at donor collaboration are increasing, but need significant strengthening if they are to be effective.

NOTES

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1. Each indicator was rated on a six-point scale of highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory (see Appendix B).
 2. CPAR Instructions 2002, paragraph 16. CFAA Guidelines 2003, para. 29. See also PPT presentation by Paul Bermingham, Head, Financial Management Sector Board (6/22/2001) on CFAAs.
 3. See OED 1998 and PEFA 2003.
 4. Integrated assessments are those products noted in SAP as being integrated and/or linked with another ESW product, or those products whose title explicitly suggests integration of more than one ESW product.
 5. Management notes that all the Integrated Assessments reviewed in this evaluation were undertaken before Management announced the Strengthened Approach in July 2005. Different approaches were used across regions and countries, which provided early lessons of experience. Some of these Integrated Assessments were compilations of individual products (e.g. PER, CFAA and CPAR) and not truly integrated products as envisaged under the Strengthened Approach. In addition, other assessments that covered the entire PFM cycle were excluded from the evaluation since they did not meet the criteria defined in Chapter 4, endnote 4 although in substance these were Integrated Assessments.

IEG observes that the Strengthened Approach merely reiterated what was already recommended by the CFAA and CPAR Guidelines, that is, undertaking integrated products whenever possible. Additionally, the explanation of integrated assessments in endnote 4 is based on para. 46 of the CFAA Guidelines which states that “integrated assessments are recorded under ‘PFP’ in SAP and are recorded as all three products.”
 6. See Joint Evaluation of General Budget Support, Effects of Budget Support, UTV Working Paper 2004:4, Maria Nilsson, DfID. Uganda, for example, expressed deep dissatisfaction with the size and frequency of the PRSC missions. In addition, a senior official at the Ministry of Finance expressed the opinion that transaction costs had not been reduced for the country. A Dutch

study on local-level coordination and sector support in Uganda found that the high intensity of coordination increased transaction costs for Ugandan partners, especially because not all relevant donors participated in the cooperation (Ministry of Foreign Affairs, the Netherlands, 2003b).

7. Management notes that collaboration with government is a standard feature of all CFAAs, even if the government team did not undertake the diagnosis and prepare the report. The level and nature of government participation are determined by country circumstances and the government's preference, as noted in the *CFAA Guidelines*.

8. Review of Aid Coordination and the Role of the World Bank (OED 1999) concluded that differences in donor operational policies, practices, and procedures significantly hindered the effectiveness of external development assistance. Since then, the multilateral development banks and OECD/DAC have worked through various technical groups on issues such as donor cooperation, country analytical work, financial management, procurement, and environmental assessment. The Bank has signed related Memoranda of Understanding (MoUs) with IDB (4/2001) and ADB (11/01).

9. The shift to budget support, as well as to sectorwide approaches (SWAps) in some of these countries, has highly encouraged donor collaboration.

5. What Were the Results?

5.1 This chapter presents findings on the extent to which CFAAs and CPARs have achieved their dual objectives (strengthening the client's PFM system and safeguarding Bank assistance). It evaluates the extent to which the diagnostics achieved the Bank's fiduciary objective in 24 countries, and then undertakes a more in-depth evaluation in 10 of the 24 countries on how the diagnostics achieved their development objectives (Dominican Republic, Ethiopia, Honduras, India-Karnataka, Indonesia, Morocco, Pakistan, Philippines, Romania, and Uganda). The evaluation finds that the diagnostics were more effective in achieving the development objectives than the fiduciary objectives, and that while CFAAs substantially achieved their development objectives, CPARs did so modestly.¹

Did the Diagnostics Achieve Their Fiduciary Objectives?

5.2 To understand how these diagnostics contributed to the achievement of their fiduciary objectives, IEG first assessed two projects each before and after the diagnostic in 24 countries (see Appendix F) using Project Appraisal Documents (PADs) to see how CPARs influenced the setting of prior review thresholds, improved the quality of supervision, and helped to identify the differences between country and Bank procurement practices. Additionally, the assessment reviewed how CFAAs influenced the identification of fiduciary risks when the diagnostics had presented the implications of country-level risks for project-level arrangements. As a next step, in order to examine the influence of these diagnostics at the country level, an assessment of *before and after* CASs available in 22 of the 24 countries was undertaken to review the influence of the diagnostics.

DID CPARs/CFAAs CONTRIBUTE TO THE ACHIEVEMENT OF THEIR FIDUCIARY OBJECTIVE AT THE PROJECT LEVEL?

5.3 CPARs influenced project-level procurement arrangements moderately. While the majority of CPARs helped to identify or update differences between Bank procurement processes and national competitive bidding, they did not substantially contribute to setting prior review thresholds or enhancing supervision quality. Not all CPARs suggested prior review thresholds, but even when available, they were not adhered to in subsequent projects (and in several cases the thresholds exceeded the limits suggested) without any reference to

Evaluation Essentials

- ❖ CFAAs and CPARs have improved the discussion of FM and procurement issues in more than two-thirds of 24 CASs reviewed, while they have moderately influenced the nature of the Bank assistance
- ❖ CFAAs have contributed substantially to the achievement of their development objectives, while CPARs have done so moderately
- ❖ The diagnostics have been more limited in the achievement of their fiduciary objectives and have not discernibly influenced the design of project or program FM and procurement arrangements

The diagnostics resulted in few distinguishable changes in the design of project procurement arrangements

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WHAT WERE THE RESULTS?

the prior review threshold set in the CPAR or justification for the discrepancy. Most project teams relied on independent institutional-level procurement assessments (for example, the Procurement Capacity Assessment Report in Indonesia Provincial Health I and II).²

5.4 There was a greater tendency to refer to the CPAR in the appraisal documents of “after” projects. However, this could be attributed to BP 11.00 on Procurement (July 2001), which requires the task team to draw on the most current applicable CPAR in describing the procurement arrangements. The *Tajikistan Community and Basic Health* (FY06) project appraisal document was one of the few projects among the sample reviewed that not only referred to the CPAR, but stated the relevant risks identified, and explained how these risks would be mitigated in the sectoral and project context.

CFAAs missed an opportunity to make the diagnosis more relevant for safeguarding investment lending

5.5 As stated previously in paragraph 3.13, about 15 percent of CFAAs discussed project-level FM arrangements and issues, analyzed their relationship to the country’s PFM system, and provided recommendations for the Bank or the client on how fiduciary risks can be addressed. A review of projects before and after these CFAAs was undertaken to better understand whether the enhanced knowledge of country-level risks had any impact on project financial management systems. During the evaluation period, the discussion of such impact was limited. About 20 percent of the subsequent PADs linked the project-level FM arrangements to the risks identified in the CFAA. This is likely to increase now with the issuance of the *Financial Management for Investment Lending Manual* (August 2005). This manual requires the Financial Management Assessment Report (FMAR) prepared for each project to state the country risk rating, explain how such risks will be mitigated, and consider the need for any related conditions of negotiations or effectiveness for the project.

DID CPARS/CFAAs CONTRIBUTE TO THE ACHIEVEMENT OF THEIR FIDUCIARY OBJECTIVE AT THE COUNTRY LEVEL?

5.6 The evaluation reviewed 44 *before and after* CASs available in 22 of the 24 countries to assess whether the diagnostics have influenced the choice of instruments, the volume of assistance, and the choice of sectors in designing Bank assistance for a country.³ The evaluation finds that the diagnostics only moderately influenced the design of country assistance strategies.

CASs that follow diagnostics have significantly better discussions of FM and procurement issues

5.7 In general, there is more extensive discussion of FM and procurement issues in the “after” CASs. It is evident that these instruments are today a core part of operations and country teams rely on the analytical findings from these diagnostics in their description of country context. Procurement issues have received slower recognition in CASs than FM-related issues, but this is perhaps more reflec-

tive of views held in some quarters that procurement is a transactional issue rather than a development issue.

5.8 The diagnostics have influenced the volume of assistance. An increased number of CASs after the diagnostics included FM and or procurement triggers to determine the size of Bank assistance in these 22 countries. A review of the latest CASs for selected countries without one or both of these diagnostics during the evaluation period⁴ indicates no triggers related to FM or procurement issues. However, although the number of triggers shows increasing importance of FM and procurement issues in determining the volume of assistance, in almost two-thirds of the CASs with triggers, the nature of the triggers was broad or focused on outputs. In Kyrgyz Republic, for example, one trigger required the implementation of PER, CPAR, and CFAA recommendations, comprising 77 recommendations. FM triggers for Indonesia, Mongolia, Pakistan, Vietnam, and Zambia were found to be clearer and more results-oriented. Triggers for procurement were generally weaker than FM triggers; in two countries (Zambia and Mongolia), they were linked to satisfactory project procurement ratings.⁵

5.9 At the same time, the assessment of CASs found that despite more extensive discussion in the “after” CASs as well as the risk assessments in the diagnostics and the use of triggers, the diagnostics were not a primary driver in the choice of instruments in CASs. Countries received budget support regardless of whether the fiduciary risks were assessed to be high or low (see Box 14 for an example of a case where CFAA recommendations were not taken into account in designing the Bank’s country program).

Many of the 24 sample country CASs included triggers related to FM and procurement

Box 14. Bangladesh: A Case of Limited CFAA Impact on Lending Instruments

The 2001 Bangladesh CFAA concluded, “without significant improvement in fiscal probity, the assessment will remain unfavorable. From a donor perspective, the move from individual project support to programmatic support requires sound and transparent financial management and procurement systems. These preconditions cannot be said to exist in Bangladesh at present.” The Bank made an adjustment loan to Bangladesh in June 2003. It acknowledged the high risks, but stated that there was a trade-off to be made because the government was collaborating with a group of donors and had a credible reform agenda for \$300 million with several FM-related prior actions and conditions taken from the CFAA. Over a five-year period following the CFAA, about 35 percent of the support was provided through budget support. Thus, the CFAA helped the Bank to initiate an ambitious reform agenda that if implemented effectively would lead to the reduction of fiduciary risks affecting Bank assistance at project/program-level gradually over the mid to long term. It is not clear, however, whether some of the key high-probability risks to Bank funds, such as caused by corruption and lack of a procurement policy, were adequately mitigated in the short term through actions that include the establishment of an anticorruption board, an independent public expenditure review commission or a central procurement authority.

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5.10 Most CFAAs and CPARs did not discuss FM or procurement issues at a sectoral level, although some sectoral-level CFAAs are now being undertaken in the ECA region. Therefore, these diagnostics had little or no influence on the choice of sectors.

5.11 To conclude, CFAAs and CPARs have had some, if still limited, influence on safeguarding Bank assistance in the 24 sample countries. CPARs had a modest influence in mitigating procurement risks to Bank assistance at the project level, while CFAAs had a low influence on FM risks at the project level. At the programmatic level, CFAAs and CPARs have had a modest influence on the volume of assistance, through inclusion as triggers. However, they have had little influence on the choice of instruments and the selection of sectors for assistance.

Did the Diagnostics Achieve Their Development Objectives?

5.12 The evaluation reviewed how the diagnostics achieved their development objectives in 10 of the 24 countries as of the date of the respective IEG mission (see indicators for measurement in Box 15). Overall, the evaluation finds that CFAAs substantially achieved their development objectives, while CPARs did so in a moderate manner (see Appendix D).

Box 15. Assessing Results of Fiduciary ESW

The evaluation rated the overall influence of the diagnostics on a four-point scale of high, substantial, moderate, and negligible in 10 countries. A high rating (high or substantial) meant that:

- the diagnostic had increased knowledge of FM and procurement issues in the country;
- the diagnostic increased resources for FM and procurement reform; and
- the diagnostic contributed to effective FM and procurement reform in the client country (sub-indicators included: the action plan has been substantially adopted by the government and the reform is being effectively implemented; and such implementation is leading to or likely to lead to reduction of FM or procurement risks identified in the diagnostic).

A modest rating could mean that the diagnostics had a modest influence on knowledge management, a high influence on the client's reform agenda, but that the reform agenda was not being implemented well and has not led to a mitigation of risks. Stakeholder views were considered in the rating.

DID THE DIAGNOSTICS ENHANCE KNOWLEDGE AND ITS MANAGEMENT?

5.13 The evaluation assessed how the reports enhanced knowledge management based on the quality of the diagnosis, whether they led to a common understanding of the issues between the client and donors, and whether the reports were publicly available and disseminated. Overall,

the diagnostics moderately contributed to enhanced knowledge management in the sample client countries.

5.14 CFAAs enhanced knowledge of FM issues in a high or substantial manner in five of the 10 countries (Dominican Republic, Ethiopia, Honduras, India-Karnataka, and Uganda). In these countries, good-quality diagnostics substantially enhanced knowledge management by bringing together client and key donor experiences and lessons on these topics. Additionally, the diagnostics facilitated a common understanding of these issues with the client and among donors. The reports helped to disseminate knowledge. They were all disclosed to the public and, in some cases, they received wide coverage in the press, thereby highlighting some of the issues. In other countries, CFAAs only helped to consolidate existing client knowledge or find remedies to address issues (Morocco, Pakistan, Philippines, Romania), or were not disclosed (Indonesia), thereby limiting their contribution to garnering knowledge or knowledge management.

The diagnostics substantially contributed to enhanced knowledge and its management in five of the 10 countries

5.15 CPARs contributed substantially to a country's knowledge management only in four countries. In 9 out of 10 cases, CPARs were updates of previous diagnostics, but in the Dominican Republic, Indonesia, the Philippines, and Uganda, these reports helped to bring together the experience of several donors and strengthened the management and use of knowledge. In these countries, this was coupled with an active dissemination strategy that helped to raise awareness of these issues among a wider group of client stakeholders. Other CPARs were not disclosed (Honduras, Morocco, Pakistan, Romania; Box 16), or did not add much new or relevant knowledge and were not widely disseminated (Ethiopia, India-Karnataka).

Box 16. Presumed Disclosure?

The disclosure of these reports has been increasing since 2002. Several CFAAs and CPARs were not disclosed in a timely fashion, thereby reducing the objectives of disclosure. In some countries, private sector and NGO representatives who participated in the preparation of the report had never been provided with a copy of the report because it had not been disclosed, or they received it just prior to the IEG team's visit.

Percentage of Reports Disclosed (as of 2/9/06)

Type	Total	%(FY00-02)	%(FY03-05)
CPAR	91	18	49
CFAA	81	21	65
IA	11	100	100

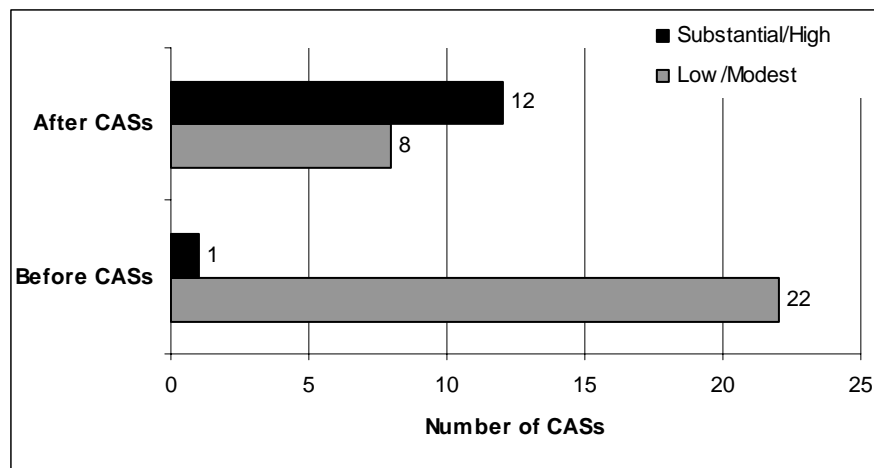
Source: Fiduciary Instruments evaluation. These figures do not include Operational Procurement Reviews or the Operational Financial Accountability Review.

DID THE DIAGNOSTICS RESULT IN INCREASED RESOURCES FOR THE CLIENT TO ADDRESS FM AND PROCUREMENT ISSUES?

The diagnostics substantially contributed to enhanced discussion of PFM issues in subsequent CASs

5.16 The diagnostics substantially contributed to discussion of FM and procurement issues in CASs prepared after the diagnostic in 20 countries (Figure 2).⁶ CASs that did not have a strong focus on these issues were mostly in countries where the risks were assessed to be low or modest by the diagnostics. This increased focus on fiduciary issues could also be attributed to a number of factors, including the Bank’s Operational Policy 8.60 on Development Policy Lending (2004), and the Guidelines for Staff on CAS Products (revised in 2005). But an analysis of CASs for selected countries that did not complete either one or both of these diagnostics during the evaluation period (Haiti, Iran, Kenya, Lebanon, Thailand, and Venezuela) indicates that in such countries, the integration related to procurement and FM (accounting, external audits, and parliamentary oversight) is weaker.

Figure 2: Focus on FM and Procurement Issues in CASs



Source: IEG data.

The findings of the diagnostics were also integrated into the design of DPLs in many countries

Funding for procurement reform has been far less than for FM-related reform

5.17 The increasing focus on FM and procurement issues in CASs has led to increased resources for countries to undertake reform (Table 8). In 13 of the 22 countries, CASs proposed development policy loans (DPLs) that would address FM and procurement risks through a series of prior actions and conditions, and they materialized in 12. There was also a doubling of CASs that proposed projects that would address FM and procurement issues. In some countries such as Ethiopia, Dominican Republic, Honduras, Indonesia, and Uganda additional resources for PFM reform were also made available by donors who helped to undertake the diagnosis.

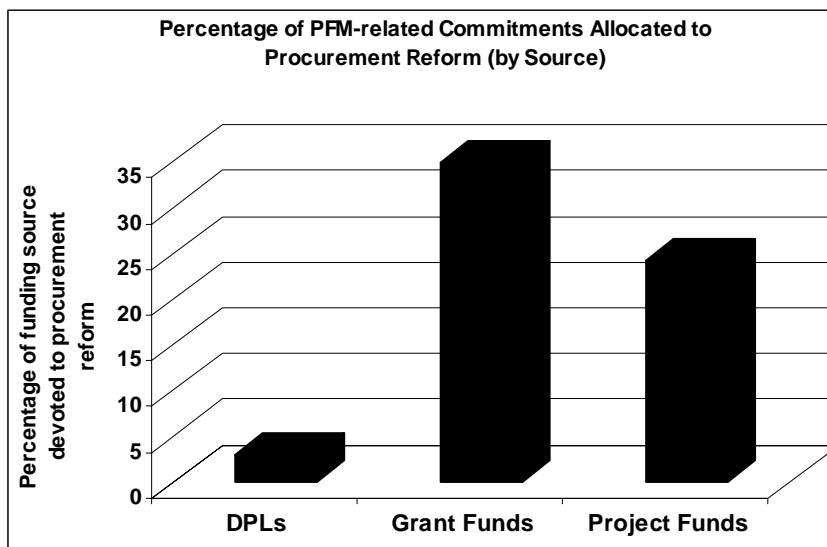
5.18 However, the resources for procurement reform have been far less than that of FM-related issues during the evaluation period (Figure 3). DPLs have not explicitly supported procurement reform

until recently, although there have been exceptions (Uganda), and an estimated 3 percent of the PFM conditions supported procurement reform. Only a quarter of related projects support procurement activities. Grants have been the main vehicle for procurement reform, and with a two-year limit (extendable to a third year) and the restrictions on the use of funds, Institutional Development Fund (IDF) grants are appropriate only for capacity building and some forms of quick one-time technical assistance. In several cases, portions of the grants remained undisbursed and were eventually cancelled.

Table 8. Influence of Diagnostics on CASs

<i>Diagnostics</i>	<i>CFAAs</i>		<i>CPARs</i>	
	<i>(before and after)</i>		<i>(before and after)</i>	
Proposed DPLs to address fiduciary weaknesses	20%	65%	5%	67%
Proposed projects to address fiduciary weaknesses	25%	45%	10%	31%

Figure 3. Procurement Reform Received Less Attention in DPLs



DID THESE DIAGNOSTICS CONTRIBUTE TO EFFECTIVE REFORM IN CLIENT COUNTRIES?

5.19 The evaluation finds that the contribution of CPARs and CFAAs to the design and effective implementation of FM and procurement reform agendas has been modest overall (Appendix D). The reasons for this finding are provided below. Field visits were conducted to 10 countries to validate the findings of initial desk studies (Appendix C). It must be noted, however, that in all these countries, isolating the influence of CFAAs from that of the PER or an ongoing project proved difficult. The evaluation reviewed Bank and government documents, interviewed Bank staff, and discussed the issue with client stakeholders to determine attribution.

CHAPTER 5
WHAT WERE THE RESULTS?

To What Extent Did CFAAs Contribute to Effective FM Reform in Client Countries?

5.20 CFAAs have contributed substantially to the design and implementation of FM reform agendas in three out of the 10 countries and moderately in another four. In the other three countries, CFAAs have had limited influence on the country's FM reform agenda.

CFAAs have contributed to PFM reforms in Ethiopia, Karnataka, Indonesia, and Romania

5.21 In Ethiopia, India-Karnataka, Indonesia, and Romania, the diagnostic considerably influenced the FM reform agenda. In these countries, the respective governments adopted the action plan as part of their PFM reform program (in a government white paper for PFM reform, Indonesia; MTEF Document, India-Karnataka; Decentralization Support Activity, Ethiopia; and the Strategic Development Plan, Romania). A single agency or group, appointed by the government, was responsible for coordinating and monitoring the overall reform process. The reform was also resulting in policy and institutional changes, which were leading or likely to lead to a reduction of FM risks identified in the diagnostics (Box 17). Finally, a wide range of client stakeholders confirmed the contributory role of the CFAA in the design of their PFM reform agenda. In Ethiopia, India-Karnataka, and Romania, the reform was leading to a reduction of FM risks identified in the diagnostic (Box 17). In Indonesia, however, despite the influence on the government's PFM reform agenda, the action plan was overly ambitious; significant capacity building and efforts will still be required before the reform will lead to a reduction of risks identified by the CFAA. Therefore, the contribution of the CFAAs to the client's FM reform was assessed to be modest in Indonesia and substantial in the other three countries.

5.22 In the Dominican Republic, Honduras, and Uganda, the contribution of CFAAs to FM reform was assessed to be modest. Although the CFAAs had influenced the overall reform process, the action points were being implemented by different agencies without any coordination or monitoring. Key elements of the action plan were being managed out of donor-supported PIUs in the Ministry of Finance,⁷ and government coordination of reform was not as evident. In Honduras and Uganda, DPL conditions that borrowed heavily from the CFAAs had generated some results. However, key policy and institutional reforms remained to be implemented in these three countries,⁸ and these results were found to be largely scattered and inadequate to lead to a reduction of FM risks identified in the diagnostics.

In Morocco, Pakistan and the Philippines, the influence of the CFAA on the client's overall reform strategy was limited

5.23 In Morocco, Pakistan, and the Philippines, CFAAs contributed only in a limited manner to the client's overall reform strategy, the key elements of the ongoing reform having been initiated before the diagnoses.⁹ This said, government stakeholders in all three countries, particularly in Pakistan, expressed satisfaction with the instrument, which they felt had given them a comprehensive broad view of FM issues as opposed to the narrower and limited view covered by other

existing reports. At best, in Pakistan (Box 18) and the Philippines, CFAAs have helped the governments to take stock of the situation. For the most part, the diagnostics seem to have been undertaken to meet Bank requirement before proceeding with proposed DPLs.

Box 17. Sample Results in Ethiopia, Karnataka State, and Romania

Transparency of budget processes and substance have improved. In *Ethiopia*, the adoption of, and adherence to, the federal Financial Calendar Directive has helped budget formulation. In *Karnataka*, improved tax forecasting/revenue estimates have led to better cash management and avoidance of expenditure cuts; off-budget borrowing has been reduced by about 30 percent between 2000/2001 and 2003/2004 (and was expected to be phased out in two years). No schemes are introduced into the budget without confirming that they are fully funded.

Improved efficiency and transparency in budget reporting. In *Ethiopia*, half-year fiscal reports and the medium-term fiscal plans together detail the fiscal performance of the past three years and the coming three years. Federal outturn reports at Ministry of Finance and Economic Development and Bureau of Finance and Economic Development were being compiled at the end of each month. The new budget classification also allows for better understanding of expenditures, being classified on administrative, economic, functional, programmatic basis.¹⁰ In *Karnataka* and *Ethiopia*, budgets are now available on the government website.

Improved accuracy and speed of accounting and payment systems. In *Ethiopia*, with the introduction of the Double-entry Modified Cash-based Accounting system based on the new chart of accounts, accounting and reporting accuracy has increased. In *Romania*, Bank-supported activities helped to modernize and upgrade the Treasury system, introduce accrual-based accounting, and strengthen internal audit.

Strengthening of independent audits. In *Ethiopia*, the audits backlog for the federal Treasury accounts has been reduced to one year because of measures to strengthen capacity. In *Karnataka*, the online Audit Monitoring System, then in the final stages of establishment, was expected to enhance audit responsiveness, improve access to audit information to managers in a comprehensive manner, flag the nature of the irregularity allowing better monitoring, and disclose more information to the public. In *Romania*, financial audits by the Court of Accounts have been initiated in line with International Standards of Accounting.

Box 18. A Stocktaking Exercise in Pakistan

In Pakistan, the Bank has a long history of undertaking reform and policy dialogue in PFM, with the CPAR update of 2002 and CFAA 2004 coming toward the latter half of this long engagement in order to allow for several structural adjustment loans. Bank assistance included several other provincial-level ESW reports, a CPAR as early as in 1997 that led to a National Procurement Reform Program (1995), two Public Expenditure Reviews (FY01 and FY03), Third Technical Assistance Project (1987), and the Pakistan Improvement of Financial Reporting and Accounting (PIFRA) project (1997), which initiated reforms in the accounting and auditing sections. ADB conducted a study on accounting and auditing and has provided its own assistance. DfID and EU conducted their respective fiduciary risk audits, and IMF conducted a fiscal ROSC. Transparency International conducted its own assessment in 2003. The CFAA reiterated 10 of the 19 recommendations in the IMF ROSC (11/2000) and several recommendations of ADB's "Financial Management and Governance Issues in Pakistan" (2000). The CFAA, therefore, did not increase the knowledge pool available on the PFM sector, and allowed only a stocktaking of the ongoing reform agenda.

Source: Fiduciary Instruments evaluation of CFAAs and CPARs.

To What Extent Did CPARs Contribute to Effective Procurement Reform in Client Countries?

5.24 CPARs have substantially contributed to effective procurement reform only in two of the 10 countries (Philippines¹¹ and Uganda), and moderately in another four (Indonesia, Honduras, Ethiopia and Pakistan). In the other countries, the contribution has been limited for a variety of reasons.

CPARs have influenced reform agendas in several of the ten countries to varying degrees

5.25 Most CPAR action plans made standard recommendations, which included the passing of a procurement law, issuance of a decree, establishment of a procurement agency, standardization of bidding documents, and establishment of a dispute settlement mechanism. At some level, most CPARs have influenced procurement reform agendas in the majority of the 10 countries through enhanced policy dialogue with government counterparts. In several cases, countries have passed or amended procurement laws or issued decrees. Additionally, several have established procurement agencies or units to coordinate procurement reform. CPARs, therefore, have influenced reform agendas in at least six of the 10 cases.

However, effective implementation of the reform in a manner that is likely to lead to a reduction of procurement risks is occurring only in two countries

5.26 However, implementation of the reform is effective only in two of the 10 cases reviewed. In the Philippines and Uganda, the reform is being implemented effectively and is leading to reduction of procurement-related risks. In both countries, procurement laws are now effective, widely disseminated, and generally understood by the public. The mandate of both procurement agencies is clear, they have resources, and they have a fair amount of independence. The agencies have helped to implement the laws and spur procurement reform. Accountability of procuring agencies has been strengthened by different mechanisms including a dispute settlement mechanism in Uganda and the participation of civil society members in the bidding process in the Philippines. Greater information on public procurement is available to the public, thereby strengthening accountability and transparency. Both agencies are focusing on harmonizing standard bidding documents, with the Philippines the only country in the sample to have actually harmonized bidding document of key donor agencies with that of the government. Both agencies are also initiating the establishment of systems for electronic procurement. Additionally, both agencies have established monitoring systems to understand better whether the reforms are increasing the economy and efficiency of procurement. Some private sector stakeholders, however, noted that there was need to simultaneously tackle issues related to contract management and execution, for the focus on upstream procurement processes could merely result in shifting governance issues downstream (Box 20).

5.27 In other countries (Ethiopia and Pakistan), laws have been passed, but the procurement agencies have unclear mandates, inadequate resources, and little independence. In Pakistan, for example, the Ministry of Planning, previously in charge of procurement, was continuing to issue procurement regulations, despite the establishment of the procurement agency. In Ethiopia, the agency had no independent mandate and few resources. In Indonesia, a decree is yet to be passed, but a group has been set up to coordinate procurement reform, which is implementing a program of reforms based on the recommendations of the CPAR. In Honduras, procurement legislation has been passed and an agency has been established, but its work was stalled by elections. Except for some limited information on results in Indonesia, in the other cases, there is no monitoring of the effectiveness of procurement reform. Overall, the implementation of the reform and the likely reduction of procurement risks are rated as modest in these three cases.

5.28 In the Dominican Republic, there is no clear legal framework for procurement. Elements of the CPAR action plan are being implemented by an IDB PIU in the Ministry of Finance and under an IDF grant provided by the Bank. There is no procurement agency, and there is no country-level action plan or ownership of the reform. In Karnataka State (India), the reform slowed down once budget support was discontinued, and although an agency was established, it has no authority or resources. The contribution of the CPAR in these countries is, therefore, considered limited.

Box 19. How Did the Bank Address Capacity Enhancement?

Most CFAAs and CPARs recommended capacity enhancement of stakeholders. The Bank and other donors have supported training in almost all countries. In general, however, such training was not based on an identification of capacity needs or a systematic or strategic plan to address capacity enhancement, except in Uganda, in Ethiopia for FM, and in the Dominican Republic under the IDB project. Neither the Bank nor the client evaluated the training activities, and it is difficult to assess whether these activities led to sustainable capacity in these countries. Anecdotal information obtained by IEG during its field visits suggests that training is sometimes duplicative, that it is not always provided to the right professionals, and that trained staff leave for better-paid jobs in the private sector (Ethiopia, Uganda).

5.29 In Morocco, the CPAR was prepared just after passage of a new procurement law and, therefore, was not timely for the client, although it was undertaken to fulfill a Bank requirement. The main result of the CPAR was the provision of an IDF grant that helped to develop a program of training for civil servants. A web-based monitoring tool was not fully developed, and one-third of the IDF grant was finally cancelled. Overall, the government did not see the need for Bank assistance in procurement as a priority. In Romania, the 1999 CPAR action plan was be-

Timeliness of
the diagnostic is
critical

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ing partly implemented, but the action plan became irrelevant with the focus on accession to the European Union. The Bank responded to client needs, and instead of undertaking a standard CPAR it adapted and published a timely *Joint Procurement Assessment Report* (2005) with EU. This has been well received by the client as a responsive and timely analysis. It has influenced the formulation of a procurement policy and the establishment of a procurement agency. Implementation of the action plan is ongoing, given the pressure of EU accession, but this report is outside the purview of this evaluation.

Box 20. The Bank's Approach to Procurement Reform Could Push Governance Issues Downstream

Private sector stakeholders felt that the downstream scope for misuse of resources continues. The Bank has not supported clients to develop measures to address weaknesses in contract management and execution – its focus has been on upstream procurement issues. The standard checklist includes covers issues of payment, performance of suppliers, and contract amendments, but less than half of the CPARs in the 24 countries examined these issues. The related analysis is weak, leading to standard recommendations such as “simplify payment procedures” or “install an electronic MIS for contract management”. These recommendations also do not get the same attention during the implementation phase in the sample countries. The net result could be that ongoing procurement reforms shift governance issues downstream. Additionally, procurement reform has not gone hand-in-hand with strengthening of internal and external audits. Even in Uganda and the Philippines, linkages with the external audits function are weak, and although some procurement audits have begun, they are still in an early stage.

Progress in procurement reform in Uganda and the Philippines must be attributed to proactive support and leadership by the Bank and other donors

5.30 Progress in procurement reform in both Uganda and the Philippines must also be attributed to proactive and continuous support by Bank teams in these countries. These teams have helped to lift procurement from a transactional issue to a development issue and have provided regular support to the two agencies to implement their mandate, and garner donor support for the reform. In the Philippines such support has been provided through annual CPAR updates (dedicated funds are provided by the Country Director); and in Uganda, similar updates are undertaken by a regional procurement unit staff as part of the DPL review missions. Such close interaction and support from the local office was not evident in other countries; staff focused more at the transactional level and did not have the resources, and sometimes the skills, to go beyond the project level.

5.31 To conclude, the evaluation found that the diagnostics had a limited influence in safeguarding Bank assistance, that is, in achieving their fiduciary objectives. On the other hand, CFAAs have contributed substantially to achieving their development objectives; CPARs have done so only moderately.

NOTES

1. Counterfactuals are problematic. Ideally, one would want to compare outcomes in countries where such FM and procurement analytical work was

undertaken to countries where they were not. This has proved virtually impossible except in a few cases that are referred to in this chapter.

2. Staff noted that emerging procurement tools for assessing the “use of country systems” have adopted a more balanced approach to country- and transaction-level issues, and recent project designs are increasingly addressing procurement risks identified by these instruments.
 3. “The results of this assessment inform the preparation of the Bank’s Country Assistance Strategy (CAS), particularly the sections dealing with the size of the support program, the sectors to be supported, selection of lending instruments, and approaches to risk management.” CFAA Guidelines 2003, paragraph 5.
 4. Haiti 2004, Thailand 2003, Kenya 2004, Iran 2001, Lebanon 1997, and Venezuela 2002.
 5. Management notes that the methodology used in this evaluation is different from that of the Bank’s policy for development policy operations. Under OP 8.60, *Development Policy Lending*, adopted in 2004, the Bank does not set any minimum PFM standard as a pre-condition for DPLs; instead the focus is on ensuring government commitment to a credible program of PFM reform and evidence of improvement over time. PFM analysis informs decisions on DPL amounts, tranching, program content, conditionality and risk mitigation measures. Improved PFM performance is thus aimed at as an outcome, rather than a pre-condition of development policy lending. (Ref. OP 8.60, *Development Policy Lending, Good Practice Note 3*, and *Financial Management Issues in Development Policy Lending*).
- IEG observes, however, that the methodology used in this evaluation can nevertheless be viewed as consistent with that reflected in OP 8.60 and the CFAA Guidelines, based on the following reasoning: OP 8.60 states that the “appropriateness of providing development policy lending to a country is determined in the context of the Country Assistance Strategy”. Paragraph 5 of the CFAA guidelines states: “The results of this assessment inform the preparation of the Bank’s Country Assistance Strategy (CAS), particularly the sections dealing with the size of the support program, the sectors to be supported, selection of lending instruments, and approaches to risk management.” It is on this basis that IEG assessed the influence of CFAAs on the choice of instruments as reflected in CASs.
6. Niger did not have an “after” CAS, and Jamaica did not have a “before” CAS. Since there is no assistance strategy for Karnataka, it is not rated.
 7. In Uganda, the Public Expenditure Management Committee (PEMCOM) was established in January 2005 to take charge of the PFM reforms. It was initially situated in Second Economic and Financial Management Project office. This led to a perception among stakeholders that the reform was donor-driven.
 8. The U.K. government reduced budget support to Uganda by £20 million from a planned £50 million, after an economic and governance assessment raised concerns on public administration expenditures. (December 20, 2005, <http://www.dfid.gov.uk/news/files/pressreleases/uganda-reduction.asp>).
 9. In Morocco, results are slow; the 2001 accounts were received by the COA in January 2006. In the Philippines, the Department of Budget and Management had embarked on a reform agenda before the CFAA.
 10. These changes should partly be attributed to the Ethiopia PER.

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11. In the Philippines, procurement reform was initiated by USAID. This initiative was picked up and strengthened by the Bank.

6. Findings, Lessons, and Recommendations

6.1 This chapter summarizes the findings and overall lessons, and provides three sets of recommendations for Bank management in implementing the “Strengthened Approach.”

Findings

6.2 The evaluation finds that both instruments are relevant for supporting the Bank’s objectives. Over the past five years, the CFAA has gained acceptance as a useful instrument not only within the Bank but also by other donors who tend to rely on CFAAs for their own fiduciary reviews. CPARs are the only instruments currently available to help better understand the strengths and weaknesses of a country’s procurement system; and donors, in particular other MDBs, confirmed that they rely on these instruments for their information. Together, to varying degrees, these instruments have helped to sharpen the policy dialogue with client countries on FM and procurement, enhanced focus of these issues in CASs, and garnered knowledge on these issues within client countries.

6.3 Within the period covered by this evaluation, CFAAs have substantially achieved their development objectives in five out of the 10 countries and moderately in another two. That is, in these countries, to varying degrees, they have helped to garner and disseminate knowledge on FM issues, have helped to increase client resources for FM reform, and have contributed to effective implementation of FM reform agendas in a manner that is leading or likely to lead to a reduction of identified FM risks. Measured by the same indicators, CPARs have substantially achieved their development objectives only in two out of the 10 countries, and moderately in another four.

6.4 At the same time, both instruments have had only a limited effect on safeguarding Bank assistance, that is, in influencing FM and procurement arrangements of Bank assistance. Neither diagnostic had a discernible effect on the selection of instruments for assistance, or the choice of sectors to lend, but did influence the volume of Bank assistance. At the project level, CFAAs have had negligible influence, in part because until recently there was no framework for how CFAAs should influence project design. CPARs have helped to update the difference between Bank procurement policy and client regulations;

they have not contributed to strengthening setting of prior review thresholds or improving supervision arrangements.

6.5 A number of factors constrained the effectiveness of these instruments. First, the instruments were assessed to be substantially relevant in supporting the Bank's development objectives, but only moderately so when it came to its fiduciary objectives. Neither instrument provides a satisfactory framework for measurement of fiduciary risks. The risk models were weak, the risk rating was fragmented, and the risk ratings of different diagnostics were not amenable to aggregation. Second, the quality of the diagnoses was satisfactory, but included a high percentage of marginally satisfactory reports. In particular, this meant weak action plans that were not well phased or prioritized, not costed, without clear responsibilities, and without any monitoring indicators. Third, weak internal coordination in the use of these instruments further reduced effectiveness, with diagnostic work being undertaken in "silos." This resulted in inefficiencies with multiple, fragmented action plans for PFM reform, pursued independently by different task teams, increasing the transaction costs for the client. Fourth, client participation in the preparation of these reports was typical, but high levels of participation of a wider range of stakeholders that leads to ownership and capacity enhancement was still modest. Finally, donor collaboration was also only modest during the evaluation period. In regions where donor coordination is effective (AFR, EAP, and LAC), it is leading to coordinated support for the government to implement PFM reforms, although not to harmonization of bidding documents or financial reporting formats for donor-funded projects, something very much within the control of donors.

6.6 Additionally, influencing effective country-level procurement reform is more difficult. Unlike in FM (where the Ministry of Finance is typically the key stakeholder in initiating and monitoring change), private sector and non-governmental actors are very important if a procurement system is to function efficiently and effectively. Without their acceptance of the new rules or practices (which depends on their knowledge of procurement regulations, capacity, access to technology, and awareness and ability to enforce their rights), this evaluation finds that procurement reform cannot generate the desired results. CPARs have not systematically attempted to address this constraint.

Lessons

6.7 In moving forward with the "Strengthened Approach," management has reiterated that it intends to retain both the development and fiduciary objectives of these instruments. However, given that the commitment to maintain updated diagnostics for each active

client has been relaxed, the Bank risks losing the increasing attention that FM and procurement issues have received.¹ In addition to the lessons stated in Box 22, the evaluation summarizes six key lessons for management to enhance the effectiveness of its “Strengthened Approach.”

6.8 *The effectiveness of PFM diagnostics is likely to be enhanced if the client is supported in the preparation of an integrated, prioritized, costed, and monitorable set of actions for PFM reform. This would be helpful even when the diagnosis is undertaken through multiple instruments; this process of arriving at such an action plan will be easier if the multiple instruments are undertaken within an integrated conceptual framework for PFM diagnosis.*

6.9 *The Bank, in consultation with key governments and donors, needs to agree on approaches to defining the term “fiduciary risk.” This is particularly important as the “Strengthened Approach” brings in fiduciary risks posed by public expenditure management systems. Management must also ensure the development of an integrated risk assessment framework, consistent with the definition, within which each instrument can undertake a risk assessment. In addition, given that the Bank intends to use these assessments to safeguard its assistance, it is important to decide how such a risk assessment would lead to a consistent and comprehensive risk rating and whether such a rating should be disclosed in the reports. In addition, staff need to be provided guidance on how such risk ratings should influence Bank assistance – both at the program and project levels.*

6.10 *If CFAAs and CPARs are to assess risks in a meaningful manner, the risk framework should explicitly integrate issues such as the impact of corrupt practices on these systems. CFAAs are not expected to consider the impact of corruption on FM systems according to the Guidelines; and while CPARs are expected to do so, the Guidelines are weak and inadequate. Risk assessment, consequently, remains not only fragmented but also incomplete.*

6.11 *The impact of these diagnostics can be enhanced through encouraging stronger country ownership and fostering greater collaboration between relevant donors. The evaluation finds that these diagnostics are most effective when the findings are integrated in the government’s reform strategies and policies. The process for preparing these diagnoses should include a clear country-led dissemination strategy that will broaden and deepen the ownership of the report, thereby strengthening commitment for reform among a wider range of client stakeholders. This said, such ownership should not result in detracting from an open and candid assessment of the fiduciary risks in the country. A standard analytical framework and approach to measuring risks could help to mitigate such concerns.*

6.12 *It is important to support the client in monitoring the progress and costs of reform.* Few of the Bank's diagnostics provided any indicators to track and measure the results of planned activities (outputs or intermediate outcomes) or to understand the costs of reform (inputs). In most cases, the Bank and the client had only a general and anecdotal idea of the results, with little or no idea of the costs of the reform. For the most part, these diagnostics assumed that the inputs would automatically lead to the desired reform. To improve impact, it is important that action plans include progress-monitoring indicators.

6.13 *While donor collaboration is important, equally important is effective internal coordination among Bank actors undertaking PFM diagnosis.* The efficiency and efficacy of these instruments can be increased with improved coordination among the key actors responsible for PFM diagnosis – the three operational units lodged in two vice-presidencies, and with three sector boards.

Moving Forward with the “Strengthened Approach”

6.14 In moving forward with the “Strengthened Approach,” management has already identified some of the above concerns; the approach stresses the need for improved country-specific and country-led reports, results orientation, integrated implementation, and donor collaboration. The introduction of the PFM PM Framework has also increased the focus on results. The Procurement team has also introduced the OECD/DAC Methodology for the Assessment of National Procurement Systems, which has been used in more recent CPARs. However, the evaluation finds that there is a need to improve the “Strengthened Approach,” if it is to achieve its stated objectives. In addition to developing an integrated risk analysis framework that also assesses the impact of corruption, a few other measures are needed to ensure that the client receives an integrated, prioritized, costed, and monitorable set of actions for PFM reform.

6.15 First, the PFM PM Framework is a monitoring tool (Box 21). It measures the extent to which the PFM system is becoming an enabling factor for achieving development outcomes. It is not suitable for measuring outputs, intermediate outcomes, or the cost of reform.

6.16 Second, a formal institutional process is needed for internal coordination of PFM diagnostics. As part of the CAS formulation process, diagnostic work in this area could be initiated through a joint PFM concept note prepared by an integrated team in consultation with the client and key donors. This note could state the PFM reform strategy for the country including the objectives of the PFM diagnostic work, its linkages with the Bank's Country Assistance Strategy, broadly outline the scope, instruments and process through which such objectives will be achieved, and clearly state the roles of each unit. This note can pro-

vide an opportunity for effective planning among the three units, encourage internal coordination, and yet provide flexibility to each unit to pursue the diagnosis independently if necessary, keeping in mind the overall PFM framework and the need for the process to support the client in the preparation of a single set of integrated and prioritized actions for reform. Such concept note should allow each unit adequate functional flexibility, particularly in the case of IBRD countries, to react to sudden requests for assistance which may not necessarily have been foreseen at the time of preparation of the strategy.

Box 21. The PFM PM Framework

The PFM PM Framework offers a conceptual framework for addressing PFM issues as well as a monitoring tool for assessing the results of PFM reform. It is not, however, a risk assessment tool:

- The Framework only measures whether funds are being used for the purposes intended.
- The 28 indicators include only one indicator (and a few sub-indicators) on procurement. Procurement staff perceive this as being insufficient, particularly given the Bank's fiduciary obligations in this regard.
- The set of indicators does not currently allow an assessment of risks posed by corruption to the functioning of these systems.
- The PFM PM Framework also does not include a standardized methodology for combining the 28 risk ratings into an aggregated and single country risk rating.

Box 22. Common Factors of Effective Diagnostics

- The diagnostic is timely for the client.
- The diagnostic is prepared jointly with government stakeholders.
- The diagnostic leads to the preparation of an action plan, in which the government takes the lead and the Bank and other partners provide the technical assistance.
- A wider range of relevant stakeholders (from the private sector, business associations, and civil society) must be meaningfully involved in the preparation of the diagnostic. Participation must be used to build their experience and capacity as well as also to involve them in future dissemination and capacity-building activities.
- A dissemination strategy helps to focus attention on the reform agenda by a wider range of government stakeholders, including at different administrative, technical, and political levels.
- The action points are adopted into a government action plan, program, or strategy after wider discussion among a larger number of critical stakeholders, reflecting not only ownership but also commitment to reform, and leading to the establishment of an empowered body or process that coordinates and monitors the reform.
- The findings of the diagnostics are integrated into the CAS and the government's efforts are complemented with Bank assistance.
- The diagnostic is prepared in collaboration with other key donors, leading to joint support of an agreed action plan.

6.17 Third, improved guidelines agreed among the three Sector Boards, other relevant Bank units, key donors, and client representatives would enhance effectiveness of PFM diagnosis for the client and significantly improve the impact. Such guidance should cover a range of issues including the establishment of an integrated conceptual framework for the “Strengthened Approach,” guidance on risk assessment as well as how such ratings should influence Bank assistance, and how the Bank will facilitate greater coordination so that the client receives an an integrated, prioritized, costed, and monitorable set of actions for PFM reform.

6.18 Fourth, Bank staff need more training on implementing the “Strengthened Approach.” Such training must be developed and implemented jointly by the two Networks.

Recommendations:

6.19 In close coordination with key donors and client representatives, Bank management needs to consider the following three recommendations:

- ❖ **Gear CFAAs and CPARs more directly to the fiduciary goal.** In order to accomplish this, Management could:
 - Agree on a common definition of “fiduciary risk” that would be applied consistently in all PFM diagnostic instruments;
 - Develop a comprehensive and integrated risk analytical framework that would include a standardized methodology for aggregating country-level PFM risks; and
 - Guide staff on how risk assessments should influence the design of Bank assistance both at the project and program level, and revise guidelines as needed.

- ❖ **Enhance the quality of the diagnostics.** In order to realize this, Management could:
 - Issue revised guidelines jointly prepared by the three sector boards on undertaking integrated diagnostics; and
 - Develop and implement an integrated training program for staff from all three Networks on implementing the “Strengthened Approach.”

- ❖ **Strengthen the impact of fiduciary work and associated outcomes.** In order to achieve this, Management could:
 - Ensure that the Bank supports clients in preparing a single integrated, prioritized, costed, and monitorable set

of actions within an agreed framework for PFM reform even though the diagnosis may be undertaken using multiple instruments.

NOTES

1. Management notes that while the requirement for mandated core diagnostics for each country has been removed, Management has committed that diagnostic work will be programmed on a country by country basis, taking into account type and level of Bank engagement, client priorities and circumstances and the availability of relevant knowledge from partners: and that updated country knowledge would be maintained as needed to support the Bank's program.

Appendix A. Reports during Evaluation Period

#	Region	Country	Type	FY	Cost of CFAA/CPAR/IA (\$,000)	Report Disclosed	Status
1	ECA	Albania	CFAA	2002	85	N	Reviewed
2	LAC	Argentina	CFAA	2003	95	N	Reviewed
3	ECA	Armenia	CFAA	2004	189	N	Reviewed
4	ECA	Azerbaijan	CFAA	2004	102	Y	Reviewed
5	SAR	Bangladesh	CFAA	2001	104	Y	Reviewed
6	AFR	Benin	CFAA	2001	x	N	Reviewed
7	SAR	Bhutan	CFAA	2002	36	N	Reviewed
8	LAC	Bolivia	CFAA	2004	99	N	Reviewed
9	ECA	Bosnia – Herzegovina	CFAA	2003	64	Y	Reviewed
10	LAC	Brazil	CFAA	2002	69	Y	Reviewed
11	ECA	Bulgaria	CFAA	2004	111	Y	Reviewed
12	AFR	Burkina Faso	CFAA	2002	118	Y	Not reviewed
13	AFR	Burundi	CFAA	2004	148	N	Not reviewed
14	AFR	Cameroon	CFAA	2002	121	N	Not reviewed
15	AFR	Cape Verde	CFAA	2003	41	Y	Reviewed
16	AFR	Chad	CFAA	2004	182	Y	Not reviewed
17	LAC	Chile	CFAA	2005	137	Y	Reviewed
18	LAC	Colombia	CFAA	2004	185	Y	Reviewed
19	ECA	Croatia	CFAA	2004	93	Y	Reviewed
20	MNA	Djibouti	CFAA	2004	126	N	Not reviewed
21	LAC	Dominica	CFAA	2005	50	Y	Reviewed
22	LAC	Dominican Rep.	CFAA	2004	84	Y	Reviewed
23	LAC	Ecuador	CFAA	2004	60	Y	Reviewed
24	MNA	Egypt	CFAA	2004	102	N	Reviewed
25	LAC	El Salvador	CFAA	2004	84	N	Not reviewed
26	AFR	Ethiopia	CFAA	2003	136	Y	Reviewed
27	AFR	Gambia, The	CFAA	2003	183	Y	Reviewed
28	ECA	Georgia	CFAA	2004	128	Y	Reviewed
29	AFR	Ghana	CFAA	2004	35	Y	Reviewed
30	AFR	Ghana	CFAA	2001	120	N	Reviewed
31	LAC	Guatemala	CFAA	2002	90	N	Reviewed
32	AFR	Guinea	CFAA	2003	93	Y	Reviewed
33	LAC	Guyana	CFAA	2002	106	N	Reviewed
34	LAC	Honduras	CFAA	2004	112	Y	Reviewed
35	SAR	India-Karnataka	CFAA	2004	185	Y	Reviewed
36	SAR	India-Orissa	CFAA	2004	287	Y	Reviewed
37	SAR	India-Uttar Pradesh	CFAA	2005	125	Y	Reviewed
38	EAP	Indonesia	CFAA	2001	x	N	Reviewed
39	LAC	Jamaica	CFAA	2001	x	N	Reviewed
40	MNA	Jordan	CFAA	2002	x	Y	Reviewed
41	ECA	Kazakhstan	CFAA	2003	85	N	Reviewed
42	AFR	Kenya	CFAA	2002	89	N	Reviewed
43	ECA	Kyrgyz Republic	CFAA	2004	127	N	Reviewed
44	ECA	Macedonia, FYR	CFAA	2004	85	Y	Reviewed
45	AFR	Madagascar	CFAA	2003	146	Y	Not reviewed
46	AFR	Malawi	CFAA	2004	131	Y	Reviewed
47	SAR	Maldives	CFAA	2001	23	N	Reviewed
48	AFR	Mali	CFAA	2003	148	Y	Not reviewed
49	AFR	Mauritania	CFAA	2003	124	Y	Not reviewed
50	LAC	Mexico	CFAA	2004	185	Y	Reviewed
51	ECA	Moldova	CFAA	2004	99	Y	Reviewed
52	MNA	Morocco	CFAA	2004	97	N	Reviewed
53	AFR	Mozambique	CFAA	2002	83	N	Reviewed
54	SAR	Nepal	CFAA	2003	132	Y	Reviewed
55	LAC	Nicaragua	CFAA	2003	112	Y	Reviewed
56	AFR	Nigeria	CFAA	2001	x	N	Reviewed
57	AFR	Nigeria-Lagos State	CFAA	2004	102	Y	Reviewed
58	LAC	OECS	CFAA	2003	88	N	Reviewed
59	SAR	Pakistan	CFAA	2004	271	Y	Reviewed

APPENDIX A
REPORTS DURING EVALUATION PERIOD

#	Region	Country	Type	FY	Cost of CFAA/CPAR/IA (\$,000)	Report Disclosed	Status
60	SAR	Pakistan-North-West Frontier	CFAA	2004	0	N	Reviewed
61	SAR	Pakistan-Sindh	CFAA	2005	n/a	Y	Reviewed
62	LAC	Paraguay	CFAA	2005	119	Y	Reviewed
63	LAC	Peru	CFAA	2001	22	N	Reviewed
64	ECA	Poland	CFAA	2004	97	N	Reviewed
65	ECA	Romania	CFAA	2004	89	Y	Reviewed
66	ECA	Russian Federation	CFAA	2004	78	Y	Reviewed
67	AFR	Senegal	CFAA	2003	206	Y	Reviewed
68	ECA	Serbia and Montenegro	CFAA	2003	123	N	Reviewed
69	AFR	Sierra Leone	CFAA	2002	69	N	Reviewed
70	ECA	Slovak Republic	CFAA	2001	x	N	Reviewed
71	SAR	Sri Lanka	CFAA	2003	180	Y	Reviewed
72	ECA	Tajikistan	CFAA	2004	120	Y	Reviewed
73	AFR	Tanzania	CFAA	2001	37	N	Reviewed
74	MNA	Tunisia	CFAA	2004	97	Y	Reviewed
75	AFR	Uganda	CFAA	2001	x	N	Reviewed
76	ECA	Ukraine	CFAA	2002	59	N	Reviewed
77	LAC	Uruguay	CFAA	2004	145	Y	Reviewed
78	ECA	Uzbekistan	CFAA	2005	172	Y	Reviewed
79	EAP	Vietnam	CFAA	2002	59	Y	Reviewed
80	MNA	West Bank and Gaza	CFAA	2004	112	Y	Reviewed
81	MNA	Yemen, Republic of	CFAA	2004	131	N	Reviewed

#	Region	Country	Status	FY	Cost of CFAA/CPAR/IA (\$,000)	Report Disclosed	Status
1	ECA	Albania	CPAR	2001	x	N	Reviewed
2	MNA	Algeria	CPAR	2003	115	Y	Reviewed
3	AFR	Angola	CPAR	2003	131	N	Reviewed
4	LAC	Argentina	CPAR	2001	43	N	Reviewed
5	ECA	Armenia	CPAR	2004	163	Y	Reviewed
6	ECA	Azerbaijan	CPAR	2003	148	Y	Reviewed
7	SAR	Bangladesh	CPAR	2002	36	Y	Reviewed
8	LAC	Bolivia	CPAR	2001	x	N	Reviewed
9	ECA	Bosnia - Herzegovina	CPAR	2002	67	Y	Reviewed
10	LAC	Brazil	CPAR	2004	50	Y	Reviewed
11	ECA	Bulgaria	CPAR	2004	81	N	Reviewed
12	ECA	Bulgaria	CPAR	2000	x	N	Reviewed
13	AFR	Burkina Faso	CPAR	2001	x	N	Reviewed
14	EAP	Cambodia	CPAR	2005	36	Y	Reviewed
15	AFR	Cameroon	CPAR	2001	182	N	Reviewed
16	AFR	Cape Verde	CPAR	2004	12	N	Reviewed
17	AFR	Chad	CPAR	2000	0	N	Reviewed
18	LAC	Chile	CPAR	2005	10	Y	Reviewed
19	LAC	Colombia	CPAR	2001	x	N	Reviewed
20	AFR	Congo, Dem. Rep. Of	CPAR	2004	213	N	Reviewed
21	AFR	Cote d'Ivoire	CPAR	2004	122	Y	Reviewed
22	ECA	Croatia	CPAR	2000	x	N	Reviewed
23	ECA	Croatia	CPAR	2004	112	Y	Reviewed
24	MNA	Djibouti	CPAR	2004	86	N	Reviewed
25	LAC	Dominica	CPAR	2003	24	Y	Reviewed
26	LAC	Dominican Rep.	CPAR	2004	64	Y	Reviewed
27	LAC	Ecuador	CPAR	2000	x	N	Reviewed
28	MNA	Egypt	CPAR	2004	116	N	Reviewed
29	LAC	El Salvador	CPAR	2002	93	N	Reviewed
30	AFR	Eritrea	CPAR	2002	8	N	Reviewed
31	AFR	Ethiopia	CPAR	2002	84	Y	Reviewed
32	ECA	Georgia	CPAR	2002	111	Y	Reviewed
33	AFR	Ghana	CPAR	2003	165	Y	Reviewed

Appendix A
Reports During Evaluation Period

#	Region	Country	Type	FY	Cost of CFAA/CPAR/IA (\$,000)	Report Disclosed	Status
34	LAC	Guatemala	CPAR	2000	x	N	Reviewed
35	AFR	Guinea	CPAR	2002	65	Y	Reviewed
36	LAC	Haiti	CPAR	2000	0	N	Reviewed
37	LAC	Honduras	CPAR	2004	57	N	Reviewed
38	SAR	India	CPAR	2004	343	Y	Reviewed
39	EAP	Indonesia	CPAR	2001	x	Y	Reviewed
40	LAC	Jamaica	CPAR	2001	32	N	Reviewed
41	ECA	Kazakhstan	CPAR	2002	x	N	Reviewed
42	ECA	Kyrgyz Republic	CPAR	2003	91	N	Reviewed
43	EAP	Lao PDR	CPAR	2002	x	Y	Reviewed
44	ECA	Latvia	CPAR	2001	x	N	Reviewed
45	ECA	Macedonia, FYR	CPAR	2002	93	N	Reviewed
46	AFR	Madagascar	CPAR	2003	117	N	Reviewed
47	AFR	Malawi	CPAR	2004	225	Y	Reviewed
48	AFR	Mali	CPAR	2004	77	N	Reviewed
49	AFR	Mauritania	CPAR	2002	x	N	Reviewed
50	AFR	Mauritius	CPAR	2003	76	N	Reviewed
51	LAC	Mexico	CPAR	2002	0	N	Reviewed
52	LAC	Mexico - States	CPAR	2004	283	N	Not reviewed
53	ECA	Moldova	CPAR	2003	142	Y	Reviewed
54	EAP	Mongolia	CPAR	2004	53	Y	Reviewed
55	MNA	Morocco	CPAR	2000	n/a	N	Reviewed
56	AFR	Mozambique	CPAR	2002	69	N	Reviewed
57	SAR	Nepal	CPAR	2003	70	Y	Reviewed
58	LAC	Nicaragua	CPAR	2004	80	N	Reviewed
59	AFR	Niger	CPAR	2004	88	N	Reviewed
60	AFR	Nigeria	CPAR	2000	415	N	Reviewed
61	AFR	Nigeria-Lagos State	CPAR	2004	95	N	Reviewed
62	LAC	OECS	CPAR	2001	37	N	Reviewed
63	SAR	Pakistan	CPAR	2000	147	N	Reviewed
64	LAC	Panama	CPAR	2001	4	N	Reviewed
65	LAC	Paraguay	CPAR	2003	136	Y	Reviewed
66	LAC	Peru	CPAR	2002	121	N	Reviewed
67	EAP	Philippines	CPAR	2003	n/a	N	Reviewed
68	EAP	Philippines	CPAR	2004	n/a	Y	Reviewed
69	ECA	Poland	CPAR	2001	x	N	Reviewed
70	ECA	Romania	CPAR	2000	x	N	Reviewed
71	ECA	Russian Federation	CPAR	2001	0	N	Reviewed
72	AFR	Senegal	CPAR	2003	180	N	Reviewed
73	ECA	Serbia and Montenegro	CPAR	2002	95	Y	Reviewed
74	ECA	Slovak Republic	CPAR	2001	x	N	Reviewed
75	AFR	South Africa	CPAR	2003	98	Y	Reviewed
76	SAR	Sri Lanka	CPAR	2003	38	N	Reviewed
77	ECA	Tajikistan	CPAR	2004	118	N	Reviewed
78	AFR	Tanzania	CPAR	2003	212	Y	Reviewed
79	EAP	Timor-Leste	CPAR	2003	115	Y	Reviewed
80	AFR	Togo	CPAR	2004	104	N	Reviewed
81	LAC	Trinidad and Tobago	CPAR	2000	n/a	N	Reviewed
82	MNA	Tunisia	CPAR	2004	89	N	Reviewed
83	ECA	Turkey	CPAR	2001	77	N	Reviewed
84	AFR	Uganda	CPAR	2001	x	N	Reviewed
85	ECA	Ukraine	CPAR	2002	91	N	Reviewed
86	LAC	Uruguay	CPAR	2000	x	N	Reviewed
87	ECA	Uzbekistan	CPAR	2003	135	Y	Reviewed
88	EAP	Vietnam	CPAR	2003	58	N	Reviewed
89	MNA	West Bank and Gaza	CPAR	2005	111	N	Reviewed
90	MNA	Yemen, Republic of	CPAR	2001	x	N	Reviewed
91	AFR	Zambia	CPAR	2003	37	Y	Reviewed
1	EAP	Cambodia	II	2004	531	Y	Reviewed
2	LAC	Dominican Rep.	II	2005	n/a	Y	Reviewed
3	EAP	Lao PDR	II	2002	397	Y	Reviewed

APPENDIX A
 REPORTS DURING EVALUATION PERIOD

#	Region	Country	Type	FY	Cost of CFAA/CPAR/IA (\$,000)	Report Disclosed	Status
4	EAP	Mongolia	II	2002	470	Y	Reviewed
5	AFR	Niger	II	2004	380	Y	Reviewed
6	EAP	Philippines	II	2003	504	Y	Reviewed
7	ECA	Russian Federation	II	2002	23	Y	Reviewed
8	EAP	Timor-Leste	II	2002	14	Y	Reviewed
9	ECA	Turkey	II	2002	549	Y	Reviewed
10	AFR	Uganda	II	2004	8	Y	Reviewed
11	AFR	Zambia	II	2004	439	Y	Reviewed

#	Region	Country	Type	FY	Cost of CFAA/CPAR/IA (\$,000)	Report Disclosed	Status
1	ECA	Kosovo	OFAR	2005	69	Y	Reviewed

#	Region	Country	Status	FY	Cost of CFAA/CPAR/IA (\$,000)	Report Disclosed	Status
1	EAP	China	OPR	2003	12	N	Reviewed
2	ECA	Kosovo	OPR	2004	54	N	Reviewed
3	MNA	Iran	OPR				Reviewed
4	EAP	Thailand	OPR	1999	n/a	N	Reviewed
5	EAP	Tonga	OPR	2003	41	Y	Reviewed

Appendix B. Rating Guide for Evaluation

	<i>CFAAs</i>	<i>CPARs</i>
Indicators for Measuring Quality		
Consistency of Scope with Objectives and Guidelines	To receive a Highly Satisfactory rating, the report should have discussed all 12 areas as required by the CFAA guidelines or provided explanations as to why some are not discussed. (The guidelines require very perfunctory treatment of some areas. In such cases, superficial treatment is to be considered satisfactory.)	To receive a Highly Satisfactory, the report should: (a) Provide a comprehensive analysis of the country's public sector procurement system, including the existing legal framework; organizational responsibilities and control and oversight capabilities; present procedures and practices; and how well these work in practice. (b) Undertake a general assessment of the institutional, organizational, and other risks associated with the procurement process, including identification of procurement practices unacceptable for use in Bank-financed projects. (c) Develop a prioritized action plan to bring about institutional improvements (not to be considered in quality of analysis). (d) Assess the competitiveness and performance of local private industry with regard to participation in public procurement, and the adequacy of commercial practices that relate to public procurement.
Clarity of Objectives, Analysis, and Readability of Report	To receive a Highly Satisfactory rating, the report should get a Highly Satisfactory rating on all three of the sub-indicators below: (a) The objectives must be clear and consistent with the purpose of a CFAA/CPAR. (b) The analysis must be clear, with adequate linkages between the objectives, analysis, recommendations, and action plan. (c) The report must be clear and readable.	
Quality and Quantity of Empirical Data to Support Analysis	To receive a Highly Satisfactory rating, the report should provide relevant empirical data in <u>all</u> of the following areas: <ul style="list-style-type: none"> • Budget formulation; • Budget execution and reporting; • Debt management; • Contingent liabilities; • Payment arrears; • External auditing; and • Legislative scrutiny (e.g., data related to PACs) 	To receive a Highly Satisfactory rating, the report should provide quality data in <u>all</u> of the following areas: (a) The use of ex-post procurement reviews as well as experience with procurement under Bank-financed projects; and (b) Inefficiencies in the existing system (such data is generally available from experience under Bank-financed projects) (c) Provides data from other sources and in other areas to show efficiency or inefficiency or economy of the system.
Quality of Financial Management Risk Assessment	To receive a Highly Satisfactory rating, the report should get a Highly Satisfactory rating in the 3 sub-indicators below: (i) A clear analysis of at least 3 of the 4 following areas: Indicator one: The budget is not implemented as passed; in particular funds are not spent for the purposes set out in the budget. Indicator two: Significant government activities are not covered by the budget. Indicator three: There is insufficient reliable and timely information on budget execution. Indicator four: Practices do not match rules; and Institutional or governance factors may lead to gaps between formal PFM regulations or procedures and actual practices (e.g., a technically sound internal control is not enforced). (ii) In doing the above, the CFAA should look at cross-cutting issues of PFM systems, procurement systems, and corruption. (iii) Based on the analysis above, the CFAA should provide a clear risk rating.	To receive a Highly Satisfactory rating, the report should get a Highly Satisfactory rating in all three of the sub-indicators below: (a) A clear analysis of fiduciary risks as a result of institutions, weak procurement framework, corruption, and political risks; (b) A clear analysis of the risk to Bank-financed projects; (c) The risk section comprehensively pulls together the discussion; and (d) The risk rating is explicitly stated for both the country and for Bank assistance (high, medium, and low; if there is no explicit risk rating for the country and for the Bank, it cannot be rated HS.)

Appendix B
Rating Guide for Evaluation

	<i>CFAAs</i>	<i>CPARs</i>
Quality of Action Plan (Guidance for Bank in the case of CPARs)	To receive a Satisfactory rating, the report should get a Satisfactory rating in all of the sub-indicators below: (a) Clear recommendations; (b) Prioritized action plans (as opposed to wish lists); (c) Time-bound action plan; (d) Clear responsibility assigned for each action; (e) Lead agency for follow up and monitoring assigned; and (f) Action plan costed and source of funding identified. In addition, a HS rating should have monitoring indicators to measure implementation progress.	To receive a Satisfactory rating, the action plan for the client should consist of: (a) Clear recommendations; (b) Prioritized action plans (as opposed to wish lists); (c) Time-bound action plan; (d) Clear responsibility assigned for each action; (e) Lead agency for follow up and monitoring assigned; and (f) Action plan costed and source of funding identified. In addition, a HS rating should have monitoring indicators to measure implementation progress.
Recommendations for the Bank		To receive a Highly Satisfactory rating, the CPAR should provide clear recommendations for Bank project task team leaders: (i) Details to be included in a side-letter to the credit agreement distinguishing between Bank policies and country procedures for national competitive bidding; (ii) Recommendations for prior review thresholds; and (iii) Additional recommendations to address project level issues (where there are identified problems).
Indicators for Measuring Process		
Costs of Preparation	Benchmark provided by CFAA Guidelines indicates that \$75,000 would be suitable only for a very small country and that the average costs will be between \$75,000-225,000.	Benchmark amount provided by CPAR Instructions \$125,000
Levels of Internal Collaboration	A Highly Satisfactory report would have been jointly prepared from concept to implementation by a team consisting of staff from PREM, FM, and Procurement. If it is only by two units it would be considered Satisfactory.	
Participation of Client Stakeholders in Preparation of Diagnostic Report	To receive a Highly Satisfactory rating, the report should get a Highly Satisfactory rating in all sub-indicators below: (a) Equal participation by the government ("participation" can range from providing comments (Moderately Unsatisfactory), to involvement of a government team from concept to joint action plans and implementation strategies (Highly Satisfactory); (b) Involvement of a broad range of nongovernmental stakeholders (parastatals, civil society, NGOs, academic institutes, chambers of commerce, legislators, media); and (c) Use of appropriate participation instruments (client workshops, surveys and so on).	
Donor Collaboration	To receive a Highly Satisfactory rating, the report should get a Highly Satisfactory rating in all sub-indicators below: (a) Participation of other relevant stakeholders (multilateral development bank, key if it is a large donor in the country), other donors such as IMF, United Nations Development Program, EU, and DfID) in the preparation of the report—from concept note to preparation of report; (b) Discussion of other donors' studies and assessments, and their activities in the area; (c) Development of a common action plan. *Participation can range from financing (Moderately Unsatisfactory), to participation as a peer reviewer in reviewing and commenting on reports (Moderately Satisfactory), to participation in a joint mission and preparation of report (Satisfactory), to involvement of key donors from concept to joint action plans and implementation strategies (High).	
Measuring Results		
Within the Bank	24 focus countries were selected based on size of Bank assistance, ensuring sample representation of low- and middle-income countries, and where the greatest lessons could be gleaned for the way forward. Discussion of FM & Procurement Issues: A CAS will be rated as integrating the findings of the diagnostics in a highly satisfactory manner if the CAS: (i) discusses the key findings of the diagnostics; (ii) identifies the steps taken by the government to address the issues identified; (iii) reviews previous Bank and/or other donor assistance in this area; (iv) includes a program of assistance to address identified risks; (v) includes progress monitoring indicators; (vi) considers these measures part of a trigger in a high or significant risk scenario. They will be measured on a four scale rating of <i>High, Substantial, Modest, and Low</i> .	
Within Client Countries	See Box 17 in report.	

Appendix C. Framework for Measuring Results

<i>Indicators for Measurement of CPAR Influence in the Country</i>	<i>Indicators for Measurement of CFAA Influence in the Country</i>
<p>Improved regulatory system?</p> <ul style="list-style-type: none"> • Comprehensive procurement law or policy • Issuance of implementing regulations • Effective oversight body or equivalence in terms of clear responsibilities for oversight, policy, and monitoring functions • Harmonization of central and local laws and regulations 	<p>Increased credibility of the budget—The budget is more realistic and there are increased chances that it will be implemented as intended.</p>
<p>Enhanced competitive procurement?</p> <ul style="list-style-type: none"> • Conditions for various methods for procurement clearly prescribed by law and competitive procurement is the default procedure • Open advertisement required • Requirement for clear selection criteria in the bid documents • Public bid opening mandatory • Bid awarded to lowest evaluated responsive bidder (negotiations allowed only in exceptional circumstances) • Publication of award mandated 	<p>Enhanced comprehensiveness and transparency—The budget and the fiscal risk oversight are more comprehensive, and fiscal and budget information is accessible to the public</p>
<p>Availability of standard bidding documents?</p> <ul style="list-style-type: none"> • Goods, works, and services 	<p>Improved predictability and control in budget execution—The budget is implemented in an orderly and predictable manner and there are arrangements for the exercise of internal control in the use of public funds.</p>
<p>Introduction of a credible and functioning procurement complaints mechanism?</p>	<p>Better accounting, recording, and reporting—Improved quality and adequacy of records and information are produced, maintained and disseminated to meet decision-making control, management and reporting purposes.</p>
	<p>Improved external scrutiny and audit—Arrangements for scrutiny of public finances and follow up by executive are operating.</p>
<p>Enhanced capacity building of relevant functionaries in the system?</p>	

Appendix D. Findings on Quality and Results in Client Countries

How Did CFAAs Influence Client Countries?										
	Dominican Rep.	Ethiopia	Honduras	Indonesia	Karnataka (India)	Morocco	Pakistan	Philippines	Romania	Uganda (2004)
Increased knowledge and knowledge management within the country on PFM issues	H	S	S	M	H	L	L	L	M	S
Increased the resources available to client countries for FM reform ¹	L	S	M	S	M	L	M	L	S	S
Extent to which diagnostic influenced client reform agendas in a manner that is leading to or likely to lead to reduction of identified FM risks	M	S	M	M	S	L	L	L	S	M
Average Rating on Influence of CFAA	M	S	M	S	S	L	L	L	S	S

H-High; S-Satisfactory; M- Modest; L-Low.

High if it received both substantial DPL amounts with conditions for PFM reform, plus a project or TAL; Satisfactory if it received only DPLs; Modest if it received only a project; and Low if it received only a grant, although in MICs, this was considered as Moderate.

How Did CPARs Influence Client Countries?											
	Dominican Rep.	Ethiopia	Honduras	Indonesia	Karnataka (India)	Morocco	Pakistan	Philippines	Romania	Uganda (2004)	
Improved knowledge management on procurement issues	M	M	M	S	M	L	L	S	L	S	
Increased availability of resources for procurement reform	L	M	M	M	L	M	M	S	L	S	
Extent to which diagnostic influenced client reform agendas in a manner that is leading to or likely to lead to reduction of identified procurement risks	L	M	M	M	L	L	M	S	L	S	
Average Rating on Influence of CPAR	L	M	M	M	L	L	M	S	L	S	

¹ Management notes that this rating on the indicator “Increased the resources available to client countries for FM/Procurement reform” only considers increased resources that were directly provided by the Bank following the CFAA or CPAR. It does not take into account resources provided by other donors, by the government itself, or by Bank-supported projects initiated before the CFAA/CPAR was completed. The evaluation methodology therefore only takes a partial account of increased resources available for PFM reform. In some regions, the majority of CFAAs have been conducted jointly with other donors, who have also funded technical assistance to support implementation. In addition, the methodology used to determine the ratings (High, Satisfactory, Modest or Low) on this indicator is subjective and ad hoc. Given the above, the ratings on this indicator may be considered tentative and partial.

IEG observes that while the evaluation did not consider resources provided by the Government for reform (this is not readily available either with the Government or the country teams) or resources committed before the diagnostic (for reasons of attribution), it calculated all Bank and donor resources committed as of the date of the respective IEG mission.

APPENDIX D
FINDINGS ON QUALITY AND RESULTS IN CLIENT COUNTRIES

Region-wise Findings on Quality of CFAAs and CPARs over the Evaluation Period						
	<i>AFR</i>	<i>EAP</i>	<i>ECA</i>	<i>LAC</i>	<i>MNA</i>	<i>SAR</i>
% of CFAAs rated Highly Satisfactory, Satisfactory or Moderately Satisfactory	83	57	74	60	67	64
% of CPARs rated Highly Satisfactory, Satisfactory or Moderately Satisfactory	59	100	83	43	57	60
<i>Ratings for Sub-Indicators on Quality for CFAAs (Percent Satisfactory*)</i>						
Region (# of reports reviewed)	<i>AFR</i> <i>(18)</i>	<i>EAP</i> <i>(7)</i>	<i>ECA</i> <i>(19)</i>	<i>LAC</i> <i>(18)</i>	<i>MNA</i> <i>(6)</i>	<i>SAR</i> <i>(11)</i>
Consistency with instrument objectives	95	86	100	94	66	81
Consistency with scope stated in guidelines	82	71	89	83	83	91
Quality of analysis	82	71	72	83	66	81
Quality of empirical data	72	57	83	56	66	45
Quality of risk rating	89	57	66	67	83	73
Quality of action plan	89	43	78	56	33	91
<i>Ratings for Sub-Indicators on Quality for CPARs (Percent Satisfactory*)</i>						
Region (# of reports reviewed)	<i>AFR</i> <i>(27)</i>	<i>EAP</i> <i>(7)</i>	<i>ECA</i> <i>(23)</i>	<i>LAC</i> <i>(21)</i>	<i>MNA</i> <i>(7)</i>	<i>SAR</i> <i>(5)</i>
Consistency with instrument objectives	81	100	95	86	100	100
Consistency with scope stated in guidelines	93	100	100	81	86	100
Quality of institutional analysis	89	100	100	95	100	100
Quality of empirical data	59	71	57	48	71	60
Quality of risk rating for client	59	100	100	76	71	80
Quality of risk rating for Bank assistance	46	86	83	40	57	60
Quality of action plan	59	100	74	62	57	20

Source: Fiduciary Instruments evaluation of 72 CFAAs and 91 CPARs.

*Satisfactory includes moderately satisfactory.

An average of the first two ratings (consistency with instrument objectives and scope stated in guidelines) was used in arriving at the final rating.

Appendix E. Approach Paper

May 4, 2005

OPERATIONS EVALUATION DEPARTMENT REVIEW OF THE BANK'S FIDUCIARY INSTRUMENTS: AN OED EVALUATION APPROACH PAPER

Background

1. Knowledge of fiduciary systems in client countries is necessary for donors to ensure that externally financed aid expenditures are spent for the purposes for which they were intended.¹ Additionally, such knowledge helps donors initiate dialogue on, and influence change in, borrower public financial management (PFM) systems. Traditionally, donors adopted a project-by-project approach to analyzing fiduciary risks. With the shift to adjustment and programmatic lending, the recognition of close links between public sector management and development effectiveness, and the growing awareness of the impact of corruption on development effectiveness, a project-by-project approach was gradually supplemented by approaches that reflected a broader concern for the functioning of country-wide systems of procurement and financial management.

2. The Country Financial Accountability Assessment (CFAA) and Country Procurement Assessment Review (CPAR) have been the primary country-level analytical instruments helping the Bank to gain knowledge of fiduciary systems in client countries.² As part of the core diagnostics undertaken for all countries where the Bank provides assistance, Bank management committed to having in place current (i.e., not more than five years old) CFAAs and CPARs by the end of FY04.³ Between FY00 and December 31, 2004, management prepared more than 185 CFAAs and CPARs.⁴

3. In August 2004, management introduced greater flexibility by allowing diagnostic ESW (including fiduciary ESW) to be programmed on a country-by-country basis. There have also been several initiatives to enhance efficiency by piloting the integration of fiduciary diagnosis at the level of the instrument, and in some cases at a regional level. Through its work as a member of the Public Expenditure and Financial Accountability Secretariat (PEFA), the Bank is also exploring mechanisms to harmonize donor policies in these areas. The Bank has also initiated further focused work in a few countries to better understand and deepen the shift to use of country financial management systems.⁵ In the meantime, CFAAs and CPARs continue to remain one of the key analytical tools in this area, and the preliminary round of updating is expected to be completed by the end of this fiscal year.

4. There is no comprehensive evaluation of the effectiveness of the CFAAs and CPARs as analytical instruments. OED has conducted evaluations of two core diagnostics such as Public Expenditure Reviews and Poverty Assessments, but is yet to assess CFAA or CPARs.⁶ In addition, there are a few self-assessments, which are not fully comprehensive in scope or focus. A study, *Assessing Public Expenditure, Procurement, Financial Accountability* (2003) by PEFA, found the need for harmonization among different donor instruments. Additionally, surveys on PFM tools, conducted under the Special Program for Africa in 13 countries (2003), indicate that clients have found fiduciary assessments to be an uncoordinated donor review activity that increases the costs of doing business. Clearly, there is a

need to assess recent experience with these fiduciary instruments before taking steps to refine or revise the instruments and processes.

5. OED, therefore, proposes to assess the experience over the last five years and to understand the effectiveness of these two fiduciary instruments. Such an evaluation would be timely in informing management decisions on the quality and processes for future fiduciary diagnostic work, as well as be able to distill lessons that could facilitate and ease the process of shifting to country systems. The evaluation will be a building block for OED's forthcoming evaluation of the Bank's Economic and Sector Work (ESW).

Evaluation Objectives, Questions and Design

6. The proposed evaluation aims to assess the effectiveness of the Bank's fiduciary instruments to understand how they mitigated the fiduciary risks of Bank assistance and influenced the fiduciary environment in client countries. The evaluation will focus on reviewing how these instruments contributed towards shifting to reliance on country systems, contributed towards donor harmonization, and reduced transaction costs for the Borrower. The following key evaluation questions are proposed:

- To what extent did these instruments allow the Bank to effectively measure institutional and accountability arrangements and performance in the fiduciary areas in these countries? (inputs)
- To what extent did these instruments contribute to mitigating fiduciary risks of Bank assistance through improved design and implementation for Bank assistance? (outputs)
- To what extent did these instruments shape or influence fiduciary institutions and frameworks and enhance capacity in client countries? To what extent did these instruments support greater harmonization among donor approaches to analyzing fiduciary risks?

7. The unit of account will be the 'country.' In the first stage, the evaluation will combine different methods including extensive document analysis, interviews with different stakeholders, and a survey to solicit feedback from a wide range of client stakeholders and Bank/donor staff. The next stage will involve consultation workshops in selected countries to understand client perspectives and to triangulate the findings of the desk review within selected countries. Interviews and workshops with Bank staff will be conducted through the evaluation process. The mix of methods is expected to reduce any evaluative bias.

8. To better understand the overall context for the assessment, a rapid review and analysis of all fiduciary instruments prepared between July 1999 and December 2004 will be first undertaken. The evaluation will analyze for which countries these reports were prepared, whether omissions in preparing these reports had any implications on countries receiving Bank assistance, and how these reports influenced ESW work overall. The evaluation will assess the relevance of the reports for Bank assistance, its client responsiveness and its results orientation to gauge the scope and quality of these reports.

9. In trying to answer the four specific evaluation questions stated above, the evaluation would first select a sample of 24 countries where both reports were prepared during the evaluation period, four from each region, ensuring representation of low- and middle-income countries, as well as countries receiving large and small shares of Bank assistance to the region (Annex I for an illustrative set of countries). The evaluation questions will be answered in the context of these countries.

10. In answering the first question relating to the quality of the analysis, the evaluation will first try to assess how these fiduciary reports contributed to the identification of fiduciary risks. The evaluation will strengthen the initial review of the quality of these reports to assess the value added of these reports to better understanding of fiduciary issues in the country, and the results orientation of the reports in terms of its relevance for Bank assistance as well as for the client. A separate study will be undertaken on the quality of risk assessment in a set of selected documents. A *before and after* the issuance of the latest guidelines for both reports will be undertaken to assess how these reports changed over the evaluation period.

11. In answering the second question on how the fiduciary reports have impacted the design and implementation of Bank assistance, the evaluation will, as a first step, assess the CASs prepared immediately before and after the fiduciary reports. It will review how subsequent country strategies have attempted to reduce risks for Bank assistance and have shifted towards reliance on country systems. The evaluation will also undertake a 'with and without' assessment in a few countries where CFAAs/CPARs were not prepared. As a second step, the assessment will review selected Bank operations (investment, programmatic, and development policy lending) using the *before and after* design to assess whether and how design features changed to address fiduciary weaknesses at the country level. In order to isolate the impact of the fiduciary instruments, the evaluation will also examine other related analytical work and operations in the country, but these will need to be determined on a country-by-country basis.

12. In answering the third question as to what results these instruments influenced in the client countries, the evaluation will try to understand the country situation and progress made during the evaluation period in relation to PFM and procurement systems. Assessing outcomes will be complex and only a few selected intermediate outcome indicators are suggested in Annex II. This desk review will be based on the information available in relevant Bank documents, reports of other multilateral and bilateral agencies, and information available on donor/government webpages. A survey of Bank staff, client stakeholders, and donor representatives will be issued to solicit views on how the reports influenced progress in the client country. The findings of the above reviews and surveys will be triangulated through consultation workshops with relevant stakeholders. Admittedly, attribution will be difficult, and the evaluation will only assess if Bank assistance can reasonably have contributed to or supported any changes (positive or negative) in this area. To address this issue, the evaluation will try to assess, where possible, changes in selected countries where the Bank did not prepare such documents.

13. In answering the final question on harmonization among donors, the evaluation will again use a mix of methods including review of donor collaboration in the preparation of these reports, reliance on other donor reports, interviews with donor representatives, and a specific focus with donor representatives in client consultation workshops. A survey will also be issued to relevant donor representatives soliciting their views on how the reports led to greater donor harmonization

14. The findings will then feed into an integrated evaluation report. A draft Table of Contents for the final evaluation report is suggested in Annex III.

Evaluation Schedule and Team

15. **Timetable.** A design workshop with Bank staff will be organized in March 2005 to discuss the detailed design and obtain feedback and comments. Client consultation will be conducted between May and December 2005, with the initiation of a survey to client stakeholders as soon as it is

developed and tested. Key issues and questions from the evaluation will be discussed with internal and external stakeholders in January 2006, and the final report will be presented to CODE in the first quarter of FY07.

16. **Team.** The team will include experts familiar with Bank fiduciary and operational processes, and will be led by Gita Gopal, Lead Evaluation Officer, OEDCR, under the guidance of Kyle Peters (Senior Manager, OEDCR). A peer review team consisting of Robert Drysdale (consultant) and Kris Hallberg (OEDSG) will provide guidance and comments on the design and final reports. In addition, a group of experts will be constituted to provide OED management with reviews of the evaluation design and the draft report.

Annex I: Countries for Results Evaluation (Tentative)

<i>No.</i>	<i>Reg.</i>	<i>Country</i>	<i>Status</i>	<i>IBRD Commit Amt (US\$m) FY00-Dec. 04</i>	<i>IDA Commit Amt (US\$m) FY00-Dec. 04</i>	<i>IBRD/IDA Commit Amt (US\$m) FY00-Dec. 04</i>	<i>IBRD Region Totals (US\$m) FY00-Dec. 04</i>	<i>Country Share (%)</i>	<i>Country Income Level*</i>
1	AFR	Ethiopia	Both	0.00	2,050.70	2,050.70	19,758.80	10.38	LIC
2	AFR	Tanzania	Both	0.00	1,864.24	1,864.24	19,758.80	9.43	LIC
3	AFR	Guinea	Both	0.00	219.60	219.60	19,758.80	1.11	LIC
4	AFR	Cameroon	Both	53.40	202.03	255.43	19,758.80	1.29	LIC
5	EAP	Vietnam	Both	0.00	2,883.61	2,883.61	12,745.34	22.62	LIC
6	EAP	Indonesia	Both	1,588.46	601.10	2,194.56	12,745.34	17.22	LMC
7	EAP	Mongolia	Both	0.00	150.23	150.23	12,745.34	1.18	LIC
8	EAP	Lao PDR	Both	0.00	146.90	146.90	12,745.34	1.15	LIC
9	ECA	Romania	Both	1,643.43	0.00	1,643.43	18,439.31	8.91	LMC
10	ECA	Poland	Both	841.24	0.00	841.24	18,439.31	4.56	UMC
11	ECA	Kyrgyz Republic	Both	0.00	218.30	218.30	18,439.31	1.18	LIC
12	ECA	Uzbekistan	Both	120.14	85.00	205.14	18,439.31	1.11	LIC
13	LAC	Brazil	Both	7,643.38	0.00	7,643.38	26,630.69	28.7	LMC
14	LAC	Mexico	Both	5,987.09	0.00	5,987.09	26,630.69	22.48	UMC
15	LAC	Paraguay	Both	63.00	0.00	63.00	26,630.69	0.24	LMC
16	LAC	Guatemala	Both	346.71	0.00	346.71	26,630.69	1.30	LMC
17	MNA	Yemen	Both	0.00	752.23	752.23	4,533.6	16.59	LIC
18	MNA	Egypt	Both	452.85	0.00	452.85	4,533.6	9.99	LMC
19	NINA	Morocco	Both	322.83	0.00	322.83	4,533.6	7.12	LMC
20	MNA	Djibouti	Both	0.00	79.46	79.46	4,533.6	1.75	LMC
21	SAR	India**	Both	6,511.27	5,075.76	11,587.03	18,416.98	62.91	LIC
22	SAR	Pakistan	Both	74.40	2,602.84	2,677.24	18,416.98	14.54	LIC
23	SAR	Sri Lanka	Both	0.00	693.90	693.90	18,416.98	3.77	LMC
24	SAR	Nepal	Both	0.00	459.46	459.46	18,416.98	2.49	LIC

*LIC: Low-Income Country; LMC: Lower-Middle Income Country; UMC: Upper-Middle Income Country (Source: WDR 2005).

**No Country Financial Accountability Assessment was completed for India during the evaluation period. State Financial Accountability Assessments were completed for Karnataka, Orissa, and Uttar Pradesh.

Annex II: Evaluation Framework in Brief

<i>Results</i>	<i>Indicators</i>	<i>Evaluation Methods</i>
<p>OUTCOME: Improved economic, efficient, and transparent use of public resources in client countries</p>	<p>(i) Improved Predictability (Intermediate Outcome indicators would include: Strengthened laws/regulations and rules in line with international standards and practices; Improved and realistic budgets in terms of actual when compared with planned; Improved dispute settlement mechanisms);</p> <p>(ii) Improved Quality/Efficiency (Intermediate Outcome indicators would include: Enhanced processes that increase economy and efficiency of procurement; Enhanced capacity of staff in relevant institutions (including the private sector in the case of procurement); Improved harmonization of donor policies resulting in a coordinated approach to future assessments);</p> <p>(iii) Improved Accountability & Transparency (Intermediate Outcome indicators would include: Improved public availability of information; Improved participation of civil society in formulating, monitoring, and oversight of budgets; Enhanced monitoring and oversight of financial & procurement performance by internal and external actors).</p>	<p>a. Desk review of Country Assistance Evaluations and other relevant documents, including Project Implementation Completion Report/IEG ICR review ratings for PFM projects or large PFM components (if available);</p> <p>b. Interviews with client country stakeholders, other donor representatives, and Bank staff/country teams;</p> <p>c. Participatory workshops with client country stakeholders (if resources become available)</p>
<p>OUTPUTS: Improved bank strategies & measures to reduce risks to bank assistance and strengthen public financial management and/or procurement systems in client countries</p>	<p>(i) Enhanced Country-level Strategies ('before and after' reports and 'with and without' reports) (Indicators: Improved handling of key issues raised by CFAAs and CPARs; Improved lending triggers, size of assistance, and instrument choice as a response to risk levels; Improved Bank agenda with greater focus on key FM or procurement issues (e.g., leading to a governance reform agenda in the country, components on new operations, analytical work, projects);</p> <p>(ii) Improved Project-level FM and procurement design of subsequent investment/development policy operations ('before and after' and 'with and without' fiduciary reports) (Indicators: Improved recognition of risks identified in operational reports; Corresponding actions to address fiduciary weaknesses; Improved involvement of FM and procurement experts in design of projects in countries where reports identified high risks);</p> <p>(iii) Improved Guidance for Bank Staff (Indicators: Improved rules and guidance; Improved tools and resources for staff; Strengthened human resources; Availability of training opportunities for staff; Strengthened reporting; Improved monitoring).</p>	<p>a. Desk review of CASs before and after reports to assess how country-level strategies have adopted the findings of the CFAA and CPAR Participatory Workshops;</p> <p>b. Desk Review of Investment/Development Policy Lending Operational documents (before and after reports);</p> <p>c. Desk Review of IEG country- and project-level evaluations;</p> <p>d. Staff Survey.</p>
<p>INPUTS/ PROCESSES: Preparation of relevant CFAAs and CPARS</p>	<p>(i) Quality of Reports (Indicators: Clarity of objectives; Consistency of analysis with Bank's guidelines; Sound analysis of risks backed by quantitative information; Adequacy of guidelines);</p> <p>(ii) Client Responsiveness (Indicators: Involvement of government in determining task objectives; Range and depth of government engagement; Consultation with other key client stakeholders; Dissemination and disclosure of report);</p> <p>(iii) Results Orientation (Indicators: Clear action plan; Prioritization and realism of recommendations for Bank/Client; Timeliness of report for Bank assistance)</p> <p>(iv) Focus on Partnerships and Harmonization of Agendas and Rules (Indicators: Participation of donors in preparing the instruments; Focus on harmonization of fiduciary rules imposed on client); (v) Efficiency-related Issues (Indicators: Average cost of CPARs/CFAAs vs. fiduciary ratings for countries (ltd); Frequency of reports).</p>	<p>a. Desk review of CFAAs and CPARs;</p> <p>b. Interviews with staff;</p> <p>c. Workshops with staff;</p> <p>d. Interviews with collaborating donor agencies;</p> <p>e. Interviews with client country staff.</p>

Annex III: Draft Table of Contents for Final Evaluation Report

CHAPTER 1: BACKGROUND, OBJECTIVES, AND METHODOLOGY FOR EVALUATION

- **Introduction** – *The Bank's Fiduciary Instruments Objectives, Scope, and Responsibilities*
- **Evaluation Design and Methodology**

CHAPTER 2: RELEVANCE OF FIDUCIARY INSTRUMENTS

- **Comprehensiveness of Reports for Bank**
 - *Clarity of objectives and purpose*
 - *Coverage and scope of reports for Bank assistance*
 - *Sound analysis of risks with appropriate and adequate use of quantitative information and analysis*
- **Client Responsiveness**
 - *Client demand for product*
 - *Range and depth of government engagement*
 - *Consultation with other key client stakeholders*
 - *Disclosure and dissemination of report*
- **Results Orientation**
 - *Prioritization, realism of recommendations and action plans*
 - *For Bank*
 - *For Client*
- **Partnerships & the Harmonization Agenda**
 - *Participation of donors in utilizing the se fiduciary instruments*
 - *Harmonization with other donors at a country level in utilizing fiduciary instruments*

CHAPTER 3: REDUCING RISKS OF BANK ASSISTANCE

- **Influencing Bank Assistance at a Country Level**
 - *Appropriate use of relevant findings in CASs*
 - *Influencing decisions on amount, timing and form of lending of assistance*
 - *Set of clear actions or an action plan to address key report recommendations*
- **Influencing Project Level Fiduciary Arrangements**
 - *Influence of CFAA/CPAR findings on project design*
 - *FM aspects*
 - *Procurement aspects*
- **Improved Institutional Capacity within the Bank**
 - *Increased capacity of Bank staff*
 - *Improved rules and guidance*
 - *Increased availability of resources and support*

CHAPTER 4: STRENGTHENING CLIENT FIDUCIARY INSTITUTIONS

- **Institutional Strengthening**
 - *Improved Predictability*
 - *Improved rules, laws, and regulations*
 - *Improved products*
 - *Improved Quality and Efficiency*
 - *Enhanced processes in budget formulation or procurement management*
 - *Enhanced capacity in FM & Procurement*
 - *Improved harmonization of donor policies & efforts*
 - *Improved Accountability and Transparency*
 - *Increased availability of information*
 - *Improved participation of civil society*
 - *Enhanced Monitoring and Evaluation*
- **Sustainability of Results**

CHAPTER 5: DONOR HARMONIZATION

- **Improved Fiduciary Rules and Guidelines**
- **Improved Collaboration through Use of Common Diagnostic Tools**

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

- **Overall Findings**
- **Lessons**
- **Recommendations**

NOTES

1. Article III, Section 5 (b), IBRD Articles of Agreement states: “The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non- economic influences or considerations.” The IDA Articles of Agreement contain a similar provision.

2. The CFAA supports the Bank’s fiduciary responsibilities by identifying the strengths and weaknesses of accountability arrangements in the public sector and the risks that these may pose to the use of Bank funds. The CPAR serves to assess the performance of the public procurement system, contributing to the design of risk mitigation plans. Both instruments also serve development purposes by facilitating a common understanding of the country’s financial management/procurement arrangements, and helping to design and implement capacity building programs. The Public Expenditure Review (PER) is another diagnostic instrument that focuses on the upstream phases of public expenditure management. Other donors such as the IMF, European Union and DfID have developed their own fiduciary instruments

3. Fixing ESW: Phase II—Challenges and Next Steps in the ESW Reform Process, June 28, 2001. See also Additions to IDA Resources: Thirteenth Replenishment, September 17, 2002.

4. The total cost of these reports was about one-fifth of the Core ESW cost, and seven percent of all ESW cost.

5. OPCS. 2005. *Expanding the Use of Country Systems in Bank-supported Operations: Issues and Proposals* Report No. 31734

6. OED. 2000. “Poverty Assessments—Maximizing Impact.” *Precis* No. 195.

Appendix F. List of Projects Reviewed

Group 1: Mission Countries Project Review					
Reg.	Country	#	Project Title		
			Before FIs	#	After FIs
AFR	Ethiopia	1	ET-Global Distance Learning	2	ET-Pub Sec Cap Bldg Prj
AFR	Ethiopia	3	ET-Medicinal Plants	4	ET-Water Sply & Sanitation
AFR	Uganda	5	UG-Roads Dev APL (FY99)	6	UG-Road Dev APL 3 (FY05)
AFR	Uganda	7	Power III Supplemental	8	Priv Sec Competitiveness 2
EAP	Indonesia	9	ID-Provincial Health I	10	ID-Provincial Health II
EAP	Indonesia	11	ID-WSSLIC II	12	ID-East. Ind. Regional Transpt
EAP	Philippines	13	Land Admin & Management	14	PH-Land Administration & Management II
EAP	Philippines	15	PH-2nd Social Expenditure Management	16	PH-2ND Women's Health & Safe Motherhood
ECA	Romania	17	SDF	18	Mod Agr Knowledge & Inform Syst (MAKIS)
ECA	Romania	19	PIBL	20	Transport Restructuring
LAC	Honduras	21	HN Regional Dev in the Copan Valley	22	HN Judicial Branch Modernization
LAC	Honduras	23	HN Financial Sector Technical Assistance	24	HN Nutrition and Social Protection
LCR	Nicaragua	25	NI Ag Techn & Rural Edu (APL)	26	NI - Education
LCR	Nicaragua	27	NI Land Administration Project	28	Second Agricultural Technology Project
MNA	Yemen	29	RY-Civil Service Modern	30	RY- Second Rural Access
MNA	Yemen	31	RY-Second Social Fund for Dev	32	RY-Fisheries Res. Mngmnt & Conservation
SAR	Pakistan	33	Improve Fin Rep & Audit	34	PIFRA II
SAR	Pakistan	35	NWFP On-Farm Water Management Project	36	NWFP Community Infrastructure II (CIP2)
SAR	Sri Lanka	37	North-East Irrigated Agriculture Project	38	NEIAP II
SAR	Sri Lanka	39	Renewable Energy for Rural Ec. Dev.	40	Community Development & Livelihood

Project selection criteria: Where available, sequential projects approved before and after both fiduciary instruments were completed were selected. For those countries where such criteria could not be met, projects selected are those immediately before and after the fiscal years when the fiduciary instruments were completed. In LAC, Nicaragua was added. In MNA, Yemen was substituted for Morocco because there were not sufficient numbers of projects in the latter meeting the criteria. In SAR, Sri Lanka was substituted for India because the latter did not undertake a national CFAA.

Appendix F List of Projects Reviewed

Group 2: CFAA Recommendations Project Review					
		Project Title			
		#	Before CFAA	#	After CFAA
AFR	Mozambique	41	Agricultural Sector Public Exp Program	42	Biera Railway Project
AFR	Mozambique	43	Enterprise Development Project	44	Public Sector Reform Program
ECA	Armenia	45	Enterprise Incubator Project	46	Urban Heating Project
ECA	Armenia	47	Irrigation Dev Project	48	Yerevan Water and Wastewater Project
ECA	Bosnia and Herzegovina	49	Privatization Technical Assistance Project	50	Second Employment Support Project
ECA	Bosnia and Herzegovina	51	Mostar Water Supply and Sanitation	52	Health Sector Enhancement Project
ECA	Moldova	53	Social Investment Fund Project I	54	Social Investment Fund II
ECA	Moldova	55	Rural Support Services Program	56	Competitiveness Enhancement Reform
ECA	Romania	57	Health Sector Reform Program	58	Knowledge Economy Project
ECA	Romania	59	Judicial Reform Project	60	Private and Public Sector Institution Building Loan
ECA	Russia	61	Northern Restructuring Project	62	National Hydromet Dev Project
ECA	Russia	63	Education Reform Project	64	Cadastre Development Project
ECA	Tajikistan	65	Second Poverty Alleviation Project	66	Community and Basic Health
ECA	Tajikistan	67	Dushanbe Water Supply Project	68	Municipal Infrastructure and Development Project

Project selection criteria: Where available, sequential projects approved before and after the CFAA was completed were selected. For those countries where such criteria could not be met, to the extent possible, projects selected are those in related sectors in fiscal years before and after CFAA was completed.

Appendix F List of Projects Reviewed

Group 3: CPAR Recommendations Project Review					
		Project Title			
		#	Before CPAR	#	After CPAR
AFR	Malawi	69	Privatization/Utility Reform Project	70	Health Sector Support Project
AFR	Malawi	71	Financial Management	72	Education Sector Support Project
AFR	Zambia	73	Basic Ed Subsector Investment Program	74	National Response to HIV/AIDS Project
AFR	Zambia	75	Railways Restructuring Project	76	Road and Rehabilitation Project
EAP	Cambodia	77	Road Rehabilitation Project	78	Trade Facilitation and Competitiveness Project
EAP	Cambodia	79	Education Quality Improvement Project	80	Education Sector Support Project
EAP	Vietnam	81	Rural Energy Project	82	Second Rural Energy Project
EAP	Vietnam	83	Second Rural Transport Project	84	Primary Education for Disadvantaged Children
ECA	Kyrgyz Republic	85	Farm Irrigation Project	86	Village Investment Project
ECA	Kyrgyz Republic	87	Rural Water and Sanitation Project	88	Rural Education Project
ECA	Moldova	89	Health Investment Fund Project	90	HIV Control Project
ECA	Moldova	91	Social Investment Fund I	92	Social Investment Fund II
ECA	Tajikistan	93	Dushanbe Water Supply Project	94	Community Agriculture/Watershed Project
ECA	Tajikistan	95	Pamir Private Power Project	96	Community and Basic Health Project
LAC	Chile	97	Proposed Social Protection TA Loan	98	Infrastructure for Territorial Development Project
LAC	Chile	99	Sustainable Transport and Air Quality	100	Santiagourban Transport TA Project
MNA	Egypt	101	Second National Drainage Project	102	Airports Development Project
MNA	Egypt	103	Higher Education Enhancement Project	104	Early Childhood Education Enhancement Project
SAR	Nepal	105	Telecommunications Sector Reform Project	106	Community School Support Project
SAR	Nepal	107	Road Maintenance and Development Project	108	Financial Sector TA Project

Project selection criteria: Where available, sequential projects approved before and after the CPAR was completed were selected. For those countries where such criteria could not be met, to the extent possible, projects selected are those in related sectors in fiscal years before and after CPAR was completed.

Appendix G: Chairperson's Summary (Committee on Development Effectiveness)

Country Financial Accountability Assessments and Country Procurement Assessments Reports How Effective are World Bank Fiduciary Diagnostics? (Meeting of June 18, 2007)

1. On June 18, 2007 the Committee on Development Effectiveness (CODE) Informal Subcommittee considered the Country Financial Accountability Assessments and Country Procurement Assessment Reports – How Effective are World Bank Fiduciary Diagnostics and the draft Management Response.
2. **IEG Findings and Recommendations.** IEG reviewed the large number of public financial management (PFM) diagnostics – namely the Country Financial Accountability Assessments (CFAAs) and the Country Procurement Assessment Reports (CPARs) undertaken between July 1999 and December 2004. One of the main findings was that the CFAAs and CPARs evaluations have been of central relevance to development effectiveness. IEG also found that CFAAs, and to a lesser extent CPARs have significantly contributed to the Bank's development objectives, but their contribution to the achievement of the Bank's fiduciary objectives was limited. IEG noted that the quality of diagnostics was satisfactory, there was some country participation although country leadership in the diagnoses was low, and donor collaboration increased overtime. The focus of the IEG recommendations was on:
(1) gearing CFAAs and CPARs more directly to the fiduciary goal; (2) enhancing quality of the diagnostics; and (3) strengthening the impact of fiduciary work and associated outcomes.
3. **Draft Management Response.** Management welcomed the IEG evaluation report, noting that many of the findings confirmed its thinking on the Bank's PFM work. It noted that a memorandum to staff was issued in July 2005 on strengthening the Bank's PFM work, which addresses many of IEG findings and recommendations. There were some areas where Management had different views to IEG, such as the tension IEG suggested between the development and fiduciary objectives of CFAAs and CPARs; the view that assessments are less relevant for the Bank's fiduciary than for its development objectives; and the assessments have less influence at the project level. As well, there were differences in opinion on the treatment of corruption risk, inclusion of an action plan in the assessment, the recommendation to mandate a PFM concept note as part of the country assistance strategy (CAS) formulation process, and the use of assessments as instrument for aligning processes in donor-financed project.
4. **Overall conclusions and Next Steps.** Members welcomed the IEG report and the draft Management Response, noting its relevance particularly for the Bank's proposed shift to use of Country Systems in selected countries. However, a few speakers asked about the timing of the report and suggested that IEG could have reviewed the implementation of the strengthened

Appendix G

Chairperson's Summary

approach to implementing the Bank's PFM work. Speakers were broadly supportive of the IEG findings and recommendations. It was noted that many IEG findings and recommendations have been addressed by Management. Some of the themes discussed were: the importance of more country participation in, and ownership of, the fiduciary diagnostics; the link with CASs; the importance of prioritized and time bound follow-up country action plans to strengthen country systems; the benefits of a clear integrated risk analytical framework; the question of whether there could be overall risk ratings; and CFAAs and CPARs and other assessments as entry points for donor harmonization and coordination around the use of country systems. As well, speakers discussed the need for indicators to monitor progress in PFM, the issue of disclosure of assessments, and the need for better internal coordination and appropriate incentives.

The following main issues were raised during the meetings:

5. **Reconciling the Dual Objectives.** The common view held among speakers was that the development and fiduciary objectives of the Bank's fiduciary diagnostics are complementary. A speaker found the distinction between the two objectives as misleading, noting that addressing fiduciary issues should be seen as development goal. This view was reflected by another speaker, who believed that a strong PFM should consider fiduciary issues. *IEG agreed that the development and fiduciary objectives are complementary, but noted that the measures to achieve the two objectives in the short term are sometimes distinct from one other. It noted that fiduciary objectives focus on mitigating short-term risks to Bank assistance through actions within its control, and accordingly diagnostics are expected to look more inward at the design of Bank assistance.* One speaker was concerned that there may be more rigid application of Bank procurement practices if the Bank gears CFAAs and CPARs more toward fiduciary goals as recommended by IEG. *IEG clarified that it was not suggesting that Bank procurement rules be applied more rigidly or that there should be greater reliance on ring-fenced projects. IEG's evaluation assessed a more limited point, which is whether these diagnostics are influencing the design of country and operational strategies; the evaluation found that these diagnostics could do more to influence CASs or procurement design.*

6. **The Diagnostics.** A speaker emphasized the quality of assessments, and the importance of Management commitment to strengthen the diagnostics. Another speaker also noted the relevance of the diagnostics to increasing the use of country systems. There were a number of comments on how to strengthen the CFAAs and CPARs; ensuring their coordination with other assessments such as the Public Expenditure Framework Assessment (PEFA) and ongoing Organisation for Economic Co-operation and Development/ Development Co-operation Directorate (OECD/DAC) work on procurement assessment; and incorporating monitorable progress indicators. A few speakers remarked that the multiple diagnostic tools were becoming overly complicated and should be simplified, particularly given country capacity issues. One speaker said that it was essential to have stand alone CPARs. *Management commented on the ongoing efforts to strengthen the diagnostics, in particular the CPARs for which a new set of guidelines to staff is being prepared.*

7. **Country Participation and Ownership.** Some speakers emphasized country participation in, and ownership of, fiduciary assessments especially for country follow-up action. It was noted with concern that country uptake of the assessment reports appeared limited, especially in the area of procurement. One speaker raised concerns about potential moral hazard related to country participation in CFAAs and CPARs. *Management noted the importance of helping countries*

undertake their own diagnostics, and also observed that when countries are excluded from the process they are less likely to act on the findings and recommendations. Management assured the Subcommittee of the increasingly strong country ownership and participation in the diagnostics.

8. **Follow-up Action Plan and Monitoring Progress in PFM.** The importance of follow-up actions to the assessments was highlighted. A speaker asked Management for examples of PFM initiatives that emerged from CFAAs and CPARs. Speakers supported IEG recommendations for the Bank to support country specific, prioritized and sequenced action plans aimed at strengthening country fiduciary systems. They also stressed that the action plan should enable monitoring and evaluation of progress in PFM, and should include timeframe, responsibilities, and costs. *Management referred to the example of Sri Lanka in explaining that while the assessments may not include action plans, action plans are developed after the completion and local dissemination of assessments. Given the interest in the follow-up actions, Management proposed to take on this topic in its subsequent annual Financial Management Report and Procurement Report.*

9. **Links with CASs.** There was general support for more integration of CFAAs and CPARs in CASs, as well as in national development strategies. A few speakers commented on the need for better synchronization so CFAAs and CPARs with CASs, to ensure that the assessments feed into CASs. They supported IEG's recommendation that PFM concept note should be initiated as part of CAS formulation process. One speaker emphasized that the diagnostics are central to the Bank's operational decisions, and expected CASs to discuss findings and risk ratings in CFAAs and CPARs. Another speaker sought clarifications on IEG's findings that assessments were not informing Bank's choice of support, including decisions to extend Development Policy Operations (DPOs) and Sector-Wide Approaches (SWAs). *Management explained that many factors are taken into account in planning for CFAAs and CPARs, which are intended not only to inform CASs but other Bank operations. Accordingly, the most important is to ensure that the assessments are undertaken before the CAS finalization.*

10. **Integrated Risk Analytical Framework and Risk Rating.** There was general support for integrated risk analytical framework, and speakers welcomed Management's initiatives in this area. A speaker urged the Bank to give more emphasis to this framework, noting the uneven achievements of the Bank's fiduciary goals. However, another speaker cautioned that the comprehensive and integrated risk analytical framework should not lead to further rigidity of Bank procurement practices. Clarification was sought on the IEG findings concerning the lack of a satisfactory framework for risk analysis, and its implication for project design.

11. One speaker supported inclusion of risk ratings in all CFAAs and CPARs while two speakers expressed caution about having such risk ratings. *IEG clarified that it was not suggesting that risk rating be provided in the assessments, and noted the need for flexibility to take into account the sensitivities of some governments. IEG also pointed to the findings that two-thirds of CFAAs and CPARs were including explicit risk rating, and thus it suggested some clarifications in this area. In this regard, Management preferred to flexibility in undertaking risk analysis. Management also noted that the standardized national risk analysis included in the CFAAs and CPARs can not be applied at project level, since individual implementing agencies will have different levels of capacity. As for addressing corruption issues in CFAAs and CPARs, a few speakers supported Management's view that this matter should be addressed through the ongoing efforts on governance and anti corruption. IEG explained that the report does not recommend separately pursuing corruption, but is suggesting that*

Appendix G Chairperson's Summary

for a risk assessment on procurement to be realistic and comprehensive, consideration must be given to the impact of corrupt practices on the procurement or financial management systems.

12. **Disclosure of Assessments.** Several speakers urged more transparency and systematic disclosure of assessments, within the Bank and to the public. A speaker noted that assessments should be available to not only the Government, but also to other local stakeholders including the civil society. A few speakers asked about the CPARs that are publicly available. *Management noted that the presumption is in favor of disclosure, and more work was needed to maximize disclosure. Management said it would follow-up on the availability of the CPARs.*

13. **Donor Coordination and Harmonization.** A few speakers sought clarifications on Management's response that these assessments are not normally the right instrument to further the objective of alignment of processes in donor financed projects. A speaker noted that the CFAAs and CPARs may serve as an entry point for dialogue with other donors, and may further promote donor coordination and harmonization. Another speaker positively noted that these assessments are important for donors' operations. It was suggested that IEG could have taken a broader perspective of harmonization of practices in donor-financed investment projects. *IEG replied that it will look further into harmonization issues in the forthcoming evaluations on public sector reform and decentralization.*

14. **Internal Coordination and Incentives.** Speakers stressed the need to improve internal coordination. In this context, a few speakers explicitly support the IEG recommendation for integrated diagnostics, which was also expected to strengthen internal coordination. Others commented on the need to address staff incentives. *Management noted that it was making progress in the area of strengthening the Bank's work in PFM, and reported that 19 integrated assessments have been completed.*

Jiayi Zou, Chairperson, CODE

Appendix H: Management Response

**COUNTRY FINANCIAL ACCOUNTABILITY ASSESSMENTS AND
COUNTRY PROCUREMENT ASSESSMENT REVIEWS:
HOW EFFECTIVE ARE WORLD BANK FIDUCIARY DIAGNOSTICS?**

MANAGEMENT RESPONSE

MARCH 7, 2008

ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Report
DPO	Development policy operation
GAC	Governance and anticorruption
FM	Financial management
IEG	Independent Evaluation Group
PEFA	Public Expenditure and Financial Accountability
PFM	Public financial management
PR	Procurement
QAG	Quality Assurance Group
SWAp	Sectorwide approach

**COUNTRY FINANCIAL ACCOUNTABILITY ASSESSMENTS AND
COUNTRY PROCUREMENT ASSESSMENT REVIEWS:
HOW EFFECTIVE ARE WORLD BANK FIDUCIARY DIAGNOSTICS?**

MANAGEMENT RESPONSE

1. Management welcomes this Independent Evaluation Group (IEG) evaluation of Country Financial Accountability Assessments (CFAAs) and Country Procurement Assessment Reports (CPARs) that were undertaken between July 1999 and December 2004.

A. Support for the Broad Thrust of the Analysis and Recommendations

2. Management supports the broad thrust of many of the observations and recommendations contained in IEG's evaluation. Management notes the evaluation's conclusions that these specialized assessments have contributed positively to partner countries and thereby to the Bank's development objectives. Management notes that in addition to generating a significant knowledge base on public financial management (PFM) issues, the CFAA and CPAR instruments have helped initiate dialogue on PFM issues, generate country ownership, and catalyze reforms in many countries.

3. *Reinforcement of Broad Direction of Planned Actions.* Several findings of the evaluation confirm Management is thinking on strengthening the Bank's PFM work. Management agrees on the need for (a) increased attention to prioritizing and sequencing PFM reforms; (b) continued emphasis on disseminating PFM analytic work findings; (c) provision of more empirical data and sharper analysis in some PFM analytic work; (d) better linkages with corruption issues in all PFM work; (e) continued emphasis on supporting partner countries' PFM reform programs in an integrated and harmonized manner; (f) more staff guidance on internal processes and mechanisms for coordination on PFM issues among Bank sectors; (g) continued staff training on PFM issues, building on the substantial past and ongoing efforts, and (h) work with partners to increase the timely public availability of CFAAs and CPARs. However, two important developments since 2005 are worth noting: CFAAs and CPARs are no longer mandatory and the rollout of the Public Expenditure and Financial Accountability (PEFA) framework. The PEFA assessments inherently require joint efforts, thus ensuring better coordination on PFM work.

4. *Work Already Undertaken.* Management is already acting on many of the recommendations of the evaluation. Drawing from lessons of implementation experience, in July 2005 Management issued a memorandum to staff to strengthen the Bank's PFM work. The memorandum emphasized (a) country ownership of PFM reforms; (b) prioritizing and sequencing of PFM reforms; (c) better measurement and

Appendix H Management Response

monitoring of PFM performance and progress, using the PFM Performance Measurement Framework developed by the PEFA partnership program; (d) coordinated work by the three Bank operational teams (Financial Management, Procurement, and the Public Sector Governance Unit in Poverty Reduction and Economic Management); and (e) coordination with other development partners.¹ These measures are being implemented, and Management will continue to emphasize these aspects.

B. Areas of Divergence

5. In spite of the usefulness of IEG's review, Management has observations and comments on some of the analysis and recommendations.

6. *Relevance of the Instruments for the Bank's Fiduciary Objectives.* Management does not agree with the IEG review's conclusions that CFAAs and CPARs are less relevant for the Bank's fiduciary objectives than for its development objectives, and that they have made only a limited contribution to the design and arrangements of Bank assistance. These assessments have been among the main sources of country-level PFM knowledge, including information on procurement (which is not covered under any other type of assessment). This knowledge has proved invaluable for the Bank's fiduciary work in development policy operations (DPOs) and investment lending.

7. *Development Policy Operations.* The IEG review gives little coverage to the important contribution of CFAAs and CPARs to the Bank's fiduciary work on DPOs:

- a) All DPOs are underpinned by an understanding of the country's PFM system, and CFAAs and CPARs have been central contributors to this knowledge base: more than 85 percent of DPOs approved from September 2004 to March 2006 drew on PFM knowledge from CFAAs, and 100 percent of knowledge of country procurement systems came from CPARs.² Moreover, CFAAs and CPARs have provided the platform to initiate PFM (including procurement) dialogue with partner countries, build government commitment, and catalyze reforms supported under DPOs. This is corroborated by the Quality Assurance Group's (QAG's) Quality at Entry assessment for FY04-05, which looked at whether DPOs had adequately drawn on PFM analytic work and whether this had resulted in appropriate PFM conditions and triggers, and assessed all of the projects reviewed as satisfactory or highly satisfactory in these regards.³
- b) IEG's evaluation notes that the Bank provided budget support to countries regardless of whether the fiduciary risks were assessed to be high or low, and on this basis concludes that CFAAs and CPARs were not a primary driver of the Bank's choice of

¹ See *Strengthening the Bank's PFM work*, July 25, 2005, Memorandum issued by the Vice Presidents of the PREM and OPCS Networks.

² See *Development Policy Lending Retrospective* (SecM2006-0319), July 13, 2006.

³ See *Quality at Entry in FY04-05 (QAE7)* (CODE2006-0011), February 10, 2006.

instruments—specifically, investment support versus DPOs—in Country Assistance Strategies (CASs). Management does not agree with this conclusion, and notes that the basis IEG used to arrive at this conclusion is at variance with the Bank’s policy for DPOs.^{4,5} The Bank has not set any specific PFM performance standard as a precondition for DPOs. Instead, it looks at the relevance of DPO support relative to the country objectives the Bank is supporting. If a DPO is the best option, the Bank works with the authorities to design the DPO to take into account country conditions. DPOs may be extended to countries with weak PFM systems, provided there is credible government commitment to reform and evidence of improvement over time. The Bank’s PFM analysis informs decisions on DPO amounts, tranching, program content, conditionality, and risk mitigation. The DPO retrospective, discussed recently by Executive Directors, concluded that this approach is generally working well.⁶ Drawing on lessons of experience, Management is taking steps to further improve implementation by better assessment of the strength of the supported program, and tracking of progress over time.

8. **Investment Lending.** Management does not agree with the IEG evaluation’s findings that CFAAs and CPARs have had little influence at the project level:

- a) CFAAs and CPARs are intended to provide the country context for financial management (FM) and procurement (PR) assessments that are mandatory for all projects. The extent to which these instruments are relevant to the design of investment project fiduciary arrangements per se depends on the nature of the operation. They are strongly relevant for the design and improvement of fiduciary arrangements in projects that operate through country FM and PR systems, for example, most sectorwide approaches (SWAs). CFAAs are not appropriate instruments to support improving FM arrangements of Bank-financed projects and programs administered through ring-fenced FM systems separate from the country PFM system, since the nature of such project arrangements often varies widely across different institutions and sectors. Management does not agree, however, that this reduces the relevance of the CFAA to the Bank’s fiduciary objectives. To the contrary, country PFM knowledge, drawn largely from CFAAs and CPARs, has provided the country context for project FM and PR assessments, which factor in country-level risk; analysis of country-level

⁴ See OP 8.60, *Development Policy Lending*, and “Good Practice Note: Financial Management Issues in Development Policy Operations,” OPCS.

⁵ IEG observes that the methodology used in this evaluation can be viewed as consistent with that reflected in OP 8.60 and the CFAA Guidelines, using the following reasoning: OP 8.60 states that the “appropriateness of providing development policy lending to a country is determined in the context of the Country Assistance Strategy.” Para. 5 of the CFAA guidelines states: “The results of this assessment inform the preparation of the Bank’s Country Assistance Strategy (CAS), particularly the sections dealing with the size of the support program, the sectors to be supported, selection of lending instruments, and approaches to risk management.” It is on this basis that IEG assessed the influence of CFAAs on the choice of instruments as reflected in CASs. Management notes that, in accordance with Bank policy and guidelines, the choice of instrument is a wider issue that is informed but not determined by CFAA or CPAR findings; notably, that choice takes into account PFM performance over time and possible special measures where necessary.

⁶ See *Development Policy Lending Retrospective* (SecM2006-0319), July 13, 2006.

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FM and PR issues and risks is presented in most Project Appraisal Documents.⁷ This is also corroborated by Quality at Entry ratings for FM and PR, which have consistently been rated high in recent assessments.⁸ This said, Management fully accepts the need to continue to raise the standard of FM aspects of investment operations and has produced a revised Operational Policy/Bank Procedure (OP/BP) 10.02, *Financial Management*,⁹ issued in March 2007.

- b) CFAAs and CPARs have also provided very useful information to assist in assessing whether country FM and PR systems can be used in Bank-financed investment projects. Where Bank-financed investment projects have used country PFM systems (as in SWAs in many cases), information from CFAAs and CPARs has played a major role in the assessment and design of the projects' FM and PR arrangements.

As part of the continuing improvements of the Bank's fiduciary work, Management is working on providing guidance to staff on formulating and articulating a clearer linkage between country context and project-specific FM/PR design and supervision interventions.

9. ***Dual Objectives of CFAAs and CPARs.*** The IEG review states that tension between the development and fiduciary objectives of these instruments reduces their relevance. Management does not see this tension and notes that the development and fiduciary objectives usefully complement one another. Management also does not agree with IEG's comments that the development objectives of CFAAs and CPARs would be better served by focusing on a few sectors or selected functions. Partner countries have found the coverage of the entire PFM cycle useful. Management considers that the appropriate mix of objectives and the scope and depth of coverage are best determined in the specific country context in consultation with the government. Currently, in most countries PEFA assessments have replaced CFAAs, which cover the entire PFM cycle; thus the issue of focusing CFAAs on a few sectors or selected functions has become secondary.

10. ***Integrated Fiduciary Risk Analytic Framework and Corruption Risks.*** The IEG review recommends that Management develop an integrated risk analytic framework that considers the risks posed by corruption and includes a standardized methodology for aggregating country-level PFM risks, and that it guide staff on how these risks should influence the design of Bank assistance. Management has the following comments:

- a) ***Treatment of corruption issues in the design of Bank assistance.*** PFM is an integral part of a country's governance architecture. Management's view is that the issue of

⁷ See "FM Practices Manual," Financial Management Sector Board, November 2005 (previously "Assessment of Financial Management Arrangements in World Bank-Financed Projects, Guidelines to Staff," June 30, 2001); and "Revised Instruction for Carrying out Assessment of Agency's Capacity Assessment to Implement Procurement, Setting of Prior-Review Thresholds and Procurement Supervision Plan," OPCPR, July 15, 2002.

⁸ QAG Quality at Entry (QAE) ratings for PR and FM have consistently scored over 90 percent satisfactory in QAEs 4, 5, 6, and 7.

⁹ See *Financial Management and Disbursement Arrangements for Investment Lending Operations* (SecM2006-0466), November 27, 2006.

corruption risk should be addressed within the framework of the Bank's ongoing work to implement a strengthened approach to governance and anticorruption (GAC).¹⁰ The Bank's GAC strategy, unanimously approved by the Board of Executive Directors in March 2007 after wide consultations, incorporates a systematic and disciplined approach that will be applied to the treatment of corruption and governance issues in CASs, drawing on national plans to ensure that the Bank's strategy is matched to the risks and challenges that governance and corruption pose for growth and poverty reduction in the country. CASs will give explicit consideration to governance and corruption issues, drawing on diagnostic work (including on PFM), and to the risks that they pose for development and Bank-funded operations. These findings will be used in working with the country authorities to develop the CAS and the program of Bank activities in the country. This approach offers an appropriate framework that will factor all relevant aspects, including country PFM performance, into the design of Bank assistance. As noted above (see paras. 7 and 8), the Bank's operational policies and guidelines provide guidance to staff on taking into account country PFM performance and fiduciary risks in decisions on and design of development policy operations and investment lending.¹¹ To ensure a wide understanding of the new framework, the Bank undertook consultations on the Implementation Plan for the GAC strategy. Now 26 countries are piloting a country-level process for strengthening World Bank Group engagement on governance and anticorruption—the "CGAC process"—that will fundamentally inform the CAS.

- b) ***Coverage of corruption issues in PFM diagnostic work.*** CFAAs and CPARs typically identify aspects of the PFM system that might facilitate corruption (such as off-budget accounts, inadequate FM and PR information systems, weak regulatory environments, inadequate systems of internal control and internal audit, poor capacity of implementing agency staff, excessively complex financial administration rules leading to poor enforcement, and "cash rationing"). Management considers this coverage of corruption issues appropriate. Given the complexity and multifaceted dimensions of the corruption issue, neither corruption diagnostics nor the development of anticorruption strategies can be undertaken as part of the CFAA or CPAR per se. As part of the overall work on the new GAC strategy, Management will look at how to establish better linkages with corruption issues in the Bank's PFM work, recognizing that PFM systems are an important instrument in a country's anticorruption agenda, and also that PFM performance is affected by the overall corruption environment.
- c) ***Integrated fiduciary risk analytic framework.*** As noted above (see para. 4), Management has already taken measures to adopt an integrated approach to PFM work and encourage use of the PFM performance measurement indicators developed by the PEFA partnership program. These indicators help provide an integrated view of country PFM performance and risk, covering all dimensions of the PFM system. Management suggests that the emphasis now should be on further

¹⁰ See *Report of the Executive Directors: Strengthening World Bank Group Engagement on Governance and Anticorruption* (DC2007-0005), March 28, 2007.

¹¹ See OP 8.60, *Development Policy Lending*; "Good Practice Note: Financial Management Issues in Development Policy Operations"; "FM Practices Manual"; and "Revised Instruction for Carrying out Assessment of Agency's Capacity Assessment to Implement Procurement, Setting of Prior-Review Thresholds and Procurement Supervision Plan."

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operationalizing these measures, including providing guidance on assessing fiduciary risks when using country PFM systems in Bank-supported projects. Management also notes that pilots were undertaken and evaluated (in the South Asia and Africa Regions) to test the viability and effectiveness of procurement fiduciary risk analytic tools in the context of individual projects, which will contribute to more robust work in this area. Given these actions, Management intends to give priority to implementing the measures already put in place.

11. ***Inclusion of Action Plans in CFAAs and CPARs.*** The IEG evaluation identifies the lack of costed and monitorable action plans in CFAAs and CPARs as a key weakness. Country ownership of action plans is paramount.¹² Management considers that country circumstances should dictate whether an action plan is included, and what its level of detail should be. In many cases, action plans that draw heavily on the recommendations of a CPAR or CFAA are developed as part of follow-up activities or projects supporting public sector management reform, and therefore are not included in the assessment.

12. ***PFM Concept Note as Part of the CAS Formulation Process.*** Management notes IEG's recommendation that PFM diagnostic work should be initiated through a PFM concept note, as part of the CAS formulation process. PFM issues and the Bank's proposed program to support the country's PFM agenda are now covered in most CASs, taking into account country circumstances and the results of consultation with partner countries.¹³ This will continue to be case. Management considers that it would not be helpful to mandate a specific requirement to prepare a PFM concept note as part of the CAS formulation process for all countries. However, Management wishes to draw attention to the GAC Implementation Plan, which proposes that country teams undertake a country-level process (the CGAC), pursuing innovative ways of engaging partners and clients on governance, typically as part of CAS preparation.

13. ***Harmonization of Practices in Donor-Financed Investment Projects.*** Management does not agree with IEG's analysis of the harmonization of donor processes in investment projects (such as financial reporting procedures or development of harmonized bidding documents), or with its conclusion that transaction costs for clients have not been reduced. CFAAs and CPARs do not cover issues relating to procedures in donor-financed projects that typically operate outside the country's PFM system (although CPARs frequently recommend the development of standardized national bidding documents). These assessments are therefore normally not the right instrument to further the objective of alignment of processes in donor-financed projects. That objective is being addressed through other harmonization initiatives at the global, country, and

¹² Good practice principles for PFM capacity development include (a) country leadership and ownership; (b) tailor-made capacity development design; (c) comprehensive program design and implementation; and (d) coherent and coordinated donor support; see *Harmonizing Donor Practice for Effective Aid Delivery, Volume 2*, OECD-DAC, 2006.

¹³ See "Treatment of Procurement and Financial Management in Country Assistance Strategies: Interim Guidelines to Staff," Procurement and Financial Management Sector Boards, June 25, 2001.

project levels (such as the Paris Declaration provisions on implementation and monitoring, OECD DAC Joint Venture on PFM (cochaired by the Bank), PEFA Initiative, the Multilateral Development Bank FM Harmonization Working Group, the Multilateral Development Bank Heads of Procurement Working Group, and country-level donor organizational structures).

C. Conclusion

14. Despite its reservations, overall Management warmly welcomes this evaluation from IEG. The evaluation confirms that this area of work contributes significantly to the overall development objectives of the Bank. It endorses the trend that the Bank has adopted of a more integrated approach to public finance management, bringing together colleagues from Financial Management, Procurement, and Poverty Reduction and Economic Management, to work together on an integrated agenda and to move more firmly beyond analysis to implementation. Management notes that, in that spirit, CFAAs and CPARs are no longer mandatory; the new strengthened approach is centered on a common PFM performance framework (in the form of PEFA assessments).

Appendix I. List of Client and Other External Stakeholders Interviewed

World Bank Staff Consulted

Alison Rosenberg, Lead Partnership Specialist, AFRPG
Jerome Wolgin, Consultant, AFRPG
Anthony Hegarty, Chief Financial Management Officer, AFTFM
Alain Catalan, Senior Financial Management Specialist, AFTFM
Marius Koen, Senior Financial Management Specialist, AFTFM
Leif Jensen, Lead Financial Management Specialist, AFTFM
Gert van der Linde, Lead Financial Management Specialist, AFTFM
V. S. Krishnakumar, Regional Procurement Manager, AFTPC
Bernard Abeille, Procurement Adviser, AFTPC
Asha Ayoung, Senior Procurement Specialist, AFTPC
Navin Girishankar, Senior Public Sector Specialist, AFTPR
John Oliver (Shaun) Moss, Manager, EAPCO
Iraj Talai, Manager, Financial Management, EAPCO
David Shand, Financial Management Adviser, EAPCO
Sunil Bhattacharya, Manager, ECSPS
John Hegarty, Manager, ECSPS
John Otieno Ogallo, Senior Financial Management Specialist, ECSPS
Sanjay Vani, Senior Financial Management Specialist, ECSPS
Johannes Stenbaek Madsen, Financial Management Specialist, ECSPS
Andrew Mackie, Consultant, ECSPS
Devesh Mishra, Senior Procurement Specialist, ECSPS
Karina Mostipan, Senior Procurement Specialist, ECSPS
Maria Vannari, Senior Procurement Specialist, ECSPS
Roberto Tarallo, Manager, LCOAA
Jamil Sopher, Consultant, LCOAA
Rajeev Swami, Financial Management Specialist, LCOAA
Bernard A. Becq, Manager, LCOPR
Enzo de Laurentiis, Lead Procurement Specialist, LCOPR
Ivonna Kratynski, Lead Finance Officer, LOADR
Valerie Jan Wright, Director, LOADR
Frederick P. Kranz, Consultant, MNACS
Samia Msadek, Manager, MNAFM
Pierre Messali, Senior Financial Management Specialist, MNAFM
Nadjib Sefta, Regional Procurement Manager, MNAPR
Andreas Wildt, Lead Procurement Specialist, MNAPR
John Schwartz, Consultant, MNC02
Trichur K. Balakrishnan, Senior Financial Management Specialist, OPCFM
Parminder P. S. Brar, Lead Financial Management Specialist, OPCFM
Rafika Chaouali, Lead Financial Management Specialist, OPCFM
M. Mozammel Hoque, Senior Financial Management Specialist, OPCFM
Omowunmi Ladipo, Lead Financial Management Specialist, OPCFM
Pamela Bigart, Lead Procurement Specialist, OPCPR
Robert Hunja, Manager, OPCPR
William Dorotinsky, Lead Public Sector Specialist, PRMPS
Anand Rajaram, Lead Economist, PRMPS
Nicola Smithers, Adviser, PRMPS
Robert Saum, Manager, SARFM
Els Hinderdael-Forger, Manager, SARPS
Joel Turkewitz, Senior Procurement Specialist, SARPS
Debabrata Chakraborti, Procurement Specialist, SARPS
Philip C. Adoteye, Senior Auditor, IADDR
Kathleen G. Mikitin, Senior Auditor, IADDR
Dzung Minh Nguyen, Senior Auditor, IADDR
Ahmad Sartip, Senior Auditor, IADDR
John Johnson, Senior Evaluation Officer, IEGCR

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Manuel Vargas, Senior Financial Management Specialist, World Bank, Managua, Nicaragua
Mamadou Yaro, Senior Financial Management Specialist, World Bank, Niamey, Niger
Yao Wottor, Senior Procurement Specialist, World Bank, Niamey, Niger
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Elsa Araya, Operations Analyst, World Bank, Addis Ababa, Ethiopia
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Samuel Haile Selassie, Procurement Specialist, World Bank, Addis Ababa, Ethiopia
S. Krishnan, Lead Procurement Specialist, World Bank, New Delhi, India
K. N. Venkata Raman, Procurement Consultant, World Bank, New Delhi, India
Khundhavi Kadiresau, Operations Manager, World Bank, Jakarta, Indonesia
Rajiv Sondhi, Senior Financial Management Specialist, World Bank, Jakarta, Indonesia
Wolfgang Fengler, Senior Economist, World Bank, Jakarta, Indonesia
Imad Saleh, Senior Procurement Specialist, World Bank, Jakarta, Indonesia
Rizal Rivai, Procurement Specialist, World Bank, Jakarta, Indonesia
Alaleh Motamedi, Procurement Specialist, World Bank, Rabat, Morocco
Abid Hasan, Operations Adviser, World Bank, Islamabad, Pakistan
Ismaila Ceessay, Senior Financial Management Specialist, World Bank, Islamabad, Pakistan
Asif Ali, Senior Procurement Specialist, World Bank, Islamabad, Pakistan
Uzma Sadaf, Procurement Specialist, World Bank, Islamabad, Pakistan
Hassan Masood Mirza, Consultant, World Bank, Islamabad, Pakistan

Appendix I

List of Clients and other Stakeholders Interviewed

Christopher Hoban, Manager, Portfolio and Operations, World Bank, Manila, Philippines
 Ernesto Diaz, Senior Financial Management Specialist, World Bank, Manila, Philippines
 Preselyn Abella, Financial Management Specialist, World Bank, Manila, Philippines
 Joseph G. Reyes, Financial Management Specialist, World Bank, Manila, Philippines
 Vera Songwe, Senior Economist, World Bank, Manila, Philippines
 Dominic Aumentado, Procurement Specialist, World Bank, Manila, Philippines
 Noel Sta. Ines, Procurement Specialist, World Bank, Manila, Philippines
 Cecilia Vales, Senior Procurement Specialist, World Bank, Manila, Philippines
 Owaise Saadat, Country Manager, World Bank, Bucharest, Romania
 Bogdan Constantinescu, Senior Financial Management Specialist, World Bank, Bucharest, Romania
 Vladislav Krasikov, Senior Procurement Specialist, World Bank, Bucharest, Romania
 Alan Pratley, Consultant, World Bank, Brussels, Belgium (in Bucharest, Romania)
 Patrick Umah Tete, Senior Financial Management Specialist, World Bank, Kampala, Uganda
 Young Kim, Senior Country Economist, World Bank, Kampala, Uganda
 Paul Mpuga, Economist, World Bank, Kampala, Uganda
 Rogati Kayani, Lead Procurement Specialist, World Bank, Kampala, Uganda
 Richard Olowo, Procurement Specialist, World Bank, Kampala, Uganda
 Isaac Mutenyo, Procurement Specialist, World Bank, Kampala, Uganda

Client Stakeholders Interviewed

DOMINICAN REPUBLIC

Lic. Manuel Monegro, Sub-Director General, Dirección General Contabilidad Gubernamental, Secretaría de Estado de Finanzas
 Lic. Bernardino Pichardo, Director de Información, Análisis y Estadística, Dirección General Contabilidad Gubernamental, Secretaría de Estado de Finanzas
 Lic. Maria Felisa Gutierrez, Directora Técnica, Programa de Administración Financiera Integrada, Secretaría de Estado de Finanzas
 Lic. Martín Zapata Sánchez, Director, Departamento de Estudios Económicos, Secretaría de Estado de Finanzas
 Lic. Manuel A. Concepcion V., Sub-Director Técnico, Programa de Administración Financiera Integrada, Secretaría de Estado de Finanzas
 America Bastidas, Subsecretaria Técnica de la Presidencia Para la Cooperación Internacional, Secretariado Técnico de la Presidencia
 Dra. Magdalena Lizardo Espinal, Economista-Jefe, Secretariado Técnico de la Presidencia
 Licda. Katuska Bobsa de Brebes, Juez Miembro, Cámara de Cuentas de la República Dominicana
 Lic. Daniel Omar Caamaño Santana, Director General de las Unidades de Auditoría Interna Gubernamentales, Contraloría General de la República, Presidencia de la República
 Lic. Simón Lizardo Mezquita, Contralor General de la República, Contraloría General de la República, Presidencia de la República
 Luis A. Hernández G., Director Nacional, Oficina Nacional de

Presupuesto
 Rodolfo Espiñeira Ceballos, Procurador General Adjunto, Procuraduría General de la República
 Lic. Ignacio I. Matos R., Enc. De Articulación y Sistematización de la Convención Interamericana Contra la Corrupción, Procuraduría General de la República
 Dr. Octavio Lister Henriquez, Procurador General Adjunto Director Dpto. Prevención de la Corrupción, Procuraduría General de la República
 Dr. Jose Joaquin Bidó Medina, Presidente, Secretario de Estado, Asistente Especial del Presidente, Comisión Nacional de Ética y Combate a la Corrupción, Presidencia de la República
 Carlos Villaverde Gómez, Director de Proyectos, Fundación Institucionalidad y Justicia, Inc.
 Gustavo Montalvo, Director Ejecutivo, Grupo Gestión Moderna

ETHIOPIA

Ato Fisseha Aberra, Head, Multilateral Cooperation Department, Ministry of Finance and Economic Development
 Ato Dejene Demissie, IFI Unit, Multilateral Cooperation Department, MoFED
 W/O Almaz Abebe, Department Head, Inspection Department, Ministry of Finance and Economic Development
 W/O Aster Haile Selassie, Head, Accounts Department, Ministry of Finance and Economic Development
 Ato Fantahun, Macroeconomic Department, Ministry of Finance and Economic Development
 Ato Mammo Gito, Treasury Department, Ministry of Finance and Economic Development
 Ato Degu Lakew, Federal Accounts Consolidating Team Leader, MoFED
 Ato Girir Taju, Senior Accountant, Federal Accounts, MoFED
 Ato Zeleke Afesa, Accountant, Federal Accounts, MoFED
 Ato Famose Habtewold, Economic Sector, Budget Department, Economic Sector, MoFED
 Ato Worku Ayele, Social and Administrative Sector, Budget Department, MoFED
 Ato Melku Kifle, Head, Expenditure Management and Control Reform Sub-Program, Ministry of Finance and Economic Development
 Ato Wassihun Abate, Senior Legal Expert, Ministry of Finance and Economic Development
 Ato Tolossa Gedefa, Bureau of Finance and Economic Development (BoFED), Oromia
 Ato Tedla Mulugeta, IFMIS, Department of IT, Ministry of Finance and Economic Development
 Ato Ermias Demere, Director, Planning and Programming Directorate, Ministry of Capacity Building
 Ato Kumlachew Abera, Ministry of Capacity Building
 Ato Mesfin Abebe, Head, Reform Development and Consultancy Services Department, Civil Service Reform Program, Ministry of Capacity Building
 Ato Tezera Belay, Ministry of Education
 Ato Sallehuna Kefyalew, Team Leader, Ministry of Health
 Ato Demissie Tassew, Senior Expert, Ministry of Health
 Ato Abebe Negash, Procurement Officer, Ministry of Trade and Industry
 Ato Zerfu Tessema, Deputy General Manager, Engineering and Regulatory Department, Ethiopian Roads Authority
 Ato Assefa Desta, Deputy Federal Auditor General, Office of the Federal Auditor General
 Ato Zeurdu Lemma, Project Engineer, CARTP
 Ato Tsegaye Abebe, Head, Public Procurement Agency
 Ato Kebede Worku, Monitoring and Follow-Up Team Leader, Public Procurement Agency
 Ato Woldeab Demissie, Procurement Data Organization/ Training Team Leader, Public Procurement Agency

Appendix I

List of Clients and other Stakeholders Interviewed

Ato Amare Mezgebu, General Manager, Procurement Service Enterprise

Ato Kebremanam Teklecorgis, Head, Training Division, Procurement Service Enterprise

Ato Abebe Terefe, Head, Orientation Department, Procurement Service Enterprise

Ato Phanuel Getahun, Manager, Secretariat Office, Contractors' Association

Ato Emlaelu Worade, Manager, Emlaelu Construction (Chairman, Contractors' Association), Emlaelu Construction, Contractors' Association

Ato Samuel Teklay, General Manager, Satcon (Secretary, Contractors' Association)

Ato Melaku Tadesse, General Manager, Tiner Construction, plc (Board Member, Contractors' Association)

Ato Phanuel Getahun, Manager, Secretariat Office, Contractors' Association

World Bank-financed project procurement officers (for Pastoral Community Development, Rural Electrification Fund, PSCAP, ICT, Energy II, Agricultural Research and Training Project (ARTP), Multi-sectoral HIV/AIDS Project, Health Programming and Planning, Civil Service College, PCDP, Food Security Project)

Ato Abebe Negash, Procurement Officer

Ato Bogale Lemma, Procurement Officer

Ato Daniel Joseph, Procurement Officer

Ato Sileshi Debebe, Procurement Officer

Ato Ashebir W. Maria, Procurement Officer

W/O Almaz Belayneh, Energy II Project Secretary to PIU

Ato Yoseph Seshame, Project Procurement Head

Ato Endale Hirma, Procurement Officer

Ato Getachew Bekure, Procurement Expert

Ato Zewdu Lemma, Project Engineer, Central ARTP

Ato Amde Selassie Jenberu, Project Procurement Specialist

Ato Assefa Gashaw, Procurement Specialist

Ato Mehari Guitom, Procurement Specialist

Ato Abebe Asrat, Senior Procurement Specialist

Ato Sallelhunae Kefyalew, Team Leader, Ministry of Health

Ato Demissie Tassew, Senior Expert, Ministry of Health

Ato Kebede Ourgessa, Procurement Specialist, PCDP

Ato Fasil Asaye, Procurement Officer, Food Security Project

INDIA

Dr. S. Subramanya, Secretary (Budget and Resources), Finance Department, Karnataka

M. S. Krishna Murthy, Special Officer (Budget), Finance Department, Karnataka State (India)

Kavitha Kestur, Controller (Accounts and Management), Finance Department, Karnataka

A. N. Sridhara, Joint Secretary (PMU), Finance Department, Karnataka

J. Manjunath, Deputy Director, Finance Department, Karnataka

U. Umesh, Joint Secretary (Procurement Cell), Finance Department, Karnataka

C. M. Shirol, Controller, State Accounts Department, Karnataka

G. Gurucharan, Visiting Fellow, Indian Institute of Management, Bangalore, Karnataka

A. P. Joshi, Managing Director, KBLNL-Public Works Department, Karnataka

P. N. Sreenivasachay, Managing Director, KBLNL-Public Works Department, Karnataka

Anil Kumar, Executive Engineer, KBLNL-Public Works Department, Karnataka

G. S. Prakash, Company Secretary, KBLNL-Public Works Department, Karnataka

R. S. Pashupathi, Executive Director, KBLNL-Public Works Department, Karnataka

K. P. Shivakumar, Exe-Engineer, KBLNL-Public Works Department, Karnataka

K. Duisdra, GR (F), CNNL, Public Works Department, Karnataka

A. Nagendra, Joint Secretary, Public Works Department, Karnataka

T. Gopala Krishna, Assistant Engineer, Public Works Department, Karnataka

Shrikant B. Vanhalli, Special Officer, Finance Cell, Public Works Department, Karnataka

G. C. Tallur, Advisor, Strategy Cell, Public Works Department, Karnataka

A. K. M. Naik, Principal Secretary to Government, Water Resources Department, Karnataka State (India)

T. G. Radhakrishna, Chairman, Committee for Revision of Public Works Department Code and Stores Manual, Karnataka State (India)

K. G. Pranesh, Secretary, Committee for Revision of Public Works Department Code and Stores Manual, Karnataka State

Amlan Aditya Biswas, CEO, Raichur Zilla Panchayat, Karnataka

R. J. Srinivas, President, Karnataka State (India) State Contractors Association, Karnataka

H. C. Hopal, Vice President, Karnataka State (India) State Contractors' Association, Karnataka

H. S. Natarai, Director, Karnataka State Contractors' Association, Karnataka

D. Kempanna, General Secretary, Karnataka State Contractors' Association, Karnataka

S. M. Halaswamy, Member, Karnataka State Contractors' Association, Karnataka

M. Rajesh, Member, Karnataka State Contractors' Association, Karnataka

Ganesh Babu, Member, Karnataka State Contractors' Association, Karnataka

Ningana Gowda, Member, Karnataka State Contractors' Association, Karnataka

S. Raja, Joint Secretary, Karnataka State Contractors' Association, Karnataka

H. V. Nagesh, Member, Karnataka State Contractors' Association, Karnataka

G. M. Nandakumar, Member, Karnataka State Contractors' Association, Karnataka

I. S. N. Praasd, Chief Project Officer, Karnataka State Contractors' Association, Karnataka

Samuel Paul, Chairman, Public Affairs Centre, Karnataka

Dr. A. Ravindra, Director, Public Affairs Centre, Karnataka

V. R. Sheela, Highway Engineer, Scott Wilson, Karnataka

Peter Daick, Team Leader, Scott Wilson, Karnataka

INDONESIA

Dr. Mulia P. Nasution, Director General, Directorate General of Treasury, Ministry of Finance

Achmad Rochjadi, Director General, Directorate General Budget and Fiscal Balance, Ministry of Finance

Parluhutan Hutahaean, Direktur Angarran, Ministry of Finance

Drs. Paruli Lubis, Director, Directorate General of Treasury/Budget Execution, Ministry of Finance

Wismana Adi Suryabrata, Director of Budget Allocation and Development, Ministry of Finance

Agus Muhammad, Inspector General, Ministry of Finance

Oni Syahroni Priatna, Inspektur Bidang II, Department of Inspector General, Ministry of Finance

Irla Ampri, Head Of Audit Analysis Department, Inspectorate General, Ministry of Finance

Ir. Benny Setiawan, Director, Directorate of Monitoring and Fund Evaluation, State Ministry of National Development Planning/Bappenas

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List of Clients and other Stakeholders Interviewed

- Syahrial Loetan, Executive Secretary for the Minister of State, National Development Planning Agency/Chief Executive Secretary of Bappenas
- Agus Raharjo, Director, Director of System and Procedure for Development Funding, National Planning Development Agency/Bappenas
- Yahya R. Hidayat, Head, Bureau for Planning, Organizational and Procedural Affairs, National Development Planning Agency/Bappenas
- Binsar H. Simanjuntak, Chairman, Government Accounting Standards Committee
- Hekinus Manao, Government Accounting Standards Committee
- Mohammad Hatta, Project Director, Government Financial Management and Revenue Administration
- Freddy H. Tulung, Expert Staff of Communication & Information, Economic Affairs and Partnership, Department of Communication and Information Technology
- Arzul Andaliza, Head, Financial and Development Supervisory Board
- Drs. Dharma Bhakti, Secretary General, Audit Board of Indonesia
- B. Dwita Pradana, Project Director, Audit Board of Indonesia
- Radja Sjahman, Staff, Research & Development, Audit Board of Indonesia
- Drs. Soekoyo, Tortama II, Audit Board of Indonesia
- Alphonsa Animaharsi, Director, Audit Board of Indonesia
- Bambang Widaryanto, Head of Sub-Directorate, Audit Board of Indonesia
- Ir. Suroto, Deputy Executive Director, National Association of Indonesian Consultants
- Dr. R. Anwar Isham, Vice President, National Association of Indonesian Consultants
- Chonega Imaita, Sekretaris Komunikasi, National Association of Indonesian Consultants
- Ir. Reza Abidin, Wakil Bendahara Bidang Anggaran, National Association of Indonesian Consultants
- Ir. Eri Heriyadi, Wakil Sekretaris Bidang Konsultansi, National Association of Indonesian Consultants
- Ir. Bambang H. Wikanta, Wakil Ketua Bidang Konsultansi Konstruksi, National Association of Indonesian Consultants
- Anung Karyadi, Lobby and Advocacy Coordinator, Transparency International Indonesia
- Ms. Marini, Researcher, Transparency International Indonesia
- Rezki Sri Wibowo, Deputy Executive Director, Transparency International Indonesia
- Budihardjo Hardjowiyono, Executive Director, Indonesia Procurement Watch
- Chafik Azeba, Inspecteur des Finances, Ministry of Finance
- Ms. Fatiha Boukhima, Inspecteur des Finances, Ministry of Finance
- Sabah Benchekroun, Chargée d'études auprès du premier ministre relations économiques internationales, Ministère des affaires économiques et générales
- Bahia Omari, Chargée d'études auprès du premier ministre relations économiques internationales, Ministère des affaires économiques et générales
- AhmedEl Midaoui, Président Cour des Comptes, Court of Accounts
- Younes Tazi, Directeur des programmes et études, Ministry of Equipment
- Nabaoui Mohammed, Conseil juridique des administrations, Commission des marchés, General Secretary of Government
- PAKISTAN**
- Nawid Ahsan, Secretary Finance, Islamabad
- Ghulam Qadir, Deputy Secretary Finance, Ministry of Finance, Islamabad
- Iftikhar Malik, Joint Secretary, Ministry of Finance, Islamabad
- Moihammad Ikram, AEA/EFC-II, Ministry of Finance, Islamabad
- Sajjad Ahmad Shaikh, Deputy Secretary (EF/P), Ministry of Finance, Islamabad
- Shazia Amjad, Section Officer (WB-IDA-II), Ministry of Finance, Islamabad
- M. Munir Sadiq, Section Officer, Ministry of Finance, Islamabad
- Irshad Ahmed Kaleemi, Deputy Secretary World Bank & Islamic Development Wings, Ministry of Finance, Islamabad
- Arif Mansur, Additional Secretary, Budget, Ministry of Finance, Islamabad
- Ahmed Jawad, Additional Secretary, Ministry of Finance, Islamabad
- Asif Bajwa, Additional Secretary Finance, Ministry of Finance, Islamabad
- Younas Khan, Auditor General of Pakistan, Islamabad
- Mohammed Moshin Khan, Deputy Auditor General, Islamabad
- Iftikhar Ahmed Khan, Controller General of Accounts, Islamabad
- Brig. M. Khalid Sohail Cheema, Director General, Public Works Department, Islamabad
- Mueen Aftab Sheikh, Project Director, PIFRA, Islamabad
- Riaz Khan, Consultant, NRB, Islamabad
- Mukhtar A Malik, PTDC Director Finance (Former Deputy Secretary Ministry of Finance), Islamabad
- Furqan Saleem, Research Consultant (PFAA), Islamabad
- Sajid Hasan, Secretary Education, Islamabad
- Sami Saeed, Secretary Excise and Taxation, Islamabad
- Ghazanfar Sherazi, Director Administration, Islamabad
- Khalid Javed, Managing Director, PPRA, Islamabad
- Sharafat H Niazi, Deputy Secretary Finance, National Assembly, Islamabad
- Maj. Gen. (Ret'd.) Mehboobul Muzaffar, Secretary, Pakistan Engineering Council, Islamabad
- Azim Amin, General Manager, Procurement & Contract Administration, Pakistan Engineering Council, Islamabad
- Liaqat Hayat, Procurement Specialist, Pakistan Engineering Council, Islamabad
- Prakash, Deputy Director (PS&CA), Pakistan Engineering Council, Islamabad
- Shahid Rafique, Contractors Association of Pakistan, Islamabad
- Maj. General Farrukh Javed, Chairman, NHA, Islamabad
- Ghulam Hussain, Director, Association of Consulting Engineers, Islamabad
- Ijaz Ahmed, Procurement Consultant, Islamabad
- Bilal Khwaja, Legal Consultant, Islamabad
- Zia ur Rahman, Secretary Finance, Peshawar, North West Frontier Province
- Ahmed Rasool Bangesh, Accountant General, Peshawar, North West Frontier Province

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List of Clients and other Stakeholders Interviewed

Abdul Sattar, Director General, Audit, Peshawar, North West Frontier Province
 Zafar Hassan, Chief Economist P&D Department, Peshawar, North West Frontier Province
 Riaz Khan, Secretary, Communication & Works, Peshawar, North West Frontier Province
 Ahmed Nawaz Sukhera, Additional Secretary Finance FD, Lahore, Punjab
 Mohammad Zubair Ahmed, Chief Inspector of Treasuries FD, Lahore, Punjab
 Mohammad Arshed, Deputy Secretary Budget FD, Lahore, Punjab
 Ahmad Raza Sarimar, Deputy Secretary Resources FD, Lahore, Punjab
 Iftikhar Mir, Director, General Accounts Lahore, Punjab
 Wazir Ali Qureshi, Accountant General, Lahore, Punjab
 Saqlain A Koreja, Additional Accountant General, Lahore, Punjab
 Anees Marghoob, Director General, Audit, Lahore, Punjab
 Rana Tanveer, Director PIFRA Accountant General, Lahore, Punjab
 Ejaz Ahmed, Member CPAR Team, Lahore, Punjab
 Ghulam Hussain, Secretary Association of Consulting Engineers, Lahore, Punjab
 Younas Khan, Secretary All Pakistan Contractors Association, Lahore, Punjab

PHILIPPINES

Laura Pascua, Undersecretary, Department of Budget and Management
 Christine Lacson-Sanchez, Director, Research Service, Bureau of the Treasury, Department of Finance
 Honorable M. Emmanuel Dalman, Commissioner, Commission on Audit
 Emma M. Espina, Assistant Commissioner, National Government Sector, Commission on Audit
 Arcadio Cuenco, Assistant Commissioner, Technical Services & Management Services, Commission on Audit
 Carmela S. Perez, Assistant Commissioner, Government Accountancy and Financial Management Information System, Commission on Audit
 Honorable Koni P. de Guzman, Chairman, Presidential Anti-Graft Commission, Office of the President of the Philippines
 Elmer Dorado, Government Procurement Policy Board
 Genmaries Entredicho, Government Procurement Policy Board
 Mila Manalastas, Government Procurement Policy Board
 Manolito P. Madraastro, Secretary-General, International Federation of Asian & Western Pacific Contractors Association
 Josefina U. Esguerra, Chief Executive Officer, Procurement Watch, Inc.
 Dondon Parafina, Government Watch, Ateneo School of Government

ROMANIA

Doina Ilie, Director General, Ministry of Public Finance
 Sofia Horobean, Director, Ministry of Public Finance
 Mioara Ionescu, Advisor, Ministry of Public Finance
 Aurelia Coman, CHUIA, Ministry of Public Finance
 Misu Marian, Internal Controls, Ministry of Public Finance
 Mitre Liliana, General Manager, Central Harmonization Unit, Internal Audits, Ministry of Public Finance
 Dima Petre, Chief Financial Controller, Ministry of Public Finance
 Dan Drosu Saguna, President, Court of Accounts
 Anghel Alamiie, Head, Division of Audit and Methodology, Court of Accounts
 Rotaru Patru, President, Audit Authority for EU Funds, Court of Accounts
 Dragos Budulac, Liaison Officer, Court of Accounts

Gheorghe Toma, Director General, Ministry of Labor, Social Solidarity and Family
 Varujan Vosganian, Chairman, Budget and Finance Commission, Senate of Romania
 Gheorge Cazan, Director General, National Authority for Procurement Policy and Monitoring
 Alexandru Cojocaru, President, National Authority for Procurement Policy and Monitoring

UGANDA

Keith Muhakanizi, Acting Deputy Secretary to Treasury, Ministry of Finance Planning and Economic Development and Chair, PEPCOM
 Kenneth Mugambe, Acting Commissioner, Budget Policy and Evaluation Department, Ministry of Finance Planning and Economic Development
 Robert Muwanga, Project Manager, EFMP II, Ministry of Finance Planning and Economic Development
 John Etidau, Project Procurement Specialist, EFMP II, Ministry of Finance Planning and Economic Development
 Isaac Mpoza, Project Manager, IFMS, Ministry of Finance Planning and Economic Development
 John F. S. Muwanga, Auditor General
 Phillip W. Manganzi, Treasury Inspectorate and Internal Audit Commissioner
 D.J. Kisebo, Commissioner, Internal Audit
 Samuel Emiku, Clerk, Public Accounts Committee
 Godfrey Ssemugooma, Principal Accountant, Treasury Office of Accounts
 Ssemakula, Acting Accountant General (Commissioner, Treasury Office of Accounts)
 Tom Matte, Local Government Development Program
 Timothy Musherure, Procurement Specialist, LDGP II, Ministry of Local Government
 Paul Kasule Mukasa, Acting Coordinator, LDGP II, Ministry of Local Government
 James Baguma, Procurement Specialist, LDGP II, Ministry of Local Government
 Baguma James, Procurement Specialist, Program Coordination Unit, Ministry of Local Government
 Thomas M. Nkyaarwa, Commissioner, Local Authorities Inspection, Ministry of Local Government
 Onesmus Mulonndo, TA/FA, Ministry of Local Government
 Edgar Agaba, Executive Director, PPDA
 Hilda K. Mwesigwa, Officer, Compliance, PPDA
 Julius M. Mulera, Director, Procurement Audit, Inspections and Investigations, PPDA
 Marvin Baryaruha, Manager, Legal and Compliance, PPDA
 Milton G. Tumutegyereize, Director, Training and Capacity Building, PPDA
 Dan Tindiwensi, Chairman, National Association of Building and Civil Engineering
 Frankie X. Mubuke, Executive Secretary, Uganda National Association of Building and Civil Engineering
 Lillian Muyomba, Advocacy and Capacity Building Officer, Anti-Corruption Coalition Uganda
 Henry Muguzi, Information and Communications Officer, Anti-Corruption Coalition Uganda
 Peter Murphy, Regional Director for Africa, HELM Group, and Consultant to Government of Uganda

Donor Representatives Interviewed

Staffan Synnerstram, Deputy Country Director, Resident Mission, ADB, Jakarta, Indonesia
 Farzana Ahmed, Head, Financial Management and Disbursement Unit, Resident Mission, ADB, Jakarta, Indonesia

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List of Clients and other Stakeholders Interviewed

Navaid Hamid, Senior Country Director & Deputy Country Director, ADB, Islamabad, Pakistan

Joven Z. Balbosa, Country Officer, Southeast Asia Department, ADB, Manila, Philippines

Xuelin Kiu, Country Economist, Philippines Country Office, ADB Manila, Philippines

Kathleen Muktan, Principal Financial Management Specialist, Governance and Regional Cooperation Division, Regional and Sustainable Development Department, ADB Manila, Philippines

Robert Rothery, Principal Procurement Specialist, Project Coordination and Procurement Division, Central Operations Services Office, ADB Manila, Philippines

Cesar T. Valbuena, Procurement Specialist, Project Coordination and Procurement Division, Central Operations Services Office, ADB Manila, Philippines

Benedict S. Kanu, Country Operations Officer, African Development Bank and African Development Fund, Uganda Country Office

Ashie Mukungu, Macro-Economist, African Development Bank and African Development Fund, Uganda Country Office

Goekint Koen, Représentant Résident, Belgium Technical Cooperation, Rabat, Morocco

Mr. Rene van Nes, Second Secretary, Economic Affairs, Delegation of the EU in Ethiopia

Martial Laurent, Consultant, EU Délégation, Rabat, Morocco

Cyril Dewaleyne, Programming and Donor Coordination Task Manager, EU, Bucharest, Romania

Anne de Ligne, Head of Section, EU, Bucharest, Romania

Anca Grau, EU, Bucharest, Romania

Francis Lemoine, Programme Officer, Macro Economics, Public Finance and Budget Support (Chair, PFM Donor Harmonization Sub-group), European Union, Delegation of the European Commission in the Republic of Uganda

Justina Kihika Stroh, Economics Adviser, Embassy of Ireland/Development Cooperation Ireland, Kampala, Uganda

Ken Yamamoto, Representative, Office & Portfolio, Representative Office, JBIC, Jakarta, Indonesia

Mayumi Endoh, Representative, Representative Office, JBIC, Manila, Philippines

Izuru Kimura, Representative, Representative Office, JBIC, Manila, Philippines

Björg S. Leite, Director, Evaluation Department, Norad

Agnete Eriksen, Senior Adviser, Evaluation Department, Norad

Kristen Teigland, Adviser, Evaluation Department, Norad

Sharon Thams Carter, Team Leader, Democracy, Governance and Economic Opportunities, USAID, Santo Domingo, Dominican Republic

Mr. Steve Peterson, Chief, DSA Project (USAID-funded), Addis Ababa, Ethiopia

Mr. Anthony Higgins, Financial Management Specialist, DSA Project, Addis Ababa, Ethiopia

Mr. Adam Abate, IT Director, DSA Project, Addis Ababa, Ethiopia

B. K. Bhattacharya, Lead Advisor, Reform Project, USAID, New Delhi, India

Robert Wuerz, Chief, Office of Economic Development and Governance, USAID, Manila, Philippines

Steven Edminister, Governance Officer, Office of Economic Development and Governance, USAID, Manila, Philippines

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