

# World Bank Support for Public Financial and Debt Management in IDA-Eligible Countries

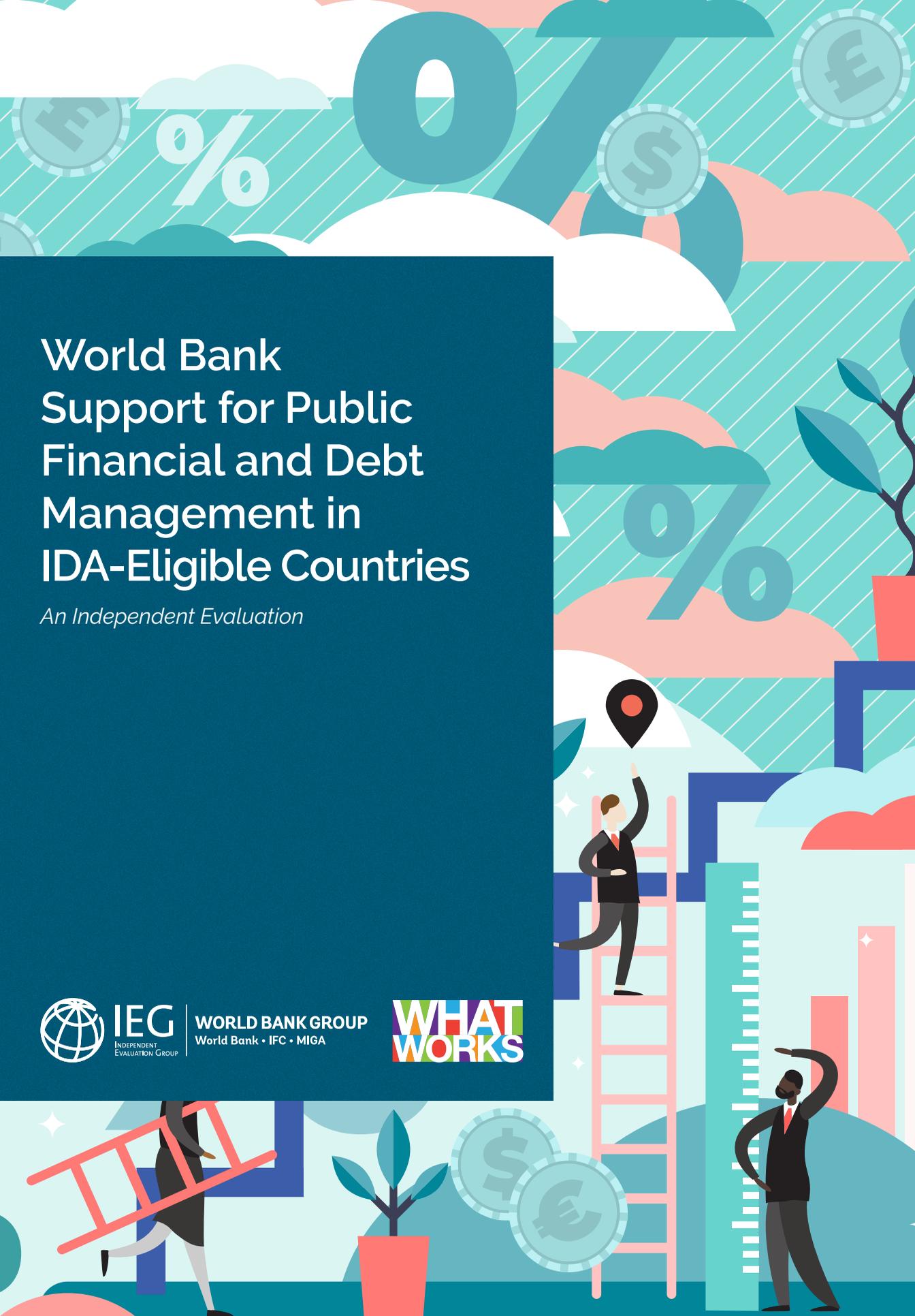
*An Independent Evaluation*



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# World Bank Support for Public Financial and Debt Management in IDA-Eligible Countries

*An Independent Evaluation*

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# Abbreviations

ASA	advisory services and analytics
COVID-19	coronavirus
DeMPA	Debt Management Performance Assessment
DMF	Debt Management Facility
DPO	development policy operation
FY	fiscal year
GDP	gross domestic product
HIPC	heavily indebted poor countries
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group
IFMIS	integrated financial management information system
IMF	International Monetary Fund
IPSAS	international public sector accounting standards
MDRI	Multilateral Debt Relief Initiative
MTDS	Medium-Term Debt Management Strategy
PDM	public debt management
PEFA	Public Expenditure and Financial Accountability
PEM	public expenditure management
PFDM	public financial and debt management
PFM	public financial management
PI	PEFA indicator

PIM	public investment management
PIMA	PIM Assessment (tool)
SDFP	Sustainable Development Finance Policy

*All dollar amounts are US dollars unless otherwise indicated.*

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The evaluation was conducted under the guidance of Oscar Calvo-Gonzalez (director, Human Development and Economic Management Department) and Alison Evans (Director-General, Evaluation).

# Overview

Sound public finance management is critical to informing and implementing fiscal policy and to achieving the World Bank Group’s goals of eradicating extreme poverty and promoting shared prosperity. Public finance management is a necessary condition for fiscal sustainability, a stable macroeconomic environment, public sector accountability, and the provision of basic public goods and services. It includes (i) public financial management—and its subcomponents of public expenditure management, public investment management (PIM), and integrated financial management information systems (IFMIS)—and (ii) public sector debt management. These two areas are the subject of this evaluation and will be referred to hereafter as public financial and debt management (PFDM). Robust PFDM institutions and practices are critical to the efficient and effective use of scarce public resources. With the onset of the coronavirus (COVID-19) pandemic, and the unprecedented slowdown in economic growth, the importance of sound PFDM will only increase.

During fiscal years (FY)08–17, the World Bank invested significantly to strengthen PFDM capacity in International Development Association (IDA)–eligible clients through lending and nonlending support. This included 126 investment project loans amounting to \$6.8 billion, 260 development policy operations (DPOs) amounting to \$19.4 billion (through 714 policy actions), and 598 advisory services and analytics activities. This reflects the importance of PFDM in IDA-eligible countries, which can also be seen within the 19th Replenishment of IDA (IDA19), in which core aspects of PFDM were highlighted as policy commitments: promotion of debt transparency and debt management; strengthening of infrastructure governance; and support of investments in human capital that promote growth, people, and resilience.

But data on the quality of some major pillars of PFDM are not regularly and systematically produced or scrutinized. Available country-level data consist of valuable diagnostic assessments—for example, Debt Management Performance Assessments and Public Expenditure and Financial Accountability assessments—that are irregularly conducted. Independent Evaluation Group

validations of staff self-assessments of PFDM-related projects and operations provide additional insights, but these often lack sufficient granularity or depth to provide a clear picture of the factors that determine the success of PFDM support; furthermore, nonlending PFDM-related support (including training, peer-to-peer learning, and analytical work) and many trust funded activities are not systematically evaluated.

Nevertheless, and drawing on a wide range of sources, this evaluation concludes that resources allocated to improving PFDM in IDA-eligible countries have yielded many positive results. This includes improving debt management capacity and strategies, and establishing and strengthening systems of accountability for budget management, PIM, and financial accounting and reporting. Support has also strengthened countries' institutional capacity by improving the regulatory framework for sovereign borrowing.

But there remains scope to improve results by addressing several shortcomings in the World Bank's support for PFDM in IDA-eligible countries. For example, support for PIM has sometimes relied excessively on World Bank instruments not well suited for longer-term capacity building (for example, DPOs). Additionally, although IFMIS implementation is a longer-term endeavor that lends itself to investment lending support, DPO prior actions can provide complementary support to extend coverage to all major financial transactions and to enforce ex ante compliance. However, of the 714 PFDM-related prior actions supported by DPOs in IDA-eligible countries, just 22 were IFMIS implementation related and, of those, only 2 specifically targeted IFMIS coverage. And as recognized in the context of the World Bank / International Monetary Fund Multipronged Approach to address emerging debt vulnerabilities and the recently adopted Sustainable Development Finance Policy, there is a need to enhance the transparency of several aspects of debt and debt management.

There is also scope to more fully exploit complementarities among the pillars of PFDM. The importance of this complementarity—and the need to ensure that scarce resources are used effectively and efficiently—was recognized by IDA Deputies. They noted in IDA19 that “the first challenge is to assist IDA countries to ensure that the benefits exceed the costs of servicing their debt. IDA and other partners can help by supporting initiatives that

enhance capacity in areas such as public finance management, public investment management ... and debt management” (IDA 2020a, 19). It is therefore noteworthy that IDA-eligible countries that were in debt distress or at high risk of debt distress in 2020 were less likely to have benefited from World Bank support for PIM than those that were not in debt distress or at high risk of debt distress. Although the direction of causality is unclear and improvements in PIM are no guarantee of debt sustainability, rigorous and transparent PIM systems and processes can reduce the likelihood that countries will undertake expensive or noncritical investment projects that do not generate the returns needed to justify their costs.

The quality and impact of PFDM can be enhanced by improving the coordination and prioritization of World Bank support to IDA-eligible clients. For example, the World Bank has provided significant and well-coordinated support to improve public debt management in many IDA-eligible countries facing rising debt vulnerabilities. But this support has not been systematically accompanied by efforts to improve public financial management (and PIM in particular), despite widely recognized synergies among borrowing, fiscal transparency, and the quality of public investment. As a result, opportunities to enhance the growth and development impact of development spending and debt-financed public investment have likely been missed, with potentially negative consequences for debt sustainability.

The decentralized way PFDM diagnostics have been applied and supported within the World Bank suggests that there is scope to further realize synergies among PFDM pillars. Performance and policy actions under the new Sustainable Development Finance Policy provide such an opportunity. With the growing importance to IDA clients of improving the efficiency of their use of scarce public resources in the face of rising debt levels, a more deliberate and coordinated approach to PFDM capacity building is warranted. A first step in this direction is to have a clear and up-to-date picture of PFDM strengths and weaknesses for each IDA-eligible country, drawing on assessments of the key pillars of PFDM. This has been addressed to some extent *within* each pillar of PFDM, but synergies *among* pillars remain underexploited. The second step is for the World Bank to more systematically support the priority needs of IDA-eligible

countries with better sequenced and complementary lending and nonlending support to improve the quality of PFDM more broadly.

In support of such an approach, the following recommendations are proposed, which, if adopted, could contribute meaningfully to achieving the IDA19 objective of helping client countries ensure that their debt burdens do not overwhelm their ability to reduce poverty or provide essential government functions:

1. World Bank should regularly monitor the quality of the key pillars of PFDM for each IDA-eligible country, possibly through a centralized, country-specific PFDM assessment. The purpose of such an assessment would be to provide the basis for a coordinated, medium-term PFDM capacity-building work program that addresses the most critical shortcomings while maximizing complementarities among the main pillars of PFDM. The assessment would be overseen by the World Bank's Equitable Growth, Finance, and Institutions Vice Presidency, given its responsibility for the two Global Practices leading much of the World Bank's work on PFDM. This assessment could be undertaken in the context of various other Bank products (for example, in the preparation of Systematic Country Diagnostics or their updates, or Country Economic Memorandums or Updates) or through a periodic stand-alone report. Such an integrated PFDM assessment would draw from the full range of existing PFDM diagnostics including data on financial reporting standards, the use of sound practices in public sector accounting, IFMIS coverage, PIM assessment indicators, Public Expenditure and Financial Accountability indicators, and Debt Management Facility monitoring and diagnostic frameworks and tools.

The assessment would provide a comprehensive picture of a country's capacity to manage its scarce public resources. It would also draw attention to progress in improving key dimensions of PFDM and would highlight areas that are lagging and in need of greater attention and support. Periodic publication of the results of each country's PFDM assessment (either alone or in the context of another report) could highlight the links among the various dimensions of PFDM and draw attention to areas in need of improvement.

2. Actively use the previously described assessment to prioritize and sequence World Bank support for PFDM capacity building and reform in IDA-eligible

countries. Such a framework could inform the design of budget support operations, investment projects, and country-specific performance and policy actions under the newly adopted Sustainable Development Finance Policy (for example, by prioritizing improvements in PIM alongside measures to improve debt transparency and debt management). Coordinated support for such a work program would be embedded in Country Partnership Frameworks. This would require that the Equitable Growth, Finance, and Institutions Vice Presidency better coordinate and sequence interventions by the Macroeconomics, Trade, and Investment and Governance Global Practices to tackle PFDM challenges. If published, these assessments could guide development partners that are active, or seeking to be active, in this area, and could inform the domestic policy debate on priorities for enhancing public sector transparency and accountability.

# World Bank Management Response

World Bank management would like to thank the Independent Evaluation Group (IEG) for undertaking the evaluation of World Bank support to Public Financial and Debt Management (PFDM) in countries eligible for International Development Association support. Management appreciates the high-level recommendations, which serve to advance ongoing efforts undertaken by management. The evaluation is directly relevant to the recent policy commitments related to debt management, including the new Sustainable Development Finance Policy (SDFP) and the implementation of the Debt Service Suspension Initiative.

Management is pleased with the report's conclusion that, from FY08 to FY17, the World Bank "invested significantly" to strengthen PFDM capacity in IDA-eligible countries and that these investments "have yielded many positive results," though it is important to note that this was accomplished in an unfavorable operating environment. To strengthen the PFDM capacity in IDA-eligible countries, the World Bank provided \$26.2 billion financing (amounting to \$6.8 billion in investment lending and \$19.4 billion in Development Policy Operations [DPOs]) and completed 598 pieces of advisory services and analytics from FY08 to FY17. Management is pleased to see that the report concluded that these investments have yielded positive results. It is important to note that these results were achieved amid the global financial crisis of 2008–09, the international oil and commodity price shock of 2014, and the Ebola outbreak in West Africa in 2014. These exogenous shocks, which could be further highlighted in the report, have adversely affected many IDA countries by worsening fiscal and debt outcomes and weakening progress in the implementation of ongoing PFDM reforms.

During 19th Replenishment of IDA, management expressed growing concerns that the composition of public debt had shifted toward costlier and riskier sources of finance and agreed to substantial steps to further enhance PFDM, particularly debt management, in client countries. As the report notes, management committed to "a multipronged strategy" that includes

“agreement to improve monitoring of debt vulnerabilities, enhance early warning systems, improve debt transparency, and increase debt management capacity building.” These policy commitments made by management are well aligned with the findings of this evaluation and its overall direction. The commitments include the SDFP, which is intended to help IDA countries through a more proactive and systematic engagement on addressing debt sustainability at the country level with a focus on dealing with debt vulnerabilities while expanding creditor outreach.

Management is pleased that the evaluation acknowledges that IDA supports client countries in strengthening PFDM “through a variety of channels and using a variety of instruments,” while noting that the report focuses primarily on financing by technical Global Practices and so does not provide a full account for such variety. Although the report offers a good overview of World Bank engagement in this area, it does not fully analyze the spectrum of the World Bank engagements that supports PFDM outcomes. The assessment of World Bank support to the budget preparation process, for example, does not take into account key aspects such as transparency, allocation of resources toward policy priorities, and links to performance or outcomes, to which a significant part of the World Bank’s Public Financial Management (PFM) and Public Expenditure Management support is directed.

Management would like to highlight the contribution of procurement reforms and other capacity-building support to PFDM outcomes that are not covered in the report. Given the volume of expenditure through public procurement, performance in this area can significantly impact the fiscal space. Investment-lending projects with PFDM capacity-building components delivered by other Global Practices have not been assessed by the IEG review. These components are integral to the design of the project and are often carved out to develop implementation capabilities of the institution providing service delivery. Similarly, the range of grants and trust funds that have been used for PFDM capacity building in client countries are not analyzed. Finally, PFDM accomplishments in the evaluation period substantially benefited from a broad range of advisory services and analytics, which is not sufficiently analyzed. This includes technical assistance and capacity-build-

ing programs, papers, training and peer-to-peer learning, and coordination of upstream and downstream work.<sup>1</sup>

Management would also like to point out that recent initiatives beyond the evaluation cut-off date are already addressing suggestions made in the report. Since the report's cut-off date, there has been an enhanced focus on programmatic engagement and downstream activities in public debt management (PDM). The third phase of the Debt Management Facility (DMF) launched in 2019 focuses on a country's readiness to commit to such an engagement. World Bank and International Monetary Fund teams and country authorities jointly define a multiyear reform program, identify the needed support, and develop country-specific performance measures. These programmatic engagements focus on countries with significant debt vulnerabilities and a strong commitment to reform. It introduces capacity building in areas that support debt transparency such as in areas of debt reporting and monitoring, and debt-related contingent liabilities and other relevant fiscal risks; and enhances technical assistance related to debt management institutions. In addition, the monitoring framework for the third phase of the DMF was recently expanded to include non-Debt Management Performance Assessment indicators that allow for measurement of annual progress for all DMF-eligible countries. Eight indicators were added to better capture outcomes across five pillars.<sup>2</sup>

Management welcomes the informative analysis of DPOs and believes that country teams have used this instrument judiciously. It is not so much that DPOs have been relatively underused for PFDM reform areas but rather that DPOs are often most effective at "unlocking" upstream policy and institutional reforms. It is important to note that institutional reforms are more sensitive to political and capacity constraints. Although these reforms are difficult to achieve, they are also foundational in nature and critical for sustainable improvements in poverty reduction. The PDM assessment could have been better informed by the conclusions of the Non-Concessional Borrowing Policy review, undertaken in the context of the transition from that policy to the SDPF in FY21.

Management believes that the relationship between PFM and PDM is less linear than expressed in the report, particularly on the level and sustainabil-

ity of debt. The objective of debt management is to help countries meet their funding needs at the lowest possible cost given an acceptable degree of risk. Although not meeting this objective can have severe implications for debt sustainability, debt management cannot guarantee debt sustainability, for example, when fiscal policy or public investment management (PIM) is weak. Even sound PDM and PIM operations are at best enabling factors when it comes to debt levels but never the main drivers. These are among the reasons behind management's preference to use PFM and PDM as two separate terms rather than combining both into PFDM, in line with current professional conventions.

Management concurs with the need to upgrade PFDM monitoring to better improve the links across different PFDM dimensions and believes that the SDFP is an important platform to do so. As an umbrella instrument, the SDFP aims to (i) support IDA clients in strengthening policies, institutions, and practices for transparent and sustainable financing of development goals; (ii) enhance coordination among borrowers, creditors, and other development partners; and (iii) introduce a more robust monitoring and accountability framework. Given these objectives, management concurs with the report's suggestion that the "SDFP can provide a platform for greater integration and reinforcement by including complementary PFDM actions in the performance and policy actions agreed with IDA-eligible countries" and that PFDM diagnostic assessments should inform the articulation of performance and policy actions.

Management agrees with the recommendation to regularly monitor the quality of the key pillars of PFDM for each IDA-eligible country and will do so building on existing diagnostics without creating new frameworks. Country teams use a wide variety of context-sensitive instruments such as the Public Expenditure and Financial Accountability assessment, the Country Policy and Institutional Assessment, the Public Investment Management Assessment, and the Supreme Audit Institutions Performance Measurement Framework. Debt management and debt sustainability are also monitored by World Bank teams using the Debt Reporting System at a global level and the Debt Management Performance Assessment and Debt Sustainability Analysis at the country level. A subset of key indicators from these reports

will be annually reviewed by country teams, based on country specificities, to inform policy and programming discussions. Management believes that it is important to maintain country-specific monitoring as opposed to standard reporting across countries given that PFM reforms are context sensitive.

Management agrees with the recommendation to use the enhanced monitoring to prioritize and sequence World Bank support for PFDM capacity building and reform in IDA-eligible countries. Sequencing is at the core the PDM, PFM, and PIM reforms supported by the World Bank. For example, a typical PFM reform cycle includes a Public Expenditure and Financial Accountability assessment, other deep dives, and a PFM reform program or action plan by the government. Management will take a more integrated approach across PFDM, building on the experience of PFM strengthening and the enhanced monitoring. Management will continue developing approaches, such as Fin-Health, that aim to identify the underlying causes of significant weaknesses in PFDM to better target reforms and build coalitions in support of their implementation. Finally, management places importance in sequencing with other development partners, including the International Monetary Fund, multilateral development banks, and bilateral donors as they also provide PFDM-germane capacity-building support.

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<sup>1</sup> DMF: A 10-year Retrospective is available here: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/387981607701888048/debt-management-facility-10-year-retrospective-2008-2018>. Reports available here: <https://www.worldbank.org/en/topic/debt/publication/strengthening-debt-management-capacity-in-low-and-middle-income-countries-an-assessment> and <https://www.imf.org/external/np/g20/pdf/2018/072718.pdf>.

<sup>2</sup> The framework’s vision is to “strengthen debt management capacity in DMF-eligible countries to enable government to finance its public sector borrowing prudently with appropriate cost-risk mix, contribute to macro-economic stability and help support sustainable debt levels over the long term, and strengthen the framework for debt management to increase accountability, transparency and reporting.”

# Report to the Board from the Committee on Development Effectiveness

The Committee on Development Effectiveness met to consider the report, *World Bank Support for Public Financial and Debt Management in IDA-Eligible Countries*, and the World Bank management response.

The committee welcomed the evaluation. Members deemed it a timely report, highlighting the relevance of public financial management and debt sustainability challenges for all client countries in light of the impact of the coronavirus (COVID-19) crisis on fiscal reprioritization and levels of debt. They noted the relevance of the evaluation's findings and recommendations for the upcoming 20th Replenishment of the International Development Association (IDA) negotiations and highlighted the importance of monitoring and assessing public financial management (PFM) trust funded activity. Members noted that the report found that the World Bank had invested significant resources in strengthening public financial and debt management (PFDM) capacity for IDA-eligible clients, yielding many positive—albeit limited—results. Members also noted the shortcomings mentioned in the report with respect to public investment management, coordination, and sequencing. Members appreciated management's agreement with the evaluation's recommendations to regularly monitor the quality of the key pillars of the PFDM and actively use the assessment to prioritize and sequence World Bank support for PFDM capacity building and policy reform in IDA-eligible countries, including in the context of performance and policy actions under the new Sustainable Development Finance Policy (SDFP). Members appreciated the clarifications about the World Bank's current commitments being aligned with the findings and overall direction of the evaluation, while highlighting that further streamlining is required. Members acknowledged management's explanations on the recent World Bank initiatives launched to further enhance debt management in IDA countries through a broad-based commitment to a multipronged strategy, such as the SDFP and the Debt

Service Suspension Initiative. Management also clarified that the quality of the key PFM and public debt management (PDM) pillars were being regularly monitored. While acknowledging the importance of PFM and PDM, management emphasized that sound fiscal policy choices on expenditures, revenue, and deficits are the key drivers for debt sustainability.

Several members asked for clarifications on the institutional and operational links between PFM and PDM. Others encouraged management to improve synchronization and coordination efforts both with client countries and within the World Bank's operations. Members suggested that in the implementation of the SDFP greater attention could be paid to public investment management, aligning incentives across the PFDM spectrum, stressing the focus on debt transparency and debt and fiscal monitoring, or ensuring support to the countries most in need of fiscal and debt monitoring management.

Members and nonmembers called for an engagement with the Board of Executive Directors on debt sustainability to provide a holistic view of the World Bank approach to PFDM, collaboration with the International Monetary Fund to address client countries' debt risk, and the initiatives to improve links between debt and the Sustainable Development Goals. Appreciative of the detailed introductory remarks by management, some members suggested that the management response could be enhanced with some additional information such as that provided during the meeting.



# 1 | The World Bank and the Management of Public Finance

Sound public finance management is critical to the achievement of the World Bank Group's goals of eradicating extreme poverty and promoting shared prosperity. It is critical to fiscal discipline and the efficient and effective use of scarce public resources to deliver public services. Weaknesses in the management of public resources can have wide-ranging implications for development, including by driving a wedge between public policy and its implementation. The importance of sound public financial management (PFM) has been elevated with the onset of the coronavirus (COVID-19) pandemic as policy makers face rising demands for public support and services in the face of reduced revenues.

For this evaluation, public finance management is an umbrella concept that captures the processes and institutions used to implement fiscal policy while providing critical information to inform policy making. The key elements of public finance management are (i) revenue administration, (ii) PFM,<sup>1</sup> and (iii) public debt management (PDM). This evaluation is focused on the last two elements; revenue administration is the subject of a parallel Independent Evaluation Group (IEG) evaluation, *World Bank Group Support for Domestic Revenue Mobilization*.

The World Bank helps International Development Association (IDA)-eligible client countries strengthen the management of public finance through a variety of channels and using a variety of instruments. The channels include support to (i) improve the efficiency, effectiveness, and equity of revenue collection; (ii) establish and strengthen systems for budget preparation and management (including public expenditure management [PEM]), public sector accounting, public investment management (PIM), and internal and external accountability; and (iii) build capacity to manage government assets

and liabilities efficiently, including for macroeconomic policy and fiscal risk management. This support is delivered by IDA in a variety of forms, including through investment projects, development policy operations (DPOs), advisory services and analytics (ASA) activities, training, technical assistance, and diagnostics.

The World Bank approach to the management of public finance can be seen in the *World Development Report 1988* on public finance in development (World Bank 1988). The report covered a broad range of public finance issues involving both policy formation and implementation: the use of fiscal policy for stabilization and adjustment, tax systems, the allocation of public spending, the financing of local governments, and the reform of state-owned enterprises. The approach was adapted over time, as seen in the *World Development Report 1997: The State in a Changing World* (World Bank 1997), which recognized the primacy of institutions in development (that is, the rules and customs that determine how economic technical inputs are used). More recent strategy papers have placed greater focus on anticorruption and developing “good fit” institutions adapted to local conditions. These include *Reforming Public Institutions and Strengthening Governance* (World Bank 2000), *Strengthening World Bank Group Engagement on Governance and Anticorruption* and its 2012 update (World Bank 2007, 2012b), and *The World Bank’s Approach to Public Sector Management 2011–2020* (World Bank 2012c). Even more recently, the *World Development Report 2017: Governance and the Law*, went a step further to position institutions as the principal factor for success of governance-oriented reforms (World Bank 2017c).

Building the capacity of country clients to manage public finance is important to the fulfillment of the World Bank’s mandate. After shifting its attention to poverty eradication during the 1970s, the World Bank came to strongly emphasize support to improve the institutions and systems of public finance management during the early 1980s, as developing economies struggled with macroeconomic stability and debt sustainability challenges. During the 1980s and 1990s, the World Bank increasingly recognized the importance of institutional development—including for the management of public finances—as a key complement to the policy reforms it supported through adjustment lending.<sup>2</sup> By the time the World Bank shifted from adjustment to development policy lending—with a new operational policy introduced in September

2004—supporting clients to strengthen the management of public finance accounted for a large share of the policy reforms supported by the World Bank (Koeberle, Stavreski, and Walliser 2006).

Support for public finance management from the World Bank is particularly important to IDA-eligible countries. This was recognized by the IDA Deputies and reflected in their report for the 19th Replenishment of IDA to the IDA Board of Governors: “The first challenge is to assist IDA countries to ensure that the benefits exceed the costs of servicing their debt. IDA and other partners can help by supporting initiatives that enhance capacity in areas such as public finance management, public investment management including project screening and implementation, adoption of good procurement practices, and debt management” (IDA 2020a, 19).

IDA-eligible countries need to make the most of their resources if they are to achieve the Sustainable Development Goals. Such measures need to reflect the countries’ significant development needs, historically limited access to global capital markets, and weak domestic resource mobilization. At the same time, World Bank attention to public finance management reflects a desire on the part of creditors—multilateral, bilateral, and commercial—to avoid a repeat of the extensive assistance provided to many low-income countries in the context of the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), although, given the need to address the significant economic and social challenges of COVID-19, the accrual of more debt is inevitable. To avoid a resurgence of debt and ensure that resources freed up from debt service are channeled into productive, growth-enabling spending, the World Bank and development partners have paid particular attention to public financial and debt management (PFDM) capacity building after debt relief, with much of the support being provided through the multi-donor Debt Management Facility (DMF) (World Bank 2019).

## Evaluation Scope

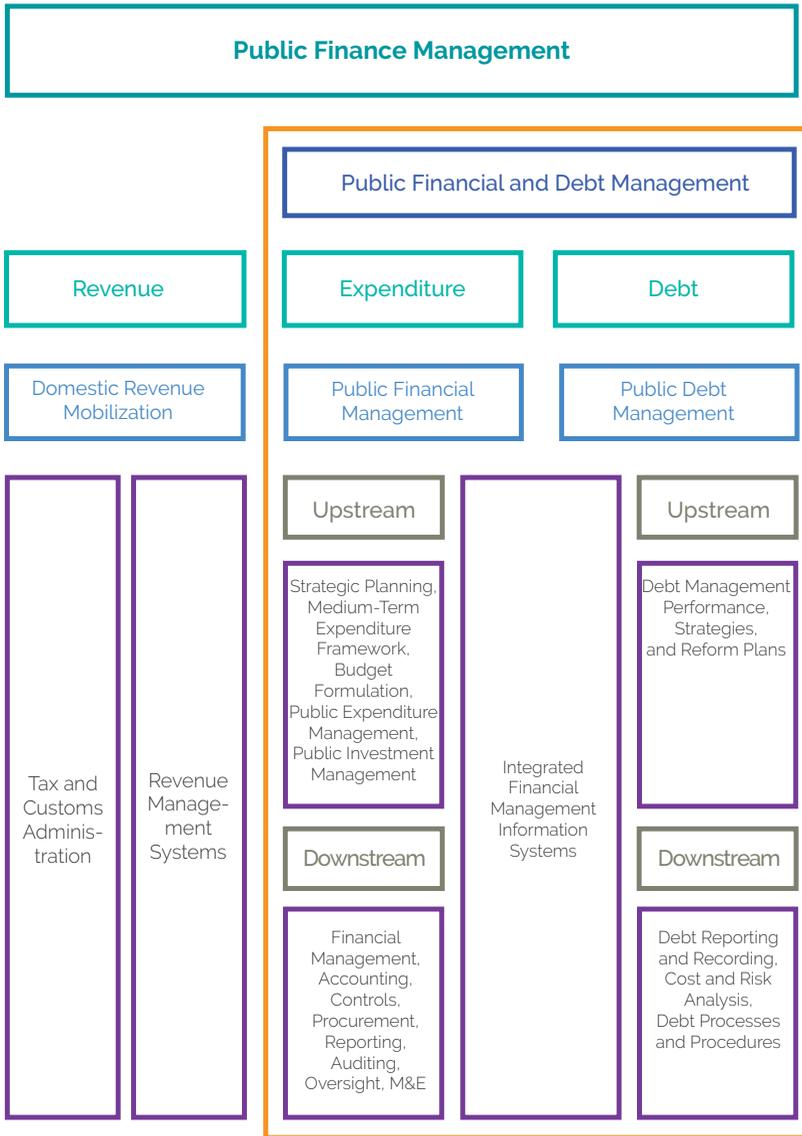
This evaluation assesses the effectiveness of World Bank capacity-building support (to institutions, systems, and human capital development) to IDA-eligible countries between fiscal year (FY)08 and FY17 in two subthemes of public finance management: PFM and PDM (figure 1.1).

- » PFM refers to the areas of budget formulation, planning, and execution (including predictability and control); public sector accounting; institutional accountability and transparency; external oversight of public finances; and systems and processes to enhance the efficiency and integrity of public spending and investment.
- » PDM refers to aspects of public sector debt management such as coordination with macrofiscal policies; monitoring, reporting, and recording of public and publicly guaranteed debt; and provision of information to policy makers on how to meet financing needs at a low cost and with a prudent degree of risk while ensuring overall debt sustainability.

The evaluation universe includes the 85 client countries eligible for IDA for at least two years during the evaluation period (FY08–17). Nine current (FY21) International Bank for Reconstruction and Development (IBRD) countries were IDA eligible for at least two years during the evaluation period: Azerbaijan (graduated in FY11); Angola, Armenia, Bosnia and Herzegovina, Georgia, and India (graduated in FY14); and the Plurinational State of Bolivia, Sri Lanka, and Vietnam (graduated in FY17). For the entire list of countries, see appendix B.

This evaluation excludes subthemes of public finance management that are being or have been addressed by other IEG evaluations. Revenue administration and management—the third pillar of public finance (revenue, expenditure, and debt), which includes support for both tax and customs administration—is being evaluated separately through the forthcoming IEG evaluation *World Bank Group Support for Domestic Revenue Mobilization* (see also World Bank 2017d). Fiscal decentralization and subnational PFM is being evaluated through the forthcoming IEG evaluation *World Bank Group Engagement on Strengthening Subnational Governments*. Countercyclical spending and related interventions have been previously evaluated, including in the World Bank reports *The World Bank Group's Response to the Global Economic Crisis* (2010) and *Crisis Response and Resilience to Systemic Shocks* (2017b). Procurement reform was evaluated by IEG in *The World Bank Group and Public Procurement* (World Bank 2014a).<sup>3</sup> This evaluation only covers support provided by the World Bank; neither the International Finance Corporation nor the Multilateral Investment Guarantee Agency are significantly involved in PFDM.

**Figure 1.1.** Elements of Public Finance Management

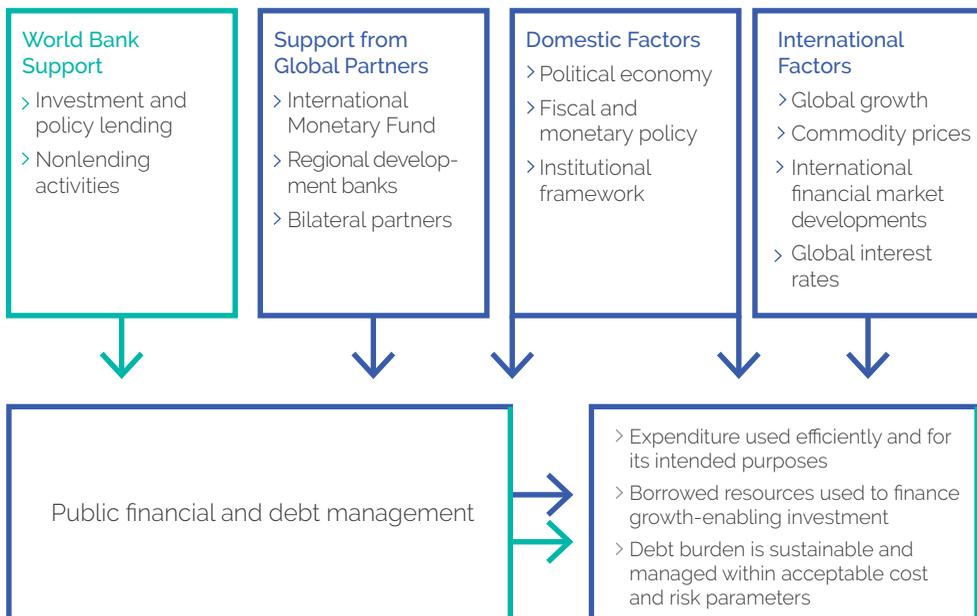


Source: Independent Evaluation Group.

Note: M&E = monitoring and evaluation.

The effectiveness of PFDM is influenced by a wide range of factors (figure 1.2), technical and otherwise, many of which are outside of the World Bank’s control. This evaluation focuses on World Bank lending and non-lending support to build and improve the accountability systems of checks and balances, taking into account the efforts of development partners and the domestic and global context (namely global trends and events, the political economy, local conditions, and external shocks and factors such as the COVID-19 crisis). In debt management, issues of domestic debt market development and macroeconomic policy are also outside the scope of the evaluation. Although the World Bank is a leading provider of support for PFDM in IDA-eligible countries, other development partners—particularly the International Monetary Fund (IMF) but also regional development banks and bilateral partners—also provide support on PFDM either in parallel or in collaboration with the World Bank (figure 1.2).

**Figure 1.2.** Factors Influencing Public Financial and Debt Management and Its Impact



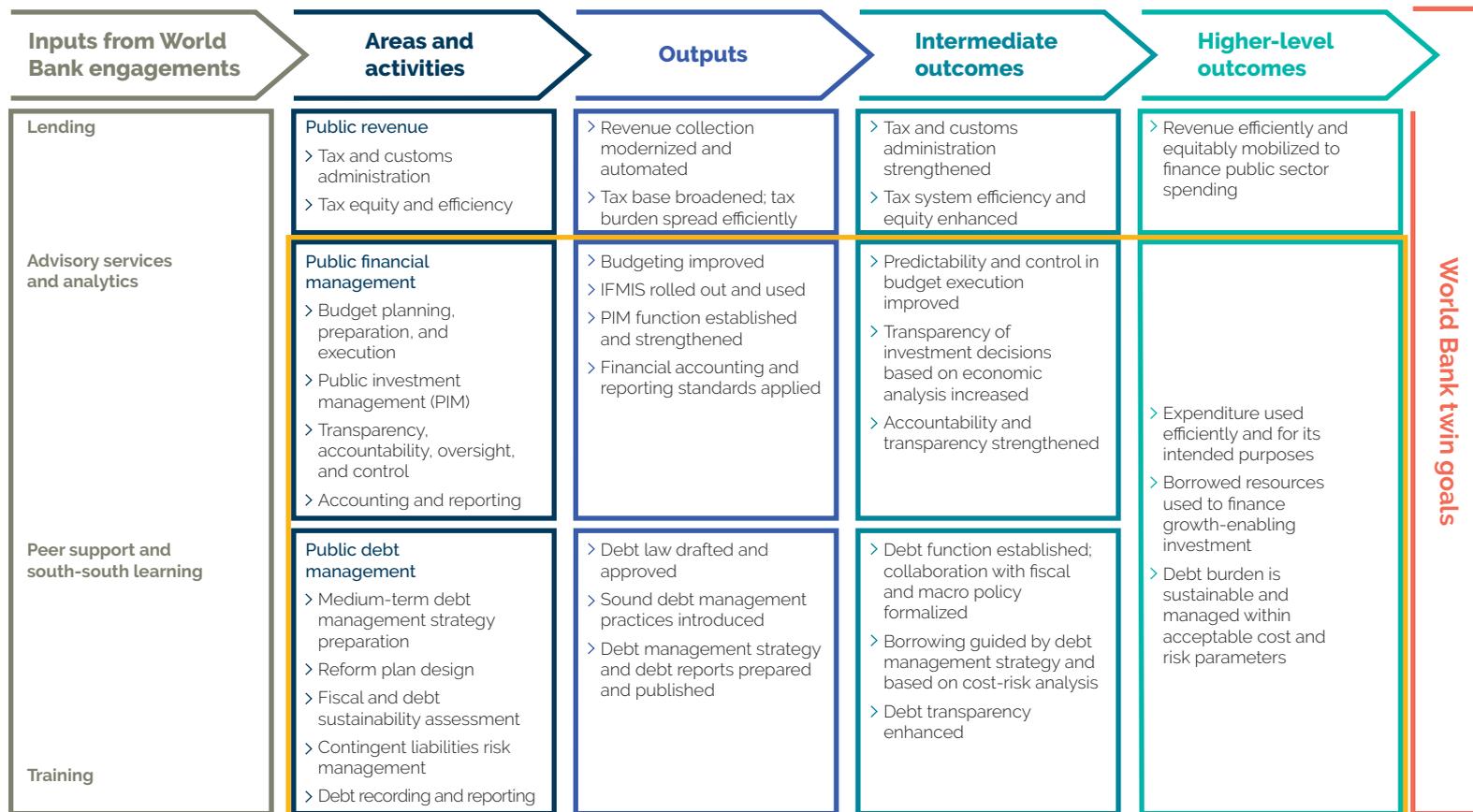
Source: Independent Evaluation Group.

## Evaluation Approach and Methodology

The objective of this evaluation is to assess the success of the World Bank’s contributions to building PFDM capacity in support of improved transparency, accountability, and fiscal sustainability in IDA-eligible countries from FY08 to FY17. It seeks to identify trends in the PFDM portfolio and draw conclusions about the impact of World Bank interventions, while nonetheless acknowledging that the World Bank does not bear sole responsibility for PFDM outcomes in client countries. The evaluation makes recommendations to improve the effectiveness of PFDM capacity-building support provided by the World Bank.

The theory of change tracing World Bank support for PFDM to improved outcomes is described in figure 1.3. It should be noted that World Bank–provided PFDM support is situated in the larger sphere of support for public finance management, including that provided by IMF and other development partners. PFDM is the main contributor to government stewardship of public resources, enabling efficient, effective, and accountable use and management of resources for development.<sup>4</sup> In this way, PFDM contributes to the World Bank’s twin goals of ending extreme poverty and promoting shared prosperity.

**Figure 1.3.** World Bank Public Finance Management Capacity-Building Theory of Change



Source: Independent Evaluation Group.

Note: IFMIS = integrated financial management information system.

The report poses two sets of evaluation questions (see appendix A).

- » **Question 1:** How relevant was the World Bank’s lending and nonlending support to building PFDM capacity in IDA-eligible countries?
  - » How relevant was World Bank support for PFDM to country fiscal and development needs and priorities?
  - » Did interventions to improve PFDM take into account existing technical capacity, and were they appropriate given underlying political and institutional constraints?
- » **Question 2:** How effective were World Bank interventions in building PFDM capacity at the country level? What worked best and why? What did not work well?
  - » How effectively were the World Bank’s suite of lending and nonlending instruments applied in support of relevant PFDM-related objectives?
  - » How effectively did the World Bank collaborate with development partners in supporting client needs?

An evaluation of the effectiveness of World Bank PFDM support poses several methodological challenges:

- » PFDM reforms require significant institutional development, which generally takes several years to take root. As many World Bank interventions—particularly policy-based lending—are shorter term in nature, the results of efforts may not emerge for several years after the intervention.
- » Results indicators to measure the effectiveness of PFDM interventions are often not readily available without a formal PFDM monitoring framework. Standard diagnostics tools for assessing PFDM (for example, Public Expenditure and Financial Accountability [PEFA] and Debt Management Performance Assessments [DeMPAs]) are not applied on a regular basis and are insufficient by themselves to assess World Bank effectiveness. And even when they are applied regularly, they can lack the granularity necessary to track progress, particularly at lower levels of capacity. This is particularly problematic for monitoring improvements in PFDM for IDA-eligible countries (see box 1.1). These shortcomings are both limitations on the analysis in this evaluation and one of its findings.

- » The implementation of PFDM reforms and their sustainability is highly dependent on a wide range of nontechnical factors, including political ownership, electoral cycles, independence of the civil service from political influence, and high civil service turnover, and can therefore be subject to swift reversals as governments change or trained technical staff leave for better-paying jobs in the private sector.
- » Other multilateral institutions (for example, IMF and regional development banks) and bilateral donors provide similar or complementary support for PFDM to that provided by the World Bank. This complementary support has the potential to enhance the impact of World Bank support, which inevitably presents challenges in attributing the results of PFDM support to any single provider.

### Box 1.1. Indicators Used to Measure Public Financial and Debt Management Performance

The evaluation used several public financial and debt management indicators to gauge performance, including the following:

- » **Country Policy and Institutional Assessments.** The World Bank conducts annual Country Policy and Institutional Assessments for all borrowing countries. The assessment is composed of 16 criteria, grouped in four clusters: (i) economic management, (ii) structural policies, (iii) policies for social inclusion and equity, and (iv) public sector management and institutions. World Bank staff conduct the assessments, scoring criteria on a scale from 1 (low) to 6 (high). Criteria focus on policies and institutional arrangements—the key elements that are within a country’s control—rather than on actual outcomes, which are influenced by elements outside the country’s control. Two criteria are relevant for the public financial and debt management evaluation: debt policy and management, and quality of budgetary and financial management.

Country Policy and Institutional Assessments scores are designed to allow for cross-country comparisons and comparison over time. One limitation of the data, however, is that subscores for the dimensions of each criterion are not publicly disclosed.

*(continued)*

## Box 1.1. Indicators Used to Measure Public Financial and Debt Management Performance (cont.)

- » **Public Expenditure and Financial Accountability (PEFAs) assessments.** The PEFA assessment measures performance over time using a set of high-level indicators that measure the performance of public financial management systems, processes, and institutions. PEFA assessments are generally conducted every four or so years by the World Bank or a development partner, with the support of client governments. Although most PEFA assessments are disclosed, not all are made public. PEFA indicator scores reflect a number of dimensions, which are scored on a four-point, ordinal scale—A, B, C, or D—according to criteria established for each dimension. To conduct quantitative analyses, the Independent Evaluation Group (IEG) used the PEFA Secretariat’s crosswalk, which allows users to convert alphabetic scores into numerical values for this purpose (with A being 4.0, B being 3.0, C being 2.0, and D being 1.0).

PEFA indicators are meant to be compared within one country over time (and not across countries). To allow for longitudinal analysis, IEG looked only at the 41 countries within the evaluation universe that had at least two PEFA assessment scores during the evaluation period. However, some assessments were missing indicator scores, further limiting the number of observations. Although the PEFA methodology was altered in 2016, this evaluation (fiscal year 2008–17) only looked at those assessments that used the 2011 framework.

- » **Debt Management Performance Assessments (DeMPAs).** The DeMPA is a World Bank diagnostic tool to assess the quality of government debt management practices and institutions. Through a comprehensive set of 15 debt performance indicators, organized into five areas and spanning the full range of government debt management functions, DeMPAs help identify areas for reform and guide the strengthening of debt management capacity, processes, and institutions. Repeat DeMPAs help governments monitor progress toward sound debt management practices.

DeMPAs are treated as confidential, requiring the approval of the government for publication. Although World Bank staff are now actively encouraging DeMPA publication, the findings of many DeMPAs remain unavailable to the public and to development partners.

*(continued)*

### Box 1.1. Indicators Used to Measure Public Financial and Debt Management Performance (cont.)

Modeled on the PEFA framework, DeMPAs allow for longitudinal data analysis. Debt performance indicators are rated on a four-point ordinal scale (A, B, C, or D, converted into numerical values in the same manner as PEFA scores). However, DeMPA scores lack granularity, particularly at lower levels, which can constrain the assessment's ability to register progress achieved by countries that do not meet the minimum standard (that is, a "D"). This is particularly problematic for low-capacity countries, many of which are International Development Association-eligible and thus part of the evaluation universe. It is expected that upcoming reforms to the DeMPA methodology will address this shortcoming.

- » **IEG project and operation performance ratings.** IEG validates World Bank staff evaluations of projects and operations through Implementation Completion and Results Report Reviews or conducts its own in-depth evaluations (including through Project Performance Assessment Reports). Performance ratings assess the extent to which projects and operations have achieved their development objectives. Subratings assess World Bank performance in project design and implementation and the extent to which the project or operation objectives are relevant to the country context. IEG produces Implementation Completion and Results Report Reviews for all World Bank lending engagements; Project Performance Assessment Reports are prepared for approximately one-fifth of lending engagements.

This evaluation augments portfolio- and intervention-level analysis with several case studies (table 1.1). Chapter 1 describes the context and scope of the evaluation. Chapter 2 provides a brief description of the World Bank's portfolio of PFDM support for IDA-eligible countries. Chapters 3–6 present findings from an in-depth analysis of the PFDM portfolio, interventions, and country case studies organized around four central pillars of PFDM: PEM, PIM, integrated financial management information systems (IFMISs), and PDM. Findings, lessons, and recommendations follow in chapter 7. Methodological approaches are described in appendix A.

**Table 1.1.** Evaluation Case Studies

Region	Country	Lending Intensity		ASA Intensity		FCS	HIPC
		High	Low	High	Low		
AFR	Burkina Faso	x			x	No	Yes
	<b>Ghana</b>		x	x		No	Yes
	Sierra Leone	x		x		Yes	Yes
EAP	<b>Vietnam<sup>a</sup></b>	x		x		No	No
ECA	Georgia <sup>b</sup>	x			x	No	No
LAC	Honduras		x		x	No	Yes
SAR	Afghanistan		x		x	Yes	Yes
	<b>Bangladesh</b>	x		x		No	No

Source: Independent Evaluation Group.

Note: Bold countries represent field visits conducted for the evaluation. AFR = Africa; ASA = advisory services and analytics; EAP = East Asia and Pacific; ECA = Europe and Central Asia; FCS = fragile and conflict-affected situation; HIPC = heavily indebted poor countries; LAC = Latin America and the Caribbean; SAR = South Asia.

a. Vietnam graduated from the International Development Association in the last year of the evaluation period (fiscal year 2017).

b. Georgia graduated from the International Development Association in fiscal year 2014.

## Context

Although extensive PFDM assistance was provided to IDA-eligible countries, many still experienced a significant elevation of their risk of debt distress. Indeed, although many IDA-eligible countries remain at low or moderate risk of debt distress, the number at high risk or in debt distress increased from 13 in 2013 to 34 (of 85) by the end of July 2019 (figure 1.4). The reasons for this increase are numerous: After the global financial crisis of 2008–09, many IDA-eligible countries took advantage of their newly acquired fiscal space, historically low global interest rates due to abundant liquidity, and investor search for yield to engage in commercial borrowing and domestic debt issuance (figure 1.5).<sup>5</sup> Much of the increased borrowing was nonconcessional and shorter term in nature (see, for example, World Bank 2013b). At the same time, many IDA-eligible countries engaged in extensive bilateral borrowing (often on opaque terms) to finance “growth-enhancing” public spending and investment, particularly in infrastructure. With varying capacities to identify and design quality investments and effectively manage their imple-

mentation, some investments fell short of growth aspirations, contributing to significant increases in debt-to-gross domestic product (GDP) ratios. This suggests a link between the quality of PIM and rising debt distress in many IDA-eligible countries. The emergence of COVID-19 and the resulting impact on economies across the globe has increased the salience of these issues and resurfaced concerns with the quality of debt management, sovereign defaults, debt restructuring, and debt relief.

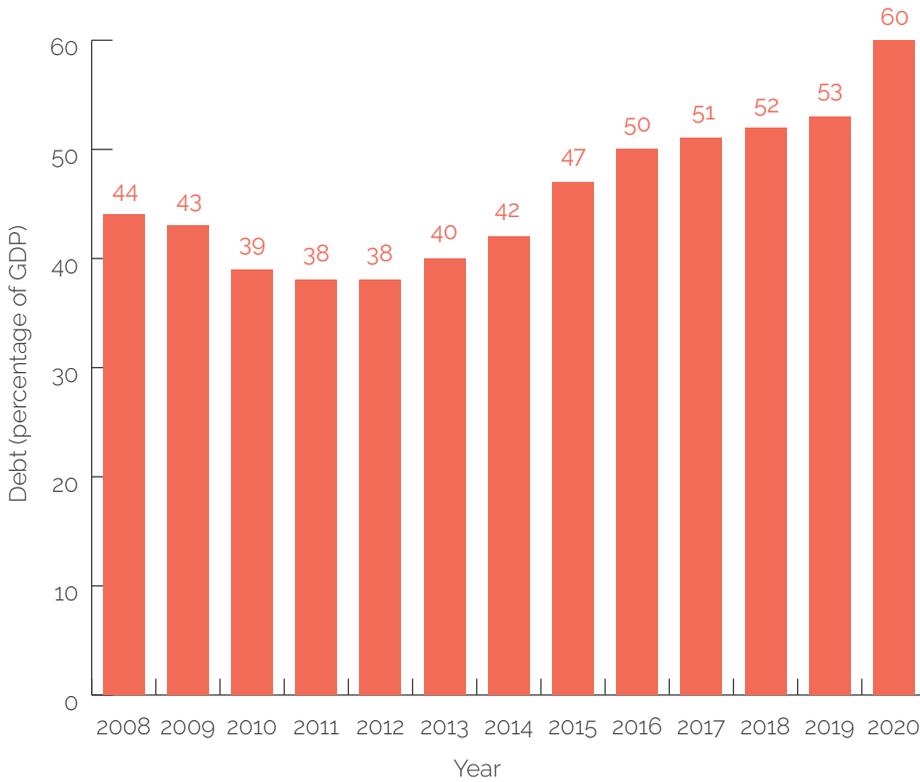
**Figure 1.4.** Risk of Debt Distress in International Development Association–Eligible Countries



Source: Independent Evaluation Group; World Bank Debt Sustainability Analysis.

Note: IDA = International Development Association.

**Figure 1.5.** Public Debt as a Percentage of Gross Domestic Product for Low-Income Countries



Source: International Monetary Fund 2020b.

Note: The 2019 figures are preliminary; the 2020 figures are World Economic Outlook projections. GDP = gross domestic product.

In IDA-eligible countries, the average debt-to-GDP ratio increased from 44 percent in 2008 to 60 percent in 2020. The increase in general government gross debt-to-GDP ratios is less than that of IBRD countries (from 16 to 33 percent) over the same period. The average for the eight case study countries covered in this evaluation increased from 31 percent of GDP in 2008 to 42 percent in 2017; preliminary estimates for 2020 are 50 percent (table 1.2). This average, however, hides considerable variation across countries, from declines (Afghanistan and Bangladesh) to significant increases (all other countries), including to notably high levels in Ghana and Sierra Leone.

**Table 1.2.** Debt-to-Gross Domestic Product Ratio and Level of Debt Distress for Case Study Countries

Country	Debt-to-GDP Ratio, General Government Gross Debt (percent)			Level of Debt Distress	
	2008	2014	2020 est.	2013	2018
Sierra Leone <sup>a</sup>	42.4	35.1	77.4	High	High
Ghana <sup>a</sup>	24.9	51.2	76.7	High	High
Georgia	30.3	33.3	58.7	(not LIC DSA assessed)	
Vietnam	31.0	43.6	46.6	(not LIC DSA assessed)	
Burkina Faso <sup>a</sup>	23.0	26.6	46.6	Moderate	Moderate
Honduras <sup>a</sup>	22.3	37.1	46.0	Moderate	Moderate
Bangladesh	40.6	35.3	39.6	Low	Low
Afghanistan <sup>a</sup>	19.1	8.7	7.8	High	High
Average	30.7	42.0	49.9	—	

Source: Debt Management Monitor 2018; International Monetary Fund 2020b.

Note: DSA = debt sustainability analysis; est. = estimated; GDP = gross domestic product; LIC = low-income country. Countries listed in order of gross debt (percent).  
a. Heavily indebted poor countries.

The worsening fiscal trend for IDA-eligible countries was particularly noticeable over the second half of the evaluation period (table 1.3). Figure 1.6 shows developments for revenue, expenditure, fiscal balance, and gross debt in relation to GDP for low-income countries. The sharp economic contraction and increase in financing needs due to COVID-19 will likely lead to a significant worsening of these indicators in 2020 and into 2021 for both low-income and middle-income countries.

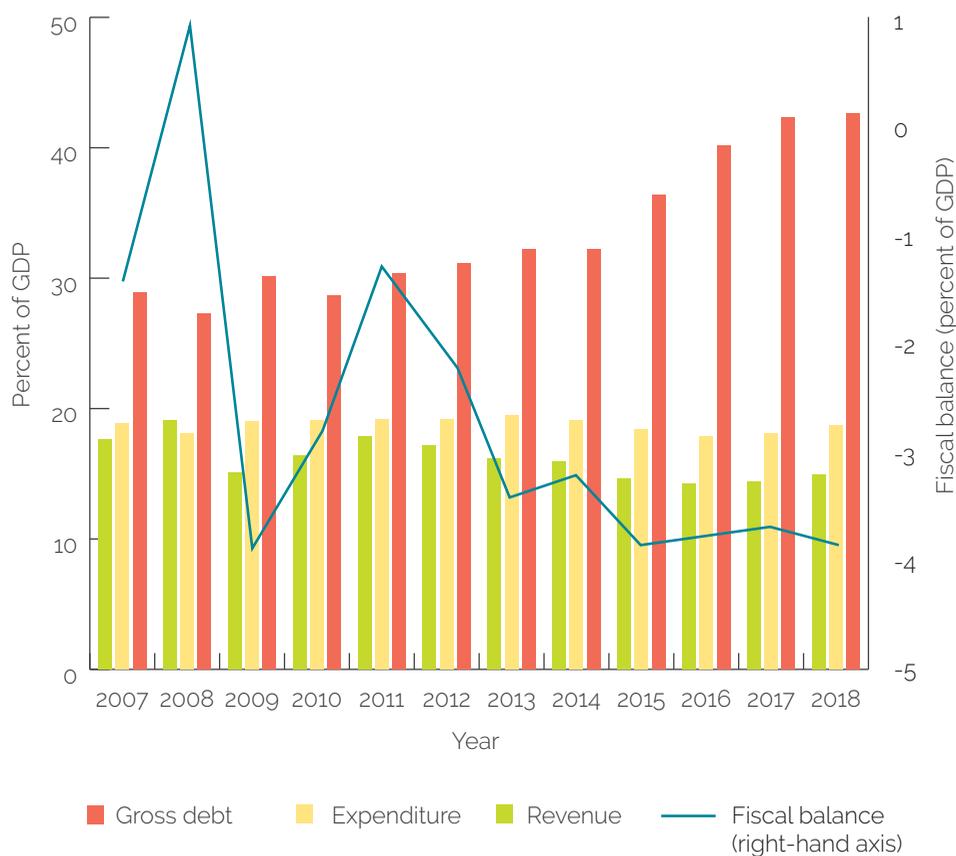
**Table 1.3.** IDA-Eligible Countries—Fiscal Indicators (percent of GDP)

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	18.3	19.8	15.8	17.0	18.8	18.0	16.7	16.5	15.1	14.7	14.9	15.4
Expenditure	19.7	18.8	19.8	20.0	20.0	20.0	20.3	19.9	19.1	18.7	19.1	19.4
Fiscal balance	-1.4	1.0	-4.0	-2.9	-1.3	-2.0	-3.5	-3.3	-3.9	-3.9	-4.2	-4.0
Gross debt	30.1	28.6	31.7	29.9	31.5	31.8	32.9	33.7	37.7	41.3	43.7	45.0

Source: International Monetary Fund Fiscal Monitor database, April 2019.

Note: GDP = gross domestic product; IDA = International Development Association.

**Figure 1.6. Low-Income Country Fiscal Indicators**



Source: International Monetary Fund 2019a.

Note: GDP = gross domestic product.

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<sup>1</sup> Public financial management (PFM) is itself an umbrella concept that, for the purposes of this evaluation, includes public expenditure management, which in turn includes public sector accounting, support for integrated financial management information systems, and public investment management.

<sup>2</sup> In 1983, the World Bank created its first organizational unit dedicated to research and operational support for administrative efficiency in government, the Public Sector Management Unit. This unit devoted much of its time to the restructuring of public enterprises, civil service reform, and PFM.

<sup>3</sup> The evaluation concluded, among other things, that procurement capacity building was disconnected from the World Bank’s broader support to public expenditure management: “Less successful have been efforts to mainstream procurement reform within the context of financial management reform and overall public expenditure management” (World Bank 2014a, 15).

<sup>4</sup> Although outside the scope of this evaluation, while establishing a clear relationship between strengthening PFM and achieving improved service delivery has proven elusive (see, for example, World Bank 2012a), there is growing momentum to rethink PFM support as a more “open” system that interacts fluidly with public policy and to better understand how PFM matters for service delivery (International Working Group 2020).

<sup>5</sup> Other exogenous shocks that affected the fiscal and debt outcomes of many International Development Association–eligible countries included the international oil and commodity price shock of 2014 and the Ebola outbreak in West Africa that same year.

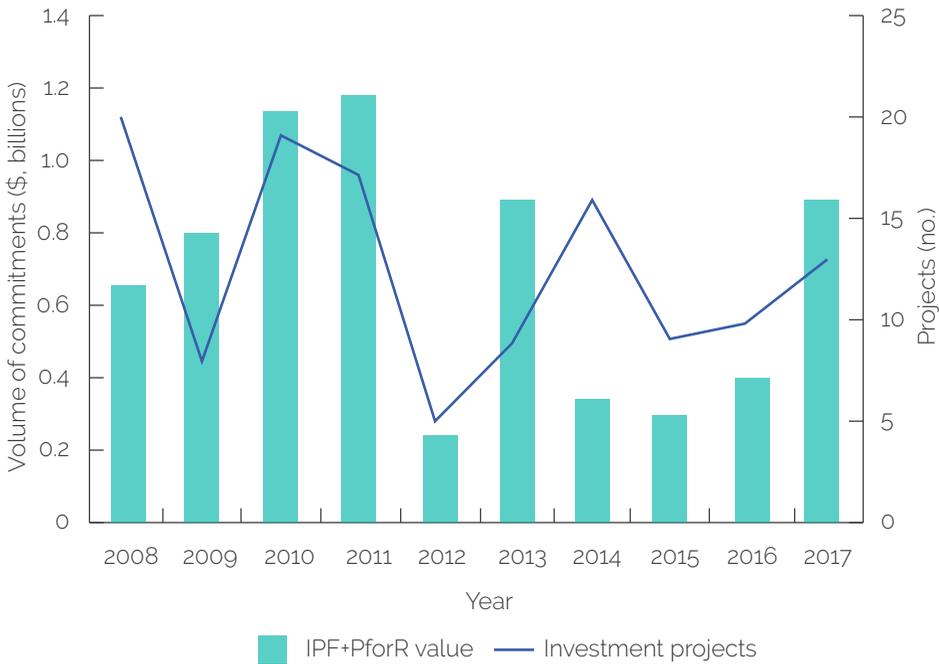
## 2 | The Public Financial and Debt Management Portfolio

This chapter describes the PFDM portfolio of lending and nonlending activities for IDA-eligible countries during the evaluation period. Much World Bank PFDM support was provided to IDA-eligible countries after, or in parallel with, the HIPC Initiative and the MDRI. Given the need to ensure that resources freed up from debt service were channeled to productive social sector spending and to avoid the reaccumulation of large debt burdens, the World Bank and its development partners provided extensive support to debt relief beneficiaries to improve PEM and debt management capacity, with much of the latter provided through the multidonor DMF. Appendix C describes the portfolio selection process for this evaluation and contains a more thorough analysis of the PFDM portfolio.

### Investment Lending

Investment lending formed a significant part of the World Bank's support for PFDM in IDA-eligible countries (figure 2.1). Between FY08 and FY17, the World Bank supported IDA-eligible clients in building their PFDM capacity through 126 investment loans valued at \$6.8 billion.<sup>1</sup> This included both investment project financing and Program-for-Results lending that supported 55 countries in total (table 2.1). Most of these countries were World Bank clients in Africa and South Asia. PFDM support through investment lending was not assessed because of data limitations.

**Figure 2.1.** PFDM Investment Lending in IDA-Eligible Countries (FY08–17)



Source: Independent Evaluation Group, World Bank Business Intelligence.

Note: IDA = International Development Association; IPF = investment project financing; PFDM = public financial and debt management; PforR = Program-for-Results.

**Table 2.1.** PFDM Interventions in IDA-Eligible Countries (FY08–17)

Public Finance Theme	Investment Loans for PFDM <sup>a</sup> (no.)	Lending for PFDM (\$, billions)	DPOs with at Least One PFDM-Related Prior Action	
			(no.) <sup>b</sup>	(\$, billions) <sup>c</sup>
PFM	117	6.6	254	18.3
PDM	11	0.5	82	7.2
Total <sup>d</sup>	126	6.8	260	19.4

Source: Independent Evaluation Group; World Bank Business Intelligence.

Note: DPO = development policy operation; FY = fiscal year; IDA = International Development Association; PDM = public debt management; PFDM = public financial and debt management; PFM = public financial management.

a. Investment loans include Programs-for-Results.

b. Loans in a programmatic DPO series are each treated as an individual project.

c. The lending amount of DPOs with at least one public finance prior action is the total amount of the DPO.

d. As projects are coded with more than one theme, the total number of lending commitments is greater than the total number of PFDM commitments.

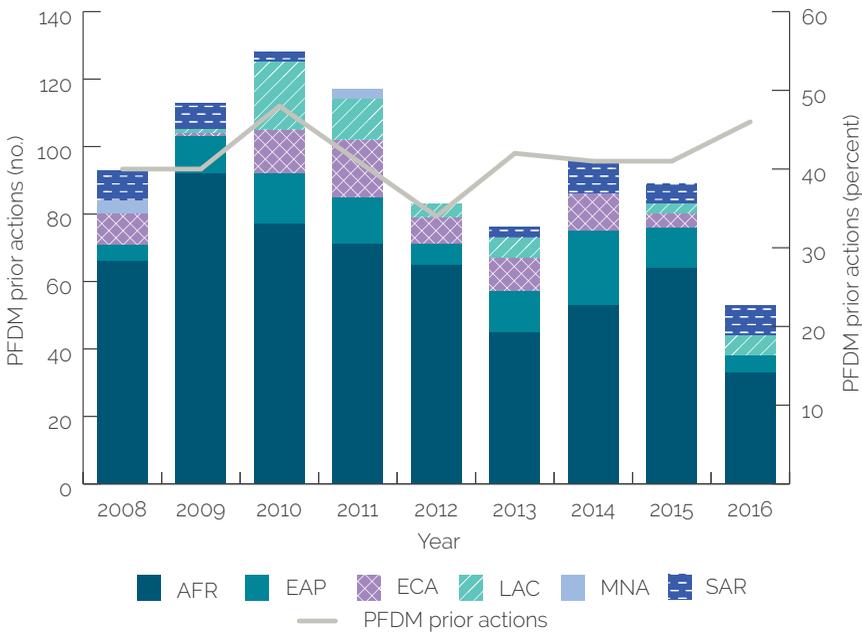
Program-for-Results financing made up a relatively small portion of the PFDM portfolio. Reasons for the limited use of Program-for-Results include the following: (i) the instrument was only introduced in 2012, halfway through the

evaluation period; (ii) the program began with a cap of 5 percent of aggregate IBRD and IDA commitments to test the new instrument; and (iii) the Program-for-Results instrument requires stringent fiduciary controls that some IDA clients have difficulty achieving. Of the eight PFDM-related Programs-for-Results during the evaluation period, only three have closed; all three have received satisfactory outcome ratings by IEG, but it is premature to draw conclusions until more cases can be analyzed.<sup>2</sup>

## Development Policy Lending

Over the evaluation period, there were 714 PFDM-related prior actions in 260 DPOs in 57 IDA-eligible client countries, totaling \$19.4 billion. Operations in higher-income IDA-eligible countries were more likely to have PFDM prior actions, and operations in the Africa Region had more on average (figure 2.2).<sup>3</sup> Of the DPOs rated by IEG, 32 percent had outcomes rated satisfactory and 41 percent had outcomes rated moderately satisfactory.

**Figure 2.2.** PFDM Prior Actions and Their Share of DPO Prior Actions for IDA-Eligible Countries



Source: Independent Evaluation Group, Operations Policy and Country Services

Note: AFR = Africa; DPO = development policy operation; EAP = East Asia and Pacific; ECA = Europe and Central Asia; IDA = International Development Association; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; PFDM = public financial and debt management; SAR = South Asia.

## Nonlending Activities

Nonlending PFDM support included 598 ASA activities in 76 countries.<sup>4</sup> Annual ASA delivery for PFDM increased from 50 activities on average over FY08–12 to 84 over FY13–17 (table 2.2). Diagnostic reports—largely DeMPAs and PEFA assessments—made up a fifth of PFM ASA activities and 15 percent of PDM ASA activities. Also included in the portfolio were 14 Medium-Term Debt Management Strategy (MTDS) reports and 89 nonsectoral public expenditure reviews. South Asia had the highest number of PFM ASA activities delivered (8.9) on average per country, followed by Europe and Central Asia with 4.8. The number of ASA activities delivered declined sharply in FY12 before rebounding in FY14 (table 2.3), with substantial increases for Africa and for East Asia and Pacific.

**Table 2.2.** Nonlending Support for PFDM in IDA-Eligible Countries (FY08–17)

Theme Code	ASA Activities (no.)	Share of PFDM ASA Activities (%)
PFM	345	58
PDM	253	42
Other public finance theme code	121	—
Total, PFM and PDM	598	100

Source: Independent Evaluation Group; World Bank Business Intelligence.

Note: ASA = advisory services and analytics; FY = fiscal year; IDA = International Development Association; PDM = public debt management; PFDM = public financial and debt management; PFM = public financial management.

**Table 2.3.** PFDM-Related ASA Activities by Region (FY08–17)  
(number)

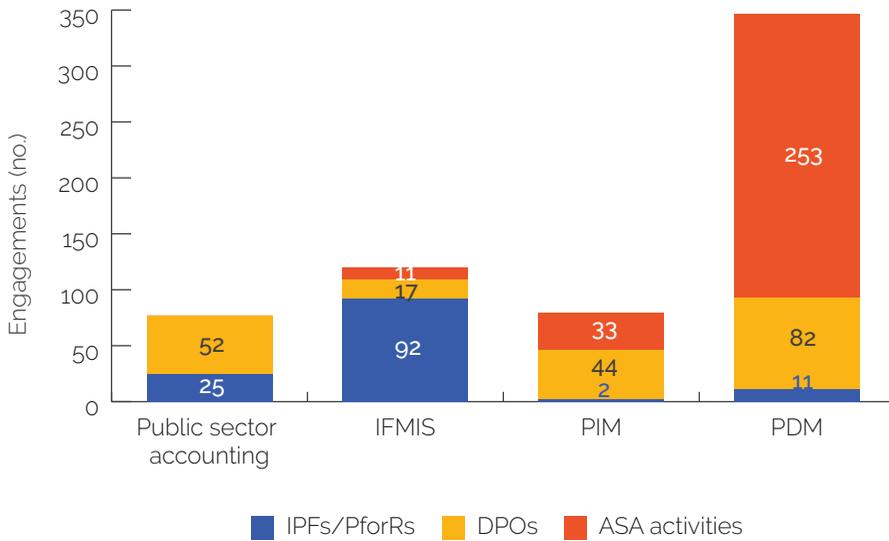
FY of Delivery	Region						Total
	AFR	EAP	ECA	LAC	MNA	SAR	
2008	29	5	9	2	1	16	62
2009	28	3	3	0	1	12	47
2010	28	9	3	6	2	8	56
2011	28	7	4	0	1	9	49
2012	9	1	4	0	0	6	20
2013	22	2	4	2	0	4	34
2014	41	6	15	2	1	17	82
2015	55	10	7	4	0	10	86
2016	42	15	7	3	0	12	79
2017	47	11	6	1	2	16	83
Total	329	69	62	20	8	110	598
Average per country	8.2	4.3	6.9	2.2	2.7	13.8	7.0

Source: DataMart, Independent Evaluation Group.

Note: ASA = advisory services and analytics; AFR = Africa; EAP = East Asia and Pacific; ECA = Europe and Central Asia; FY = fiscal year; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; PFDM = public financial and debt management; SAR = South Asia.

The next four chapters evaluate the World Bank’s support for four subthemes of PFDM in IDA-eligible countries: PEM (including budget preparation and execution, expenditure data management, and public sector accounting), PIM, IFMIS, and PDM. Figure 2.3 breaks down the portfolio by these subthemes.

**Figure 2.3.** Breakdown of World Bank PFDM Support to IDA-Eligible Countries by PFDM Subtheme



Source: Independent Evaluation Group.

Note: In *public sector accounting*, only one of three sub-subthemes for public expenditure management is displayed. The Independent Evaluation Group was unable to separately measure support for budget preparation and execution activities from the rest of the World Bank’s support for public financial management, as virtually all public finance management projects had at least one related activity in the subarea of budget preparation and execution. Data for BOOST are not available because most World Bank support for BOOST during the evaluation period was delivered through a global trust fund, as opposed to country-specific advisory services and analytics activities. ASA = advisory services and analytics; DPO = development policy operation; IDA = International Development Association; IFMIS = integrated financial management information system; IPF = investment project financing; PDM = public debt management; PFDM = public financial and debt management; PIM = public investment management; PforR = Program-for-Results.

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<sup>1</sup> This does not capture the totality of public financial and debt management engagements as the evaluation does not include public financial and debt management support from the World Bank delivered by sectoral Global Practices, such as Health or Education. Although important, such interventions are significantly smaller in volume than those supported by the Governance and Macroeconomics, Trade, and Investment Global Practices.

<sup>2</sup> The two Programs-for-Results rated by Independent Evaluation Group can be found in World Bank (2020c, 2020d, 2020e).

<sup>3</sup> The denominator includes only those countries within the evaluation universe with development policy operations: 30 in Africa, 9 in East Asia and Pacific, 6 each in Europe and Central Asia and in South Asia, 5 in Latin America and the Caribbean, and 1 in Middle East and North Africa.

<sup>4</sup> For the purposes of this report, *nonlending support* and *advisory services and analytics* are used interchangeably.

# 3 | World Bank Support for Public Expenditure Management

This chapter analyzes World Bank support to help IDA-eligible countries improve their PEM to ensure that public resources are spent in accordance with an approved budget and that the government receives value for money. Support is analyzed for three subareas of PEM: (i) budget preparation and execution (including payment arrears management), (ii) expenditure data management, and (iii) public sector accounting. Budget preparation and execution are the backbone of PEM, although data management and financial accounting are cross-cutting themes. While procurement plays a critical role in ensuring the efficiency of public expenditure, it was not analyzed here given IEG's free-standing evaluation of public procurement (World Bank 2014a). The availability of cross-country data on the quality of PEM is limited owing to difficulties in measuring results and a lack of accurate and regular data collection. This analysis therefore relies, to a large extent, on PEFA data.<sup>1</sup>

## Budget Preparation and Execution

Over the evaluation period, 78 of 85 IDA-eligible countries collectively had 108 investment projects, 221 DPOs, and 345 nonlending activities with a focus on PEM. Support involved a mix of technical assistance and investments focused on capacity building of, among other themes, aspects of budget strategy development; strengthening of procedures, systems, and capacity to formulate medium-term budget frameworks; introduction of program-based budgeting; and training to improve expenditure forecasting (box 3.1 contains a detailed country example). For DPOs, support involved prior actions on the submission of budget statements to parliament, the establishment of budget preparation timetables, the operationalization of budget oversight and verification units in line ministries, and improvement in the quality of budget commitment plans (that is,

boosting the ability of governments to develop credible plans of liabilities, or reservations or allotments of appropriation). Nonlending support included the preparation of policy notes to help enhance the effectiveness and efficiency of budget execution processes, public finance reviews to estimate medium-term expenditure pressures on the budget, and public expenditure tracking surveys.

### **Box 3.1.** An Example of World Bank Support for Public Expenditure Management: Strengthening Sierra Leone's Budget Cycle

The World Bank and its partners supported public expenditure management in Sierra Leone through the \$28.5 million Public Financial Management Improvement and Consolidation Project, which received additional financing of \$10 million from the World Bank in 2017. The project, which is set to close in March 2021, has as one of its components "enhancing budget planning and credibility," which aims to strengthen the macrofiscal forecasting and public investment functions of government and thereby improve overall budget planning, strengthen systems and procedures for budget formulation, and build capacity for managing contingent liabilities. Activities include the following:

- » Capacity building for the Economic Policy Research Unit to further develop its modeling capacity;
- » Training and consultancies to build the capacity of the Budget Bureau in developing a training model and training relevant staff in line ministries and local councils in planning and executing their budgets;
- » Technical assistance on integrating budget planning and execution and using the planning and execution modules of integrated financial management information systems performance budgeting software; and
- » Assistance in planning and implementing the government's migration to a medium-term budget framework.

The project has so far succeeded in decreasing the average time of quarterly budget releases to ministries, departments, and agencies within the start of the quarter; increasing the number of nonstate actors taking part in annual budget discussions; and decreasing the ratio between actual primary expenditure and original budgeted primary expenditure. The ongoing project's progress toward the achievement of project development objectives and its overall implementation progress were both rated satisfactory in the latest Implementation Status and Results Report, from June 15, 2020.

*Source:* World Bank 2013c, 2020f.

Despite significant World Bank support for capacity building on the budget cycle, improvements in IDA-eligible countries were mostly limited. For the 38 IDA-eligible countries that benefited from World Bank PEM support (investment project financing and DPOs) and had at least two PEFA scores for PEFA indicator (PI)-1 (aggregate expenditure outturn compared with original approved budget) and PI-2 (composition of expenditure outturn compared with original approved budget) during the evaluation period, there was little change, on average, in either score: a 0.1 increase (out of 4.0) in the score for PI-1, and a 0.1 decrease for PI-2. However, although adequate technical capacity is a necessary condition for budget credibility, the credibility of the budget—like much of the rest of PEM (and PFDM, for that matter)—can also be strongly influenced by idiosyncratic, country-specific factors, like whether political leaders choose to defer to approved budgets and revenue forecasts and allow staff in PEM institutions to perform their duties and follow procedures, or whether they resist pressure to overspend during election years.<sup>2</sup>

PEM support to arrears management in IDA-eligible countries was associated with improved performance. Just over half of IDA-eligible countries that received World Bank PEM support (and had at least two PEFA scores) recorded reductions in their stock of expenditure payment arrears. Box 3.2 details why government arrears accumulate and how the World Bank has supported governments in preventing this. On average, the stock, monitoring, and prevention of payment arrears improved for more than half (58 percent) of IDA-eligible countries. Of the 40 IDA-eligible countries that received World Bank PEM support and had more than one PEFA score for PI-4 (stock and monitoring of expenditure payment arrears) during the evaluation period, the same share recorded reductions in their stock of expenditure payment arrears; 8 countries (Guinea-Bissau, Kenya, Kosovo, Madagascar, Mozambique, the Solomon Islands, Timor-Leste, and Zimbabwe) saw an increase, as well as deterioration in the availability of data for monitoring arrears; 9 countries saw no change in scores. On average, there was a modest improvement in PEFA PI-4 scores, from C (2.1) to C+ (2.6), which is a reflection not only of World Bank support but also of support from other development partners and, of course, the work of client governments themselves.

### Box 3.2. World Bank Support for Arrears Prevention in International Development Association–Eligible Countries

The prevention, control, and regularization of arrears require sound expenditure and commitment management. The most common causes of expenditure arrears are unrealistic budgeting, lack of control over expenditure commitments, poor cash management, delays in the processing of payments, deliberate postponement of payments, and insufficient sanctions against officials or institutions that do not adhere to systems of control.

The World Bank has supported International Development Association–eligible countries in their efforts to control the accumulation of arrears by strengthening systems through arrears regularization or prevention strategies. A review of World Bank support in this area found the following measures to control the accumulation of, and support the reduction of, arrears:

- » Strengthening the legal and regulatory framework for reporting and clearing arrears;
- » Improving the credibility and realism of the budget, particularly on revenue forecasts;
- » Enhancing the management of arrears, through arrears accounting and the publication of data, including data resulting from BOOST (see the Expenditure Data Management section for an explanation of BOOST);
- » Increasing control of expenditure commitments;
- » Strengthening cash and debt management;
- » Reinforcing the supervision of subnational governments and public enterprises; and
- » Modernizing information systems related to the financial management of general government functions.

*Source:* Independent Evaluation Group.

# Expenditure Data Management

To help improve the quality of, and access to, expenditure data used to inform PEM work, the World Bank launched the BOOST initiative in 2010 (box 3.3). This nonlending activity—most of which was delivered as stand-alone, trust-funded technical assistance but has evolved and is now supported alongside public expenditure reviews—involves supporting clients to collect data on the public expenditure accounts from a government’s IFMIS (see chapter 5 for more on IFMIS) or budget documents and then using the Excel-based BOOST platform to develop disaggregated public expenditure databases. These data can support budget analysis and decision-making within a government and, when publicly disclosed, can also be a tool to improve citizen understanding of public policies and enhance budget transparency. To date, a BOOST platform has been established in over 70 countries. Two noteworthy examples of successful use of these data are Mali and Moldova:

- » In Mali, the Ministry of Education combined BOOST data on spending with data on student performance. The availability of such disaggregated expenditure data, coupled with tangible human development results, motivated critical discussions on efficiency and how best to leverage limited resources to improve development outcomes in education. For example, the analysis determined that the city of Sikasso had better completion rates than the city of Kayes, even though Sikasso was spending significantly less on education.
- » In Moldova, the Ministry of Finance has long maintained a BOOST expenditure database that combines disaggregated expenditure data with nonfinancial indicators to determine the relationship between sectoral spending and results. One outcome of this database has been to illustrate the lack of correlation between spending on schools and education test results. These findings were then used by the Ministry of Education to help justify a comprehensive school reform program that led to improved expenditure efficiency in the sector (Mills and Wescott 2016).

### Box 3.3. Using BOOST for Public Expenditure Management

The World Bank–developed BOOST helps governments organize existing budgetary data by economic, functional, administrative, and programmatic classifications to allow for data management at a highly disaggregated level of analysis. This is useful as data limitations are a notable handicap for country-level analysis and planning, as well as for broader cross-country analysis. Some of the main data constraints that BOOST can help address include that a number of countries use idiosyncratic budget classification systems that do not follow Government Finance Statistics classification principles and that government budgetary publications often provide data at a high level of aggregation that limits the scope for analysis.

By sharing data on a widely available Excel platform, BOOST has facilitated greater use of disaggregated budget data for fiduciary and accountability purposes in many International Development Association–eligible countries. With BOOST expenditure databases, country budgets can be analyzed by government economists and external analysts at a higher degree of disaggregation than was previously possible with official budgetary publications.

*Source:* World Bank BOOST Data Lab, <https://www.worldbank.org/en/programs/boost-portal/boost-data-lab>.

The World Bank has provided only limited capacity-building support for the use of BOOST by IDA-eligible clients, which is one reason that such data are generally not used regularly by governments. Despite BOOST’s potential to enhance the efficiency and effectiveness of government spending—and although BOOST data are regularly used by development partners—such data are not systematically used by client countries, largely because of the limited support for its use. For instance, BOOST-specific ASA activities for both the Democratic Republic of Congo and Sierra Leone focused on supporting ministries of finance with the coding of public expenditure, not on capacity building to encourage the use of these data.<sup>3</sup> Besides the lack of World Bank support for regular use of BOOST expenditure data, other factors that limited the use of BOOST by client countries included weak data management and archiving capacity within ministries of finance and a lack of ownership of data sets (with the tool being considered a World Bank resource, not a client government one).

# Public Sector Accounting

The World Bank provided lending and nonlending support to improve public sector accounting to 24 IDA-eligible countries to support implementation of international public sector accounting standards (IPSAS). This support generally took the form of lending: 23 investment project financings (sometimes with trust fund support from the Swiss State Secretariat for Economic Affairs), 2 Programs-for-Results (in Kenya and Pakistan), and 56 prior actions in 52 separate DPOs. Box 3.4 details one example of such support.

## Box 3.4. World Bank Support for Public Sector Accounting in Maldives

The Public Financial Management Systems Strengthening Project is an \$18.5 million investment project financing that became effective in October 2014 and is expected to close in July 2022. The project aims to strengthen the public accounting system in Maldives by improving financial reporting practices to include timely production of financial statements, budget execution reports, financial reports for donor-financed projects, and other management reports (such as those providing relevant information on arrears and commitments). The project includes:

- » Development of a public accounting system based on an array of modules from an integrated business management software package. The project is procuring the hardware, software, and licenses; training Ministry of Finance officials on the use of the system; and rolling the system out to line ministries and agencies.
- » Reform of public accounting to align internal audit practices with international standards.
- » Implementation of international public sector accounting standards-based modified accrual basis accounting to issue whole-of-government financial statements.

As of February 2020, the project was performing well, with a satisfactory rating for progress toward achievement of the project development objectives. The government's 2018 annual financial statements were prepared according to the International Public Sector Accounting Standards and successfully submitted to the Auditor General's office within four months from fiscal year-end; however, statements are not yet directly system generated. This progress is a substantial improvement from the prior situation, in which the government's accounting systems were not computerized or integrated with other public financial management systems (such as its revenue management and debt recording and management systems).

*Source:* World Bank 2014b, 2018b, 2020b.

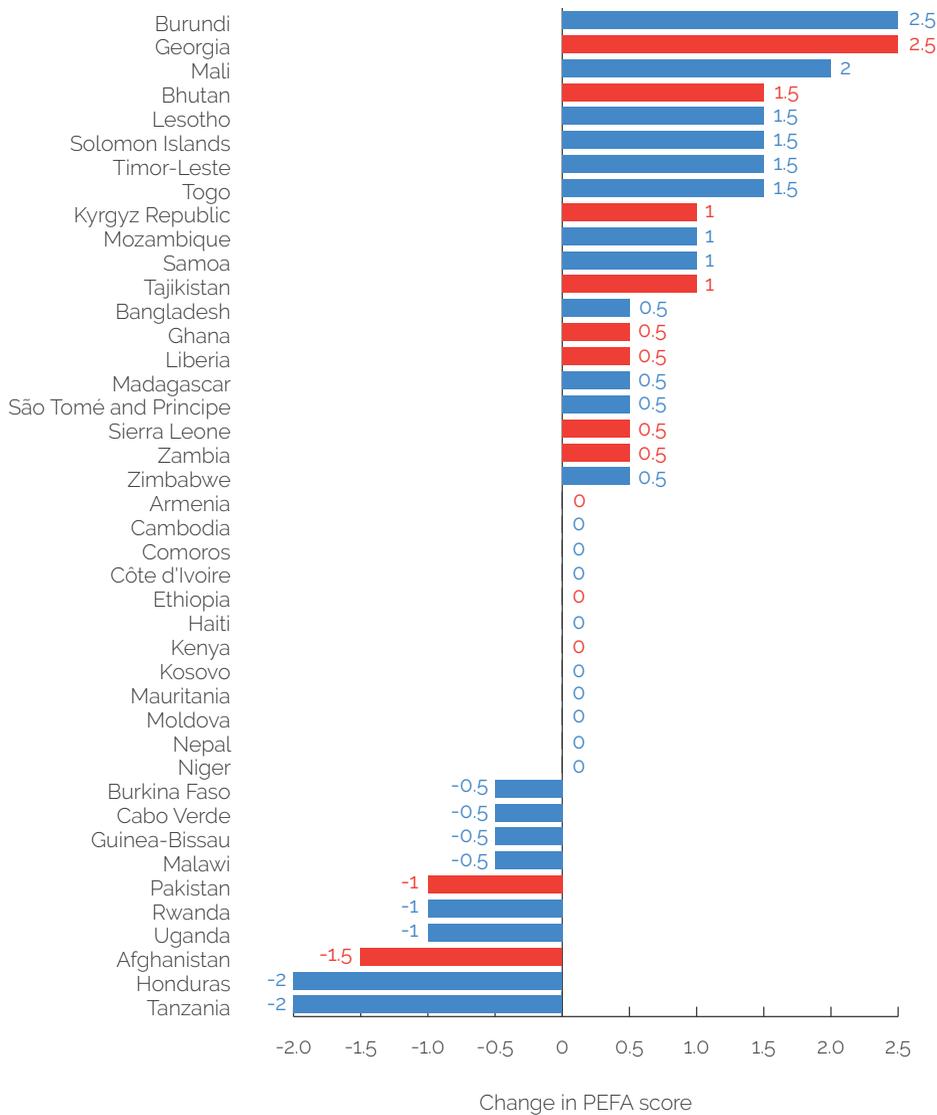
Although limited, World Bank support to improve public sector accounting has been associated with positive results. Twenty-four IDA-eligible countries received support for public sector accounting during the evaluation period. Of these, 14 had more than one PEFA score for question 25, a composite indicator encompassing (i) completeness of financial statements, (ii) timeliness of submission of financial statements, and (iii) accounting standards used and timeliness of annual financial statements. On average, those 14 countries saw their financial accounting capacity score increase more than those that did not receive World Bank support: an average of 0.32 for countries receiving World Bank support versus 0.22 for those that did not (figure 3.1).<sup>4</sup>

An example of successful World Bank support in the area of public sector accounting can be found in Georgia. A 2018 IEG evaluation of Georgia's Public Sector Financial Management Reform Support Project (World Bank 2018d) concluded that the project helped increase the transparency and credibility of state finances through the adoption of accrual basis IPSAS. The completeness of financial statements improved between its two PEFA assessments on the relevant indicator, from C in 2013 to B in 2018. That being said, at project closure, only 22 standards recognized in IPSAS had been adopted, and the government required an extension to its time frame to align national accounting standards with IPSAS. The main reason, according to government officials consulted by IEG, was the lack of qualified accountants and the limited internal capacity, especially in line ministries, to adopt accrual basis accounting.

The World Bank has increasingly supported the adoption of accrual basis accounting by IDA-eligible countries because pure cash accounting has weaknesses in financial transparency, integrity, and accountability. To date, the adoption of accrual basis accounting in the public sector has been concentrated in Organisation for Economic Co-operation and Development countries. Lower-income countries have had less success because the transition and adoption require extensive public sector capacity that such countries rarely have. Nevertheless, the World Bank has provided increased support to IDA-eligible countries to shift to accrual basis accounting. This support reflects (i) a growing recognition of shortcomings in pure cash accounting and of advantages in accrual basis accounting; (ii) the development of accrual basis international standards for government fiscal and financial reporting, as in the Government Financial Statistics Manual and IPSAS; (iii) the professionaliza-

tion of the government accounting cadre and the associated introduction of private sector accounting techniques to the public sector; and (iv) the advent of IFMIS, which greatly reduces the transaction costs of collecting and consolidating accrual basis information (Cavanagh, Flynn, and Moretti 2016).

**Figure 3.1.** Change in PEFA Financial Accounting Scores for IDA-Eligible Countries with More Than One PEFA Score (2008–17)



Source: Independent Evaluation Group, Public Expenditure and Financial Accountability Secretariat.

Note: Countries in red received accrual basis accounting support from the World Bank during the evaluation period. The y-axis refers to the change in question 25 score for countries with at least two PEFA assessments during the evaluation period. IDA = International Development Association; PEFA = Public Expenditure and Financial Accountability.

World Bank support for public sector accounting has led to limited adoption of accrual basis accounting in IDA-eligible countries. Of the 24 IDA-eligible countries that received support for accrual basis accounting from the World Bank during the evaluation period, three fully adopted it (Democratic Republic of Congo, Honduras, and Mongolia) and four are transitioning to accrual basis accounting (Ghana, Rwanda, Senegal, and Uzbekistan), according to data from the International Federation of Accountants. Nine additional IDA-eligible countries adopted accrual basis accounting thanks in part to technical assistance support from other development partners, including the African Development Bank, the Inter-American Development Bank, and the Asian Development Bank (Bergmann and Horni 2019).

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<sup>1</sup> Public Expenditure and Financial Accountability (PEFA) has both upstream and downstream aspects of public financial management. Pillars 1, 2, 3.11, and 4.16–4.18 cover upstream aspects, such as budget formulation and public investment management (in other words, public expenditure management); pillars 5.21–5.26, 6, and 7 cover downstream aspects and whether budgetary resources are used for intended purposes through effective systems for accounting, control, reporting, auditing, and oversight.

<sup>2</sup> For example, World Bank public expenditure management support to Cambodia helped modestly improve budget credibility, thanks to sufficient revenue performance and credible expenditure outturns compared with the original budget. Even so, variance in budgeted and actual expenditure remained excessively high for political reasons, particularly for certain ministries such as Rural Development. Similarly, World Bank support to improve the credibility of Sierra Leone’s budget was not achieved because, although substantial technical assistance was provided—for instance, the development of a budget framework paper; the establishment of budget committees in government entities and local councils; and training for ministries, departments, and agencies on preparing their budgets in accordance with the Medium-Term Expenditure Framework guidelines—the investment project financing on its own could not address the policy constraints to enhanced credibility (World Bank 2016b, 2018a).

<sup>3</sup> In general, most country-level BOOST support was categorized within the World Bank system as a global activity, so it cannot be individually assessed.

<sup>4</sup> Conversion from alphabetical to numerical scores was done according to the PEFA Secretariat’s crosswalk (<https://www.pefa.org/sites/default/files/Transfer%20of%20PEFA%20Scores%20into%20numerical%20values-for%20the%20Website-Final-Nov19.pdf>).

# 4 | Building Public Investment Management Capacity to Improve Quality and Impact

This chapter analyzes World Bank support to IDA-eligible countries to improve PIM. Most of the World Bank's support was in the form of ASA activities or through budget support operations. Despite the importance of longer-term capacity building to PIM, there was very little support through investment lending. This chapter also discusses links between the quality of PIM and debt sustainability, and details World Bank support to IDA-eligible countries over the evaluation period and to IDA-eligible countries now facing increasing debt distress.

## World Bank Support of Public Investment Management

Relatively few IDA-eligible countries that are currently at risk of or in debt distress had PIM-related prior actions in their PFDM-related DPOs. The World Bank supported PIM through 59 prior actions in 44 DPOs in 24 IDA-eligible countries. Relative to the number of countries with PFDM-related DPOs, a disproportionate share of PIM-related prior actions was concentrated in East Asia and Pacific and in Europe and Central Asia; relatively few were in IDA-eligible countries that are currently at risk of or in debt distress. Just under half of the PIM prior actions were for DPOs in HIPC countries (47.5 percent). Of the 30 IDA-eligible countries either at high risk of or in debt distress at the 2017 year-end, only 7 had DPO support with PIM-related prior actions during the evaluation period: Afghanistan, Cabo Verde, Ghana, Haiti, the Lao People's Democratic Republic, and Mauritania (at high risk of debt distress), and Mozambique (in distress).

Prior actions in the 44 DPOs tended to support the establishment of PIM systems or the passage of enabling or supporting laws or oversight bodies. Several prior actions supported rationalization of, and improvements in, public investment programs or processes and their relationship to budget laws. This was the case for operations in Angola, the Comoros, Georgia, Kosovo, Mongolia, and Lagos State (Nigeria). Other prior actions sought to ensure the adoption of a methodology and a legal framework to appraise, select, and approve projects above a defined monetary value; this was the case for Ghana, Mozambique, Sierra Leone, and Vietnam. In some cases, the prior action was related to the establishment of a directorate of public investment (Haiti) or the establishment of a selection committee for public investment projects (Mali).

IEG evaluations of many of these policy operations concluded that, although the operations were necessary steps to improving PIM, they were not sufficient. Also needed to achieve meaningful results was investment support for the establishment of PIM offices and development of their institutional capacity; linking of public investment programs with investment budgets and project selection; ex ante and ex post evaluation tools and methodologies; and project management and monitoring manuals. Sequencing of actions was also important to the success of PIM support. As an illustrative example, box 4.1 summarizes findings from DPO support for PIM in Georgia and highlights the importance of establishing a long-term vision to ensure sustained PIM reforms.

#### **Box 4.1.** Example of World Bank PIM Support: Georgia's Development Policy Operations I, II, and III

Georgia's development policy operation programmatic series established a long-term vision for public investment management reforms that informed seven prior actions over three operations covering 2009 to 2012:

- » In the first operation (2009), the three prior actions related to the preparation of a multiyear public investment program: (i) revising the budget circular to include proposals on nonfinancial assets, (ii) introducing a training program on capital budgeting in budget departments to strengthen project management, and (iii) piloting the preparation of the public investment program summary for spending units based on the 2009 budget.

*(continued)*

### Box 4.1. Example of World Bank PIM Support: Georgia's Development Policy Operations I, II, and III (cont.)

- » In the second operation (2010), the three prior actions related to the development of a public investment program, including issuing guidelines for project evaluation, submission, and selection, and publishing the public investment program as an annex to the budget law.
- » In the third operation (2011), the one prior action required submission to parliament of a public investment program including time profiles of projects, summary justifications, and physical monitoring indicators covering most projects and including public reporting on actual versus planned implementation for 2010.

Although several weaknesses in the programmatic series were noted, the multiyear public investment program reform moved the public investment management agenda forward in Georgia. Additionally, reforms have been further deepened by subsequent World Bank development policy operations and advisory services and analytics activities.

The Implementation Completion and Results Report Review rated the series outcome as satisfactory. Georgia's public investment program witnessed increased transparency, as reflected in the inclusion of an information annex to the budget, with a complete time profile of project financial information, summary project justifications, and physical monitoring indicators. However, overall progress in the sector was incomplete because accountability achievements were limited to only two ministries that reported on actual versus planned project implementation in 2011.

It should be noted that future development policy operations and capacity-building activities have continued this agenda.

*Source:* World Bank 2016c, 2018e.

*Note:* PIM = public investment management.

Very little of the World Bank's PIM support to IDA-eligible countries was delivered through investment projects. In fact, investment lending to support improvements in PIM was limited to two projects. This is somewhat surprising given the conventional wisdom that PIM requires capacity building at an institutional level, which takes time to establish. The first project was Azerbaijan's Public Investment Capacity Building Project, which was aimed at

improving the quality and efficiency of preparation and implementation of investment projects in priority sectors, especially infrastructure. The project outcome received a moderately satisfactory rating from IEG, owing in large part to having successfully ensured that large investment projects in key sectors were first subject to economic appraisals; however, the average time for project implementation was not reduced as expected (World Bank 2017a). The Public Investment Management and Governance Support Project in Benin (an HIPC currently at moderate risk of debt distress) aimed to improve efficiency in PIM and enhance the performance of selected institutions of accountability through support to the legal framework; linking of planning and budgeting (annual and multiyear); and ex ante and ex post project selection, appraisal, and project management. The project is on track (project closure is projected for December 2021) to achieve its expected results of increasing the investment budget execution rate, reducing cost and time overruns, and reducing the backlog of administrative cases within the country's PIM system (World Bank 2020a).

## Public Investment Management Diagnostics

Given the importance of PIM to enhancing the effectiveness of public investment, the World Bank developed a PIM diagnostic tool in 2008 that is available to client countries on request. The tool assessed the effectiveness of processes and systems for selecting and implementing public investment projects (including in infrastructure), identifying eight “must-haves” for effective country systems (box 4.2). As a follow-up to the diagnostic engagement, and if requested by client countries, the World Bank would then initiate technical assistance with a focus on supporting improvements in PIM systems.<sup>1</sup> Demand from client countries for this upstream diagnostic work, and for the support of operations, was high: World Bank PIM diagnostics have been undertaken by 67 countries to date, 35 of which were IDA eligible. However, IDA demand was concentrated among higher-income countries; of those 35 IDA-eligible countries, 12 were at high risk of external debt distress or in debt distress in 2013, a number that had fallen to 10 by 2018.

A more standardized PIM assessment was developed by the IMF in 2015 (IMF 2018). The IMF noted that improvement of the institutions for planning,

allocating, and implementing public investments was needed to enhance the efficiency of public investment among low-income countries, as their efficiency was estimated to be 40 percent below levels in advanced economies. Fifteen institutional features were identified for the assessment tool, PIM Assessment (PIMA), and these features corresponded to the planning, allocation, and implementation of a PIM system (table 4.1; IMF 2015).

**Table 4.1** Comparison of IMF and World Bank PIM Assessments

IMF PIMA (2015)	World Bank Framework (2008)
<b>Planning sustainable levels of public investment</b>	<b>Eight PIM “must haves”</b>
1. Fiscal principles or rules	1. Investment guidance, project development, and preliminary screening
2. National and sectoral planning	2. Formal project appraisal
3. Central-local coordination	3. Independent review of appraisal
4. Public-private partnerships	4. Project selection and budgeting
5. Regulation of infrastructure companies	5. Project implementation
<b>Ensuring public investment is allocated to the right sectors and projects</b>	6. Project adjustment
6. Multiyear budgeting	7. Facility operation
7. Budget comprehensiveness	8. Basic completion review and evaluation
8. Budget unity	
9. Project appraisal	
10. Project selection	
<b>Implementing projects on time and on budget</b>	
11. Protection of investment	
12. Availability of funding	
13. Transparency of budget execution	
14. Management of project implementation	
15. Monitoring of public assets	

Source: Independent Evaluation Group; International Monetary Fund 2018.

Note: IMF = International Monetary Fund; PIM = public investment management; PIMA = PIM Assessment.

The World Bank is now supporting the IMF in jointly delivering PIMA to client countries. Knowledge gained from comparative assessments performed using PIMA and lessons learned from the implementation of the PIM reform

agenda are captured in the recently published *Public Investment Management Reference Guide*, which serves as a reference for PIM practitioners at the country level (Kim, Fallov, and Groom 2020). A desk review of five joint World Bank–IMF PIM assessments conducted by IEG for this evaluation synthesized findings and lessons (box 4.2).

### **Box 4.2. Synthesis of Recommendations from World Bank–IMF PIM Engagements (FY08–17)**

The Independent Evaluation Group reviewed a sample of World Bank and joint World Bank–IMF PIM reports. Findings and recommendations for International Development Association–eligible countries include the need for:

#### **Legislative Actions**

- » Establish and implement a unified legislative and regulation framework that includes all stages of the public investment management cycle.

#### **Institutional Actions**

- » Set up and render functional a dedicated directorate in charge of public investment, including the selection and ex ante evaluation processes of public investment projects.
- » Clarify the roles, responsibilities, and interactions of actors in charge of public investment planning and budgeting.

#### **Processes and Procedures**

- » Prepare, implement, and publish a multiannual public investment program plan.
- » Implement processes for the selection, review, and implementation of public investment projects supported by public-private partnerships.
- » Professionalize the management and supervision of the project portfolio to monitor, drive, and facilitate subsequent programming.
- » Strengthen the efficiency of the implementation and ex post evaluation management of major public investment projects and make the monitoring of public assets more reliable.

*(continued)*

## Box 4.2. Synthesis of Recommendations from World Bank–IMF PIM Engagements (FY08–17) (cont.)

### Project Management

- » Define and adopt, on the basis of an inventory of needs, a capacity-building plan for all stakeholders to enable them to obtain the necessary skills to manage public investment.
- » Design and implement an information technology strategy to map and interface with existing and future investment project management applications, provide stakeholders with high-performance applications, and empower users.

*Source:* Independent Evaluation Group.

*Note:* FY - fiscal year; IMF - International Monetary Fund; PIM - public investment management.

The World Bank undertook 53 PIM-related ASA activities (including both diagnostic and nondiagnostic work) in IDA-eligible countries; just over a third of the activities were in HIPCs. However, there is currently no systematic and comprehensive tracking of World Bank nonlending support to PIM. This is partly the result of limitations arising from incomplete and inconsistent coding of ASA activities using the World Bank theme taxonomy. This, and other limitations of the World Bank’s knowledge management, makes a more definitive assessment of PIM work difficult. For instance, when IEG cross-checked the 53 coded PIM ASA activities with data from World Bank PIM practitioners in the Governance Global Practice, it found 20 PIM assessments that were not properly coded in accordance with the World Bank’s theme taxonomy.

Few IDA-eligible countries that have been or are now at high levels of debt distress received analytical support to improve PIM. The accurately coded PIM ASA activities (both diagnostic and nondiagnostic analyses) show that the World Bank supported (i) 8 HIPCs with 12 PIM ASA activities;<sup>2</sup> (ii) 9 of the 35 IDA-eligible countries that were fragile and conflict affected at some point during the evaluation period with one PIM ASA activity each; and (iii) 5 of the 30 IDA-eligible countries at high risk of external debt distress or in distress at the end of the evaluation period—Burundi, Ghana, Haiti, and Tajikistan (high risk), and Mozambique (in distress)—with 8 PIM ASA activ-

ities.<sup>3</sup> What these (albeit incomplete) data suggest is that IDA-eligible countries that have been or are now at high levels of debt distress do not appear to have received a proportionate share of analytical support to improve PIM.

PIM support often drew on complementarity between lending and nonlending activities. IEG evaluation of specific operations shows that diagnostic ASA activities have often been important in shaping PIM-related prior actions in DPOs. For example, Vietnam's Public Investment Reform 1 and 2, a programmatic DPO series that focused on PIM reforms, drew on recommendations developed from rigorous analytical work (World Bank 2013a, 2016a). Such work included *Vietnam Development Report: Capital Matters*, a published ASA activity focused on the challenge of improving national investment efficiency in the context of the global financial crisis (World Bank 2009), as well as a PEFA assessment, poverty and social impact analyses, and an earlier public expenditure review.<sup>4</sup> Many of the analytical recommendations to improve PIM in Vietnam featured prominently in the country's public investment reform DPOs (and in Poverty Reduction Support Credit 7 and 8).<sup>5</sup>

## Public Investment Management and Debt Sustainability

Rigorous PIM is critical for sound PFDM, given the amount of resources borrowed each year by governments to finance public investment. Because of the scarcity of public resources for development in IDA-eligible countries, weak PIM can have a large cost in foregone growth, development, debt sustainability, and poverty reduction. Improving PIM helps countries select projects with sufficient economic and development potential at the lowest cost. It plays an important role in reducing waste and corruption, which is important given the high cost of many capital investments, particularly in infrastructure (Flyvbjerg, Skamris Holm, and Buhl 2002; World Bank 2011). To this end, there are significant benefits to introducing greater transparency and rigor into the identification and implementation of debt-financed public investment.

There is an important link between the quality of PIM and debt sustainability. Weak PIM can increase the amount of debt incurred to pay for projects while reducing the impact projects have on growth, thereby increasing

the ratio of debt to GDP. In the early to mid-2000s, as the HIPC Initiative was under implementation and fiscal space was being opened up for many low-income countries, World Bank client countries were increasingly undertaking growth-enabling public investment, including in infrastructure. World Bank analyses recognized that investments that promote growth might also enhance domestic resource mobilization, supporting increases in “pro-poor” spending.<sup>6</sup> However, this effect required efficient and carefully selected public investment to ensure the investments achieved economic benefits that would justify their (often significant) costs. This required a well-functioning system for PIM, without which the case for growth-enhancing public investment is undermined. It is therefore of concern that public investment in low-income countries is estimated to be, on average, 40 percent less efficient than in the best-performing countries (IMF 2015).

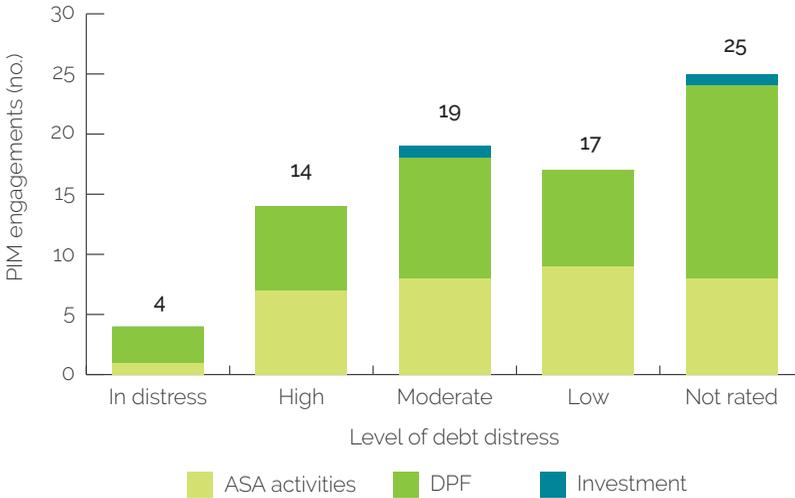
A country’s ability to service borrowing for public investment depends, in part, on the extent to which those investments support longer-term economic growth. Debt sustainability is a function of the difference between the real interest rate and growth in output. It is therefore important that countries get value for money for their debt-financed investments. Good PIM can help with the selection of investments with adequate return. When less economically beneficial projects are selected, and higher-than-necessary costs are incurred (through either corruption or inefficient implementation), a country’s debt burden can increase rapidly and unsustainably.

An increasing number of IDA-eligible countries are currently in, or are at high risk of, debt distress. For many of these countries—a number of which had previously received significant bilateral and multilateral debt relief—a key contributor may have been debt-financed public investments that failed to generate expected or promised growth. Partly because of this result, the World Bank and its partners are now paying increasing attention to the reemergence of high indebtedness among client countries, including in the context of the most recent IDA Replenishment, the joint IMF–World Bank MPA (Multipronged Approach to Address Emerging Debt Vulnerabilities), and the new Sustainable Development Finance Policy, the first pillar of which seeks to promote more transparent and sustainable borrowing and investment practices in IDA countries, particularly the most heavily debt-stressed ones (IDA 2020c).<sup>7</sup>

At the same time, available data suggest that lending from the World Bank to IDA-eligible countries to improve PIM was modest, was not focused on longer-term capacity building, and did not reach many “at-risk” countries. As indicated above, the World Bank supported 46 lending operations with a PIM focus during the evaluation in IDA-eligible countries, almost equally divided between those that were HIPC at one time and those that were not. This includes 44 DPOs (30 of which were part of eight programmatic series) with 59 prior actions related to PIM.<sup>8</sup> Of the 32 IDA-eligible countries that were at high risk of debt distress or in debt distress as of FY18, only 10 had received PIM support over the previous decade: Afghanistan, Burundi, Cabo Verde, Ghana, Haiti, Lao People’s Democratic Republic, Mauritania, Mozambique, Sudan, and Tajikistan. This support consisted of 8 ASA activities (of which 2 were PIM diagnostics) and 10 DPOs, compared with 36 ASA activities for the 37 IDA-eligible countries that were in low or moderate risk of debt distress, and 25 for the 16 countries that were not rated.<sup>9</sup> In effect, countries that ended the decade at high levels of debt distress were less likely to have benefited from World Bank support for PIM (figure 4.1) than those that did not end the decade at high levels of debt distress. Moreover, and although not establishing causality, faster-growing countries were more likely to have received PIM support from the World Bank (figure 4.2).

Definitive causality is difficult to assert between the quality of PIM and the economic growth needed for countries to avoid debt distress. Would PIM support—had it been received—have had a positive impact on countries in or now approaching debt distress? Or was the lack of demand for PIM support from the World Bank indicative of other factors that contributed to rising debt distress? Country-specific counterfactuals are beyond the reach of this evaluation, and data are relatively scarce on the efficacy of World Bank–provided PIM support in enhancing growth and reducing the costs of public investment. IEG ratings are of limited use in answering this question as the small sample of investment project financing for PIM and the methodology used to assess the impact of DPOs (that is, assigning the same outcome rating to all prior actions, including those unrelated to PIM) make it challenging to interpolate. Moreover, given methodological limitations, the World Bank does not undertake systematic evaluation of the impact of its ASA activities. Nevertheless, theory would suggest that there may be a relationship between poor PIM practices and rising debt distress.<sup>10</sup>

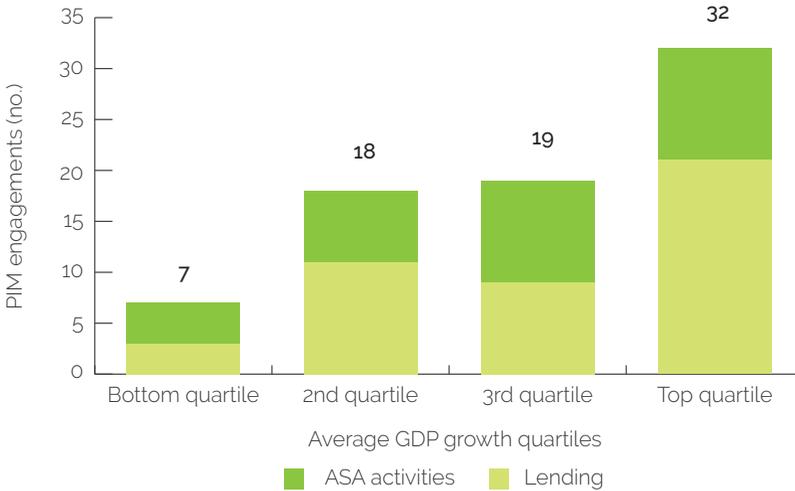
**Figure 4.1. Public Investment Management Engagements by Level of Debt**



Source: Independent Evaluation Group; International Development Association 2019.

Note: Within the evaluation universe, 9 countries were in debt distress, 23 were at high risk of debt distress, 25 were at moderate risk, 12 were at low risk, and 16 were not rated (because they were either inactive or no longer low income). ASA = advisory services and analytics; DPF = development policy financing; PIM = public investment management.

**Figure 4.2. World Bank Support to PIM by Average GDP Growth Quartile (2008–18)**



Source: Independent Evaluation Group; World Development Indicators database (accessed May 28, 2020).

Note: ASA = advisory services and analytics; GDP = gross domestic product; PIM = public investment management.

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<sup>1</sup> Knowledge gained from the application of this methodology was synthesized in Rajaram et al. (2010).

<sup>2</sup> Benin, Burundi, the Comoros, Ghana, Haiti, Liberia, Sierra Leone, and Uganda (out of 39 in the evaluation universe).

<sup>3</sup> See International Development Association (IDA 2018). The International Monetary Fund conducted 63 assessments overall using the Public Investment Management Assessment tool (37 for IDA-eligible countries), 4 of which were in countries at a high risk of external debt distress or in distress at the end of the evaluation period: Cameroon, Ghana, Mozambique, and Zambia. The Gambia, Kiribati, Maldives, and Mauritania were assessed using the Public Investment Management Assessment in 2018 or 2019, after the evaluation period.

<sup>4</sup> Recommendations were also influenced by Rajaram et al. (2010). This study was the starting point for the design of the public investment development policy operation series' results framework. The design of public investment management-specific development policy operations was informed by the 2009 *Vietnam Development Report* (World Bank 2009).

<sup>5</sup> Objectives included improved commitment control over capital expenditures, the establishment of clear criteria for project selection and monitoring, market price-based estimation of investment costs, strengthened state-owned enterprises, better financial management of public investments, and a law to reject late procurement bids on public investment projects.

<sup>6</sup> See World Bank (2006, 2007). These publications articulated a growth-oriented approach to fiscal policy, incorporating revenue, aid, borrowing, and expenditure to identify, among other things, "fiscal space" and required public finance reforms. The approach stressed the importance of improved expenditure efficiency to create fiscal space for new policy priorities, such as public investment.

<sup>7</sup> The Sustainable Development Finance Policy builds on IDA's Non-Concessional Borrowing Policy, approved in 2006, to further strengthen the focus on debt sustainability and debt transparency.

<sup>8</sup> Either coded *public assets and investment management* (435) or some combination of *public investment* or *public investment management* in the text of the prior action (compared with the 602 public financial management prior actions during the evaluation period).

<sup>9</sup> Only low-income countries are assessed by the debt sustainability analysis. The evaluation universe includes countries that were IDA-eligible for at least two years during the evaluation

period; 14 countries are no longer low income. Additionally, Fiji recently became low income, so does not yet have a debt sustainability analysis assessment, and the Syrian Arab Republic has not been assessed for debt sustainability since its lending category became *inactive*.

<sup>10</sup> World Bank and IMF (2017) notes the complementarities between public investment management and public debt management. It explains that public investment management focuses on the need to ensure that all costs—including debt service costs—associated with investment projects are published.

# 5 | Supporting Integrated Financial Management Information Systems to Increase Budgetary Discipline

This chapter analyzes the relationship between IFMIS and PFDM performance. It details World Bank support during the evaluation period to IDA-eligible countries for IFMIS implementation, rollout, and expansion in coverage. Drawing on existing analytical work, it highlights the contribution to fiscal discipline that IFMISs can make, as well as shortcomings in support for IFMISs that undermines their value added.

Building IFMIS capacity has been associated with improvements in PFDM outcomes. IFMISs enable finance officials to plan, prepare, and approve budgets; approve and verify commitments; issue payment orders and payments; monitor and report on financial resources collected; and develop appropriate resource allocation and borrowing strategies. Properly functioning IFMISs lay the basis for transparency and accountability of budget management, fundamental prerequisites for strong PFDM, by ensuring that countries' spending priorities are funded as planned, deficits do not exceed projections, and critical services are not compromised by an unexpected lack of resources. Piatti-Fünfkirchen, Hashim, and Wescott (2017) found a positive (but weak) association between IFMIS coverage and the PEFA PI-1 score (which captures aggregate expenditure outturns in relation to budgeted amounts).

The World Bank was the leading multilateral supporter of IFMIS over the evaluation period. During the evaluation period, just over 60 percent of IDA-eligible countries (52 of 85) received lending support to develop or expand their IFMIS through 90 investment project financings and two Pro-

grams-for-Results. For a comprehensive analysis of World Bank support to 87 IFMIS projects in 51 countries (both IDA and IBRD eligible) during 1984–2010, see Dener, Watkins, and Dorotinsky (2011).<sup>1</sup> In 2018, IEG conducted a review of evidence from World Bank support to IFMIS implementation and published the lessons learned: It is the foundation on which this evaluation is built (Hashim and Piatti-Fünfkirchen 2018).

Owing in part to positive earlier results in middle-income countries, the World Bank expanded its support for IFMIS to lower-income countries over the evaluation period. IEG assessed projects approved and completed (or both) during the evaluation period and found 48 supporting IFMIS in IDA-eligible countries (compared with 18 projects approved and completed from 1982 to 2007). This expansion was particularly pronounced in lower-income countries: The regional focus of the World Bank’s support was Africa (about half of projects), with a roughly equal share in each of East Asia and Pacific, Europe and Central Asia, and South Asia.

## Track Record of IFMIS Support to IDA-Eligible Countries

IFMIS project success rates over the evaluation period have not matched earlier success rates. For those projects in IDA-eligible countries completed and rated by IEG during the evaluation period, less than 47 percent were rated moderately satisfactory or better. This is below the performance of IEG-rated projects in IDA-eligible countries over the previous 25 years, of which 62.5 percent were rated moderately satisfactory or better (table 5.1). This difference is likely at least partially a function of the expansion of support to lower-capacity, lower income IDA-eligible countries. Lower rates might also be a function of moving from support for the establishment and rollout of IFMISs to support for improved coverage and usage of a system (a more complex endeavor).

**Table 5.1.** Outcome of IDA-Eligible IFMIS Projects: FY08–17 versus Previous 25 Years (percent)

Rating	Evaluation	
	Prior Period	Period
Highly satisfactory	0	0
Satisfactory	12.5	13.3
Moderately satisfactory	50.0	33.3
Moderately unsatisfactory	20.8	13.3
Unsatisfactory	16.7	33.3
Highly unsatisfactory	0	6.7
<b>Total</b>	<b>100</b>	<b>100</b>
Moderately satisfactory or better	62.5	46.7

Source: Independent Evaluation Group.

Note: Prior period was defined as FY1982–2007. FY = fiscal year; IDA = International Development Association; IFMIS = integrated financial management information system.

A slightly lower proportion of IFMISs were fully operational during the evaluation period compared with beforehand, largely owing to the lower capacity of countries receiving IFMIS support. Survey data from 74 projects providing IFMIS support to IDA-eligible countries (for projects approved or closed, or both, during the evaluation period) show an increase in the proportion of projects either with systems operating with reduced scope or not implemented at all (table 5.2). A review of Implementation Status and Results Reports of the 22 projects from the evaluation period that have not yet closed suggests that a lower rate of implementation is likely. This is problematic, as IFMISs with limited coverage—the total volume processed through the IFMIS divided by total approved budget—do not provide the budget management benefits necessary to support fiscal discipline (Hashim and Piatti-Fünfkirchen 2016; Hashim et al. 2019).

**Table 5.2.** Operational Status of IFMIS Projects: Evaluation Period (FY08–17) versus Previous 25 Years (percent)

Status	Prior Period	Evaluation Period
System is fully or partially operational	38	32
System is operational for pilot or reduced scope	46	50
System was not implemented or is not operational	17	18
Total	100	100

Source: Independent Evaluation Group.

Note: Forty-eight International Development Association–eligible projects were assessed for the earlier period and 44 for the evaluation period (projects that were ongoing during the analysis were excluded). The prior period was FY1982–2007. FY = fiscal year; IFMIS = integrated financial management information system.

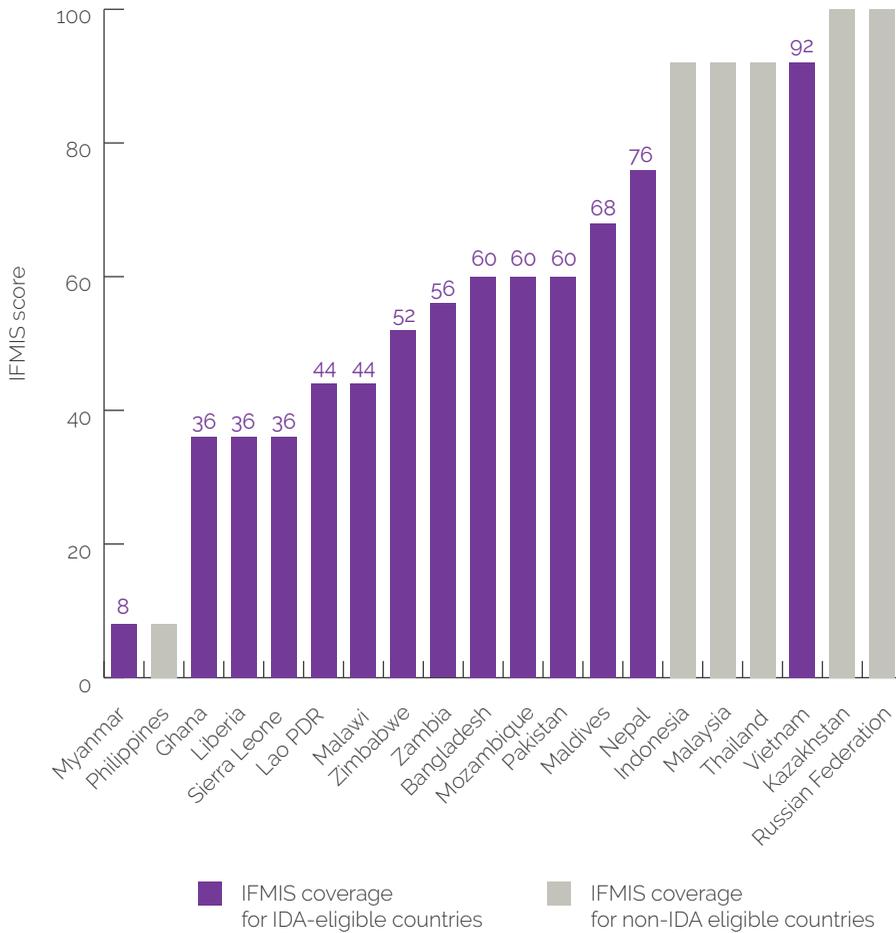
## IFMIS Coverage and Fiscal Discipline

Broad IFMIS coverage and use is necessary to control arrears and maintain fiscal discipline. When high-value transactions—transfers, wage bills, subsidies, capital expenditure, and debt payments—are processed through the system (and thus subject to automated, ex ante internal controls), the accumulation of arrears is avoided. Piatti-Fünfkirchen, Hashim, and Wescott (2017) found a negative relationship between IFMIS coverage and deviations between actual and budgeted fiscal balances. When all transactions are processed through the system, spending units are prevented from incurring commitments they are unable to pay.

World Bank support to IFMIS capacity building has not paid sufficient attention to ensuring that high-value transactions are channeled through the system. An assessment of IFMIS coverage points to limited progress among IDA-eligible countries (figure 5.1). Prominent among these are Ghana, Liberia, Malawi, Sierra Leone, and Zambia, where costly IFMIS projects were implemented over long periods of time. The deficiency in coverage cannot be explained by the underlying technology platforms and technical capacity of the systems: The core functionality of the systems that determines their capacity for budget execution and control is complete, and the technology platform used is state-of-the-art and identical to that used in several middle-income countries (such as Indonesia, Kazakhstan, Malaysia, and the

Russian Federation, which show high budget coverage). In these countries, although sophisticated systems are in place, only a small percentage of the transactions related to government financial resources are being channeled through them and are subject to the ex ante controls necessary for good fiscal management.

**Figure 5.1.** Comparison of IFMIS Coverage Score by Country, 2016



Source: Adapted from Hashim and Piatti-Fünfkirchen 2016.

Note: International Development Association-eligible countries in purple; International Bank for Reconstruction and Development borrowers' countries in gray. Scores have been transformed to a 0-100 scale for simplicity. IFMIS = integrated financial management information system.

World Bank support to ensure that transactions were reliably and comprehensively processed in IFMIS was found to be lacking at times. An effective IFMIS requires that all budgetary transactions are routed through the system and subject to system controls. World Bank support to IDA-eligible countries

did not always give due attention to the importance of this requirement (box 5.1). The quality of information available from the financial operations and management reporting layers will depend on the quality, timeliness, and comprehensiveness of the transaction data captured by the transaction-processing layer. In many countries—for example, Ghana, Pakistan, and Zambia—the transaction-processing layer did not include large portions of government financial resources and was therefore not comprehensive, implying that financial operations and management reporting would not be based on complete data. This was found to undermine data integrity in the transaction-processing layer, which makes the functional and economic reports generated from the system questionable.

### Box 5.1. Examples of World Bank Support for Integrated Financial Management Information Systems

- » **Vietnam's Public Financial Management Reform Project** (2003–13) successfully developed and operationalized a fully functioning integrated financial management information system (IFMIS) by prioritizing the coverage of core budget execution processes and the processing of payments and receipts. Thanks to such sequencing, a large part of Vietnam's budget was covered by ex ante budget and cash controls early on in the IFMIS deployment, allowing for quick wins in the areas of meaningful fiscal control and cash management.
- » **Cambodia's Public Financial Management Modernization Project** (2013–17) supported the building of capacity to process payments and receipt transactions at treasury offices before rolling out other modules and going into other organizational units. Capacity development activities used in-house resources instead of external consultants to ensure sustainability and prepare for rollout. Thanks in large part to these actions, the IFMIS budget control and execution modules were successfully rolled out to the capital treasury and all 24 provincial treasuries, and the time needed to locate financial data, produce reports, process payments, and close financial accounts declined.
- » **The eGhana Project** (2006–14) successfully rolled out an IFMIS for budget preparation, accounting, and reporting on most ministries, departments, and agencies. However, in-depth evaluation by the Independent Evaluation Group revealed that

*(continued)*

### Box 5.1. Examples of World Bank Support for Integrated Financial Management Information Systems (cont.)

only transactions related to expenditures on goods and services, external debt servicing, capital expenditures, and other salary expenditures were being routed through the system. Transactions related to wages and salaries, domestic debt servicing, internal generated funds, statutory funds, extrabudgetary funds, and donor funds were not routed through the IFMIS before being paid (although data from the follow-on project, Ghana Public Financial Management Reform Project, fiscal years 2016–21, suggest that this issue has since been addressed).

- » **Malawi's Financial Management, Transparency, and Accountability Project** (2003–09) did not focus on ensuring regular enforcement of commitment controls, which was one factor that contributed to the embezzlement of approximately \$32 million. Despite ongoing World Bank support for system development and rollout, spending units were able to continue generating local purchase orders and issuing checks and vouchers using proforma invoices. The processing of commitments outside the system led to the accumulation of large payment arrears, which were estimated at 9.2 percent of gross domestic product in 2014. This breakdown in the accountability chain paved the way for the so-called Cashgate Scandal.<sup>a</sup>

Source: World Bank 2016a, 2016d, 2016e, 2018c.

Note: a. The 2014 audit commissioned by the National Audit Office of Malawi after the scandal concluded: "During an unannounced ad hoc IT Security Audit ... our inspection of the firewall configuration indicated that the firewall settings had been changed to permit any outside connection. We also found that the password controls had been disabled, and the connections to the IFMIS servers, that should have been routed through the network firewall, had bypassed the firewall" (Baker Tilly 2014, 116).

World Bank use of DPO prior actions to increase IFMIS coverage has been rare. Of the 714 PFDM prior actions supported by DPOs in IDA-eligible countries, 625 were PFM related; of those, just 22 were IFMIS implementation related. Of those, only two specifically mention increased IFMIS coverage;<sup>2</sup> the bulk focused on rolling out the solution to additional government entities (in other words, coverage) but not ensuring usage.

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<sup>1</sup> This study found a wide range of systems supported by integrated financial management information systems: some focused only on treasury operations, others on broader financial management information systems, including medium-term budgetary frameworks, medium-term expenditure frameworks, performance-based budgeting, human resources, debt, public investment, payroll, tax, and customs. The average cost for the operational systems in the sample was \$6.6 million, but there was high variability depending on scale and scope. World Bank operations supporting these systems tended to disburse slower than planned. See also Combaz (2015).

<sup>2</sup> These were (i) Liberia—First Poverty Reduction Support Credit (PRSC-1), which stated, “The Recipient, through its MOF [Ministry of Finance], has adopted [an] IFMIS [information financial management information system] in payroll processing, with a view to strengthening fiscal discipline and budget transparency,” and (ii) Tanzania—Open Government and Public Financial Management, which stated, “The Recipient’s MoF [Ministry of Finance] has issued instructions to spending units to commit all expenditures through the IFMIS [information financial management information system]; and the Recipient’s appropriated budget for FY [fiscal year] 14/15 has provided funding to reduce the level of expenditure arrears.”

# 6 | Public Debt Management Capacity to Foster Debt Sustainability

This chapter analyzes the World Bank's evolving support for PDM to IDA-eligible recipients.<sup>1</sup> The focus is on lending and ASA support of debt management; not all World Bank-supported interventions (for example, peer-to-peer learning activities, activities under the Government Debt and Risk Management Program) are considered. Given significant developments in the debt profiles of IDA-eligible countries in recent years, the assessment extends the evaluation period beyond FY17 when possible.

## History and Evolution of the World Bank's Approach

The World Bank extensively supported PDM capacity building in IDA-eligible countries, many of which have benefited from major multilateral and bilateral debt relief initiatives. To date, 36 countries have received debt relief either through the HIPC Initiative or the MDRI (see appendix B for the list). Box 6.1 provides a description of the HIPC Initiative–MDRI, which reduced unsustainable public debt burdens through debt service relief and debt stock reductions. As part of this effort, the World Bank and its development partners ramped up efforts to equip beneficiaries of debt relief and other lower-income countries with the capacity and training to keep debt burdens at manageable levels, mainly through the DMF, a multidonor trust fund (box 6.2).

### Box 6.1. Heavily Indebted Poor Countries Initiative–Multilateral Debt Relief Initiative

The Heavily Indebted Poor Countries (HIPC) Initiative–Multilateral Debt Relief Initiative (MDRI) aimed to reduce the external debt burdens of the poorest countries to create fiscal space and allow for the expansion of “pro-poor” spending and improved service delivery for the poor. The HIPC Initiative, which was launched in 1996 by the International Monetary Fund and World Bank, was supplemented in 2005 by the MDRI. This allowed for 100 percent relief on eligible debts by three multilateral institutions—the International Monetary Fund, the World Bank, and the African Development Fund (the concessional window of the African Development Bank)—for countries that completed the HIPC process. In 2007, the Inter-American Development Bank decided to provide additional debt relief (“Beyond HIPC”) to Bolivia, Guyana, Haiti, Honduras, and Nicaragua.

The HIPC Initiative was implemented in two stages: a decision point (when interim relief on debt service was obtained) and a completion point (when a reduction in the debt stock was obtained). Of the 39 eligible countries, 36 reached completion points and received HIPC debt relief of \$76.9 billion, including \$34.1 billion from multilateral creditors and \$42.7 million from bilateral and commercial creditors (although participation from commercial creditors was partial). MDRI relief amounted to \$42.4 million.

Source: International Monetary Fund and World Bank 2018b.

### Box 6.2. Debt Management Facility Multidonor Trust Fund

The Debt Management Facility (DMF) is a multidonor trust fund established by the World Bank to help countries strengthen public debt management (PDM). Since 2008, it has been the main vehicle for providing nonlending support to 84 DMF-eligible countries (of the evaluation's universe of 85, neither Fiji nor Syrian Arab Republic are DMF eligible; the West Bank and Gaza is DMF eligible but is not International Development Association (IDA) eligible and is therefore not a part of the evaluation's universe). When the DMF was established, all DMF-eligible countries were eligible to borrow only from IDA (appendix B has a complete list of DMF-eligible countries).

(continued)

## Box 6.2. Debt Management Facility Multidonor Trust Fund (cont.)

The modalities of World Bank support for strengthening PDM under the DMF umbrella have evolved over time. During phase I of the DMF, from 2008 to 2013, client countries were offered three core debt management advisory and analytic products: Debt Management Performance Assessments, Medium-Term Debt Management Strategies, and debt management reform plans. In 2014, as the financing landscape of IDA-eligible countries started changing and more countries started issuing domestic and international bonds, the DMF expanded its program, which marked the beginning of Phase II (2014–18). Starting with Phase II, the World Bank and the International Monetary Fund joined efforts to rationalize fundraising and draw on complementarities in support of PDM provided by the two institutions. This phase was characterized by new products: domestic debt market development, risk management, contingent liabilities, issuance of guarantees, access to international capital markets, and low-income country Debt Sustainability Framework analysis. The collaboration continues into Phase III of the DMF, launched in April 2019, with the objective to reduce debt-related vulnerabilities and improve debt transparency. DMF III is focused on delivering customized advice on sovereign debt management through the application of analytical tools, trainings, webinars, and peer-to-peer learning. In June 2019, the DMF expanded its program further to include support for debt reporting and monitoring, debt transparency, contingent liability, and fiscal risks. The DMF also finances training and peer learning networks for debt managers.

**DMF II (2014–2018) was funded by eight donor governments and international financial institutions:** the African Development Bank; the European Commission; and the governments of Austria, Germany, the Netherlands, Norway, the Russian Federation, and Switzerland. (For DMF III, which started in 2019, donors exclude the government of Russia and include the governments of Japan, France, the United Kingdom, and the United States). The delivery of the DMF work program is conducted in close collaboration with six implementing partners.

Source: Source: Debt Management Facility (<https://www.dmfacility.org>).

Two independent external evaluations of DMF performance, undertaken in 2013 and 2018, found that the DMF has been relevant to the debt management capacity-building needs of DMF-eligible countries and effective in supporting

capacity building (Universalialia 2013, 2018). According to the 2018 evaluation, DMF-supported activities were very relevant and highly valued for the quality of the expertise mobilized. They were most effective in developing and disseminating debt management capacity-development products, which have supported eligible countries in the take-up of new debt management methodologies and the creation of new debt management institutional structures. The DMF achieved progress in helping countries prepare and approve their own MTDSs and debt sustainability analyses, and there was evidence that these improvements had been sustained in the countries reviewed by Universalialia. The DMF was less effective in helping countries develop and implement debt management reform plans, develop debt markets, access international capital markets, or prepare portfolio risk assessments. The evaluation made several recommendations about coordination between upstream and downstream country support, the introduction of a client country readiness assessment, and the need for increased coordination at the country level between debt management and public financial management providers, including in World Bank country offices.

## Support for Public Debt Management Capacity Building

Improving PDM capacity in IDA-eligible countries was an important element of the 19th Replenishment of IDA (box 6.3). Attention to PDM in Replenishment discussions was motivated by a sense that “rising debt vulnerabilities in IDA countries could jeopardize their development goals at a critical time to meet the 2030 Development Agenda” (IDA 2019, i). Among the outcomes of the Replenishment discussions was an agreement to improve monitoring of debt vulnerabilities, enhance early warning systems, improve debt transparency, and increase debt management capacity building. This was part of the joint IMF–World Bank Track Record of IFMIS Support to IDA-Eligible Countries MPA (Multipronged Approach for Addressing Debt Vulnerabilities), which, among other things, sought to “strengthen capacity on debt/fiscal risk management to help countries deal with existing debt more effectively, including through operational support to strengthen macrofiscal policy frameworks and manage fiscal risks” (IDA 2019, 9).<sup>2</sup>

### Box 6.3. Selected PFDM-Related IDA19 Policy Commitments

The 19th Replenishment of International Development Association (IDA19) recognized that “the composition of public debt, especially external public debt, has shifted toward costlier and riskier sources of finance. This shift reflects, in part, these countries’ increasing access to international markets and to bilateral financing from new external creditors” (IDA 2020a, 19). In response, IDA established several public financial and debt management–related commitments. Public debt management–specific actions are focused primarily on countries at moderate or high risk of debt distress to prevent a further deterioration in their debt burdens. The actions include the following:

- » Supporting at least 25 countries through lending and nonlending to implement an integrated and programmatic approach to enhance debt transparency through increased coverage of public debt in debt sustainability analyses or supporting debt transparency reforms, or both, including requirements for debt reporting to increase transparency.
- » Supporting at least 25 IDA-eligible countries to bolster fiscal risk assessments and debt management capacity through a scale-up of fiscal risk monitoring, implementation of debt management strategies, or both.
- » Supporting at least 20 countries to identify the governance constraints on the development, financing, and delivery of quality infrastructure investments—with particular attention to project preparation, procurement, environmental and social considerations, and integrity—to inform the adoption of policies or regulations for enhanced infrastructure governance. (This public investment management commitment was designed to draw on a suite of instruments, including lending operations, diagnostics, and technical assistance.)
- » Supporting at least 12 IDA countries to adopt universally accessible GovTech solutions (which include hardware, software, applications, and other technology to improve access and quality of public services, facilitate citizen engagement, and improve core government operations).

*Source:* IDA 2020a.

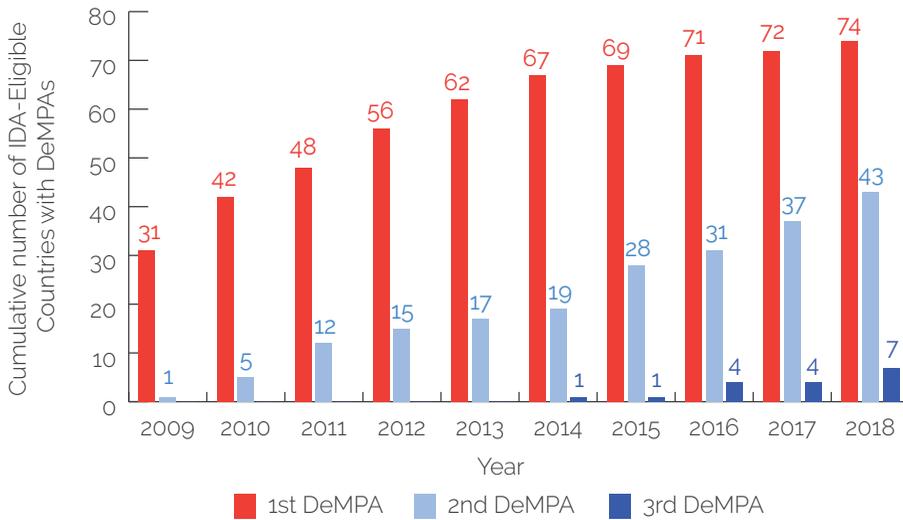
*Note:* PFDM = public financial and debt management.

Most World Bank efforts to strengthen PDM in IDA-eligible countries have been delivered through nonlending technical assistance. An important part of this assistance has been financed by the DMF, which supports the delivery of technical assistance, tailored advisory support, training, and peer-to-peer learning for DMF-eligible countries. The core technical assistance instruments used to support improvements in PDM are DeMPAs, MTDSs, and debt management reform plans. As of FY15, and driven by client demand, support has been provided for domestic debt market development, implementation of debt management strategies (for example, on annual borrowing plans), and cash management. Under the DMF in FY20, additional technical assistance is also being provided on debt transparency, including debt reporting, and on the management of contingent liabilities (including through credit risk assessment and guarantee frameworks).

The foundation of World Bank support to improve debt management capacity is the World Bank's DeMPA. As of the end of 2018, over 87 percent of IDA-eligible countries had received debt management diagnostic support in the form of a DeMPA, and almost 60 percent of those had had more than one DeMPA (figure 6.1). As IDA-eligible countries completed a DeMPA, interest in developing debt management reform plans to address identified shortcomings grew significantly. About three-quarters of countries that have had a DeMPA have subsequently articulated a debt management reform plan with DMF support.

To encourage initial participation in a DeMPA, results were treated as confidential and required country permission to publish, although the World Bank is now actively encouraging disclosure. To build support from donors and development partners, many countries have subsequently allowed their DeMPAs to be published. Slightly less than half of IDA-eligible countries with DeMPAs have publicly disclosed them online (table 6.1). Of these countries, 11 (44 percent) are currently either at high risk of debt distress or already in distress.<sup>3</sup> In response to recent increases in the number of IDA-eligible countries that are at higher levels of debt distress, and to strengthen transparency in debt management, the World Bank has begun to more actively encourage countries to publish their DeMPA reports, although this recommendation has stopped short of a requirement to publish or a presumption of publication. Country authorization is still required for DeMPA publication.

**Figure 6.1.** IDA-Eligible Countries with DeMPAs



Source: Debt Management Facility Secretariat.

Note: N = 84. DeMPA = Debt Management Performance Assessment; IDA = International Development Association.

**Table 6.1.** IDA-Eligible Countries with Published DeMPAs

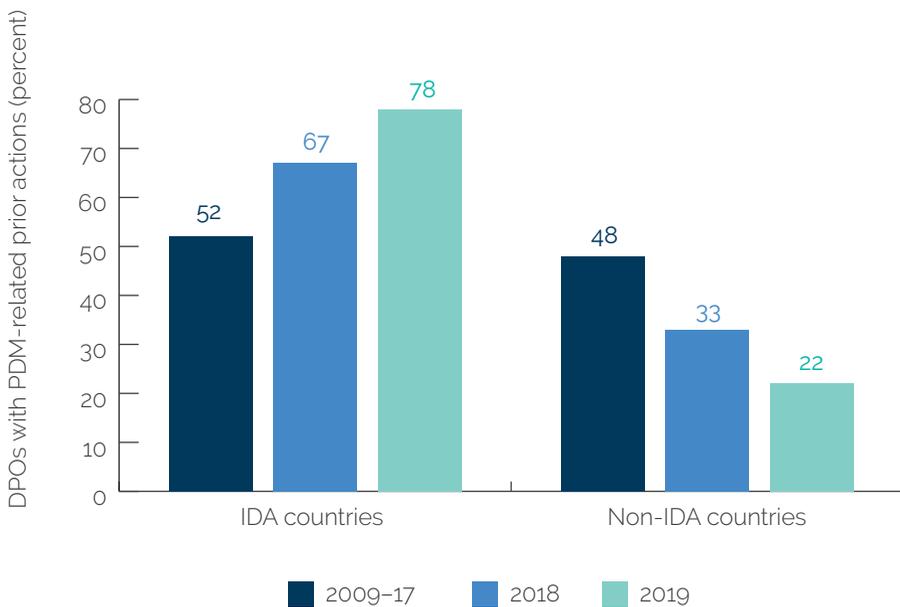
Year	Countries with DeMPAs		Countries with Published DeMPAs
	(no.)	(no.)	(percent)
2009	31	13	42
2010	42	16	38
2011	48	21	44
2012	56	25	45
2013	62	29	47
2014	67	30	45
2015	69	33	48
2016	71	34	48
2017	72	34	47
2018	74	35	47

Source: Debt Management Facility Secretariat.

Note: Thirty-five IDA-eligible countries were found to have published DeMPAs; of those 35, 15 had two published DeMPAs. All numbers are cumulative. DeMPA = Debt Management Performance Assessment; IDA = International Development Association.

The World Bank has also used lending to support IDA-eligible countries to improve PDM. DPOs were the key lending instruments used to support PDM reform, as only 11 investment projects had activities focused on PDM.<sup>4</sup> The number of DPOs with PDM-related prior actions increased significantly in 2018 and 2019 compared with the evaluation period (FY08–17). There has also been a sharp rise in the share of DPOs for IDA-eligible countries with at least one PDM-related prior action. At the same time, the use of PDM-related prior actions has been declining in DPOs for IBRD countries (figure 6.2).

**Figure 6.2.** Increased Share of DPOs with PDM-Related Prior Actions

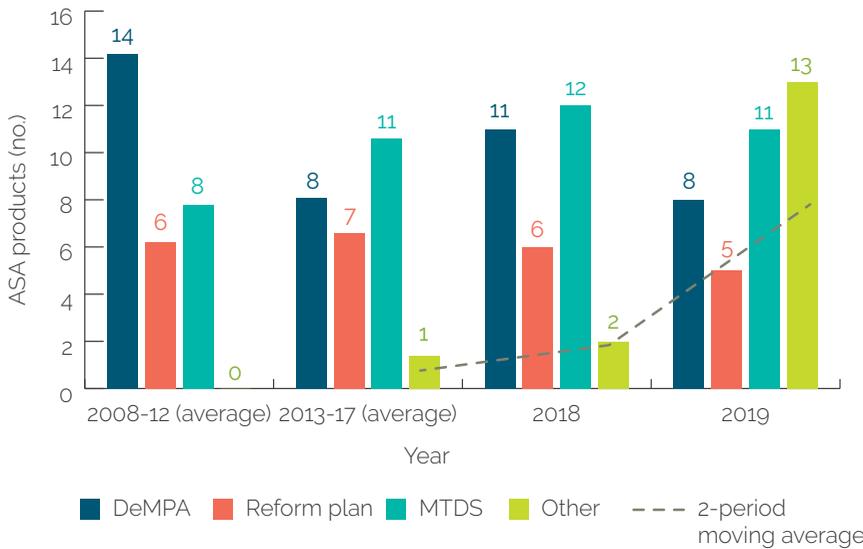


Source: Independent Evaluation Group, Operations Policy and Country Services Prior Action Database.

Note: DPO - development policy operation; IDA - International Development Association; PDM - public debt management.

As the economic and financing landscape of IDA-eligible countries has evolved, the World Bank has adapted the form and scope of its PDM support. IEG noted that the World Bank has responded positively to increased demand for support for managing contingent liabilities, domestic market development, access to international markets, debt and fiscal sustainability analysis, and debt transparency (figure 6.3).

**Figure 6.3.** Debt Management Advisory Services and Analytics Products



Source: Debt Management Facility; <https://www.worldbank.org/en/topic/debt/brief/debt-management-facility>.

Note: ASA = advisory services and analytics; DeMPA = Debt Management Performance Assessment; MTDS = Medium-Term Debt Management Strategy.

In parallel, the World Bank and IMF have simplified PDM tools and prepared more user-friendly versions to enhance the relevance of the tools to lower-capacity recipients of DMF support.<sup>5</sup> One example is the simplified version of the MTDS tool, which was made available to clients in 2014. Additionally, the DeMPA tool is currently being revised to provide more granularity in assessment and to improve its ability to measure progress at lower levels of capacity. This will be of particular benefit to countries—including several small or fragile states—that struggle to meet minimum debt management standards. Another example is the 2016 update of the Subnational DeMPA tool, which is used to assess PDM performance at the local government level.

The World Bank is increasingly providing PDM support in programmatic form. As seen in ongoing support to countries like Angola, Kenya, and Zambia, a programmatic approach can not only shorten the time between missions to increase continuity and improve effectiveness but also facilitate efforts to address PDM weaknesses in sequence, which can then improve collaboration among government counterparts.

Many of the countries that received support through a programmatic debt management reform plan have implemented PDM reforms. By the end of 2018, almost two-thirds of DMF-eligible countries had been provided with technical support through a debt management reform plan to adopt debt legislation; strengthen managerial structures; establish a debt management function; or enhance debt transparency through the preparation and publication of a debt management strategy, public debt bulletins, or debt statistics reports. Thirty percent of that subset of countries requested a follow-up reform plan.

According to feedback from national authorities, the significant training provided by the World Bank to government officials on various aspects of debt management has been seen as effective. MTDS support focused on building country capacity to independently prepare loan portfolio cost and risk analyses, to identify an appropriate borrowing strategy, and to produce a debt management strategy with the intent to publish it. The World Bank provided significant training to government officials on the use of the MTDS methodology and tool, but granular data on participation (that is, participating countries by region, year, number of trained participants, and so on) are not publicly available before FY18, when data started to be published in DMF annual reports. However, earlier surveys of national authorities note that most countries that had received MTDS technical assistance indicated that it helped them improve the quality of their debt management strategies, including by introducing a structured and coherent approach to designing a debt management strategy and raising awareness of risks among senior officials and broader stakeholders (World Bank and IMF 2017). By the end of the evaluation period, approximately 60 percent of DMF-eligible countries had received MTDS support, and roughly half of these had prepared a debt management strategy and published it on a government website. The number of strategies published by IDA-eligible countries increased from 3 in 2010 to 35 in 2018, although an assessment of debt management strategy quality has not yet been undertaken (Development Committee 2018).

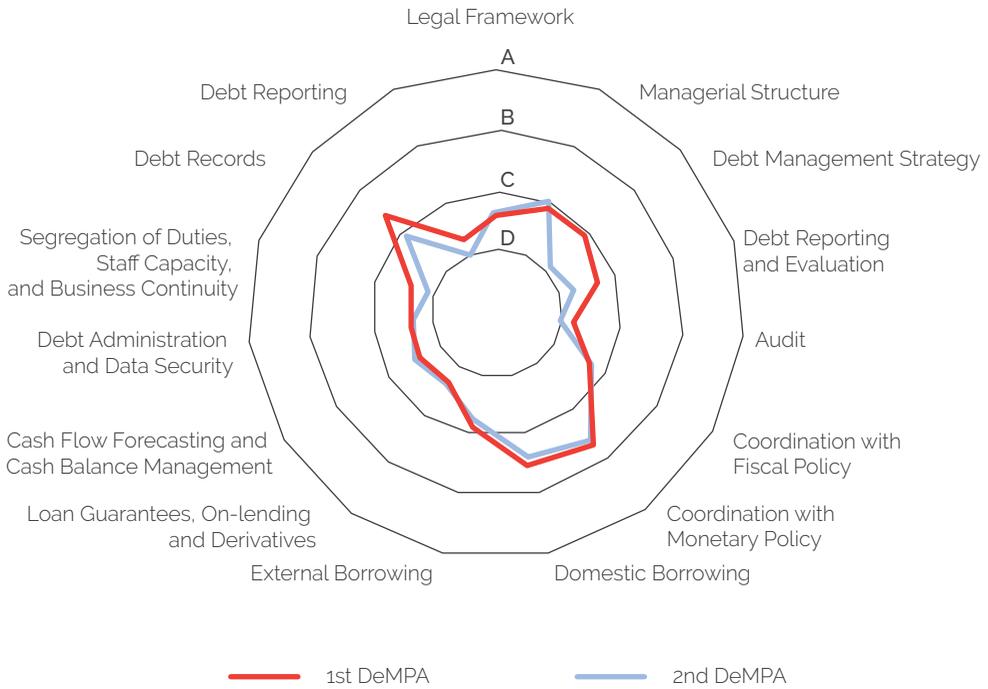
On July 1, 2018, the new low-income country Debt Sustainability Framework became effective, with training on the improved tool beginning in 2017. The DMF organized extensive outreach activities to promote the low-income country Debt Sustainability Framework, including 18 workshops for 380 total

participants in FY18 (compared with 8 workshops in FY17) with a focus on conducting a debt sustainability analysis. From July 2018 to December 2019, 14 regional trainings were provided to 277 participants. A country's ability to conduct its own debt sustainability analysis is tracked by DeMPAs; however, training on the new tool only began in mid-2018, and the infrequency with which DeMPAs are undertaken means it is too soon to assess the tool's impact. That said, preliminary findings suggest that capacity development is generating improvements.

## Effectiveness of Public Debt Management Support

Publicly available evidence suggests that, after 10 years of DMF support, there have been improvements in debt management among recipient countries. In the 15 IDA-eligible countries that have at least two published DeMPAs,<sup>6</sup> there were modest but positive changes in 10 of the 15 debt performance indicators (figure 6.4); modest declines were noted in (i) legal framework; (ii) managerial structure; (iii) coordination with fiscal policy; (iv) loan guarantees, on-lending, and derivatives; and (v) cash flow forecasting and cash balance management.<sup>7</sup> Additionally, the percentage of countries meeting the minimum thresholds for the 15 debt performance indicators increased between the first and second DeMPAs: More than 50 percent of the countries achieved the minimum threshold for 8 debt performance indicators during their first DeMPA; in the second DeMPA, more than 50 percent of the countries achieved the minimum threshold for 11 debt performance indicators (figure 6.5).

**Figure 6.4.** Change in DeMPA Scores for IDA-Eligible Countries with At Least Two Publicly Disclosed DeMPAs



Source: Independent Evaluation Group.

Note: N = 30 (15 IDA-eligible countries were found with at least two publicly disclosed DeMPAs: Burkina Faso, Cabo Verde, Cambodia, The Gambia, Guinea, Kosovo, Maldives, Mali, Moldova, Mozambique, Papua New Guinea, Senegal, Togo, Uganda, and Zimbabwe). DeMPA = Debt Management Performance Assessment; IDA = International Development Association.

Modest improvements in DeMPA scores can also be observed at the regional level. Overall average DeMPA scores for Africa and for East Asia and Pacific stagnated over the evaluation period. However, more granular analysis reveals improvements in several debt performance indicators of improved managerial structure, domestic borrowing, debt recording, reporting, and evaluation. More than half the observed countries in the Africa Region met the minimum score requirements in 11 out of 15 indicators on their second DeMPA, up from 8 on their first. Appendix H includes country comparisons from cases with more than one DeMPA during the evaluation period.

**Figure 6.5.** Share of IDA-Eligible Countries Meeting Minimum Threshold  
(First versus Second DeMPA)



Source: Independent Evaluation Group, Debt Management Performance Assessment data.

Note: N = 30 (15 IDA-eligible countries were found with at least two publicly disclosed DeMPAs: Burkina Faso, Cabo Verde, Cambodia, The Gambia, Guinea, Kosovo, Maldives, Mali, Moldova, Mozambique, Papua New Guinea, Senegal, Togo, Uganda, and Zimbabwe). DeMPA = Debt Management Performance Assessment; IDA = International Development Association.

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<sup>1</sup> As mentioned earlier, this report only covers support to International Development Association–eligible countries; as such, it does not evaluate support or customized technical advisory services on debt management to middle-income countries through the Government Debt and Risk Management Program.

<sup>2</sup> The multipronged approach is composed of four pillars: (i) strengthening debt transparency by helping borrowing countries, and by reaching out to creditors, to make better public sector debt data available; (ii) supporting capacity development in public debt management to avert and mitigate debt vulnerabilities; (iii) providing suitable tools to analyze debt developments and risks; and (iv) exploring adaptations to the International Monetary Fund’s (IMF) and World Bank’s lending policies to better address debt risks and promote efficient resolution of debt crises (World Bank and IMF 2020, 2).

<sup>3</sup> Debt Management Facility: <https://www.worldbank.org/en/programs/debt-toolkit/dempa>.

<sup>4</sup> Investment project financing went to the Democratic Republic of Congo, The Gambia, Ghana, Guinea-Bissau, India, Kenya, the Kyrgyz Republic, Mongolia, and Nigeria; Programs-for-Results went to India and Uganda.

<sup>5</sup> The World Bank and IMF are collaborating more broadly on improving debt management and debt transparency (IMF and World Bank 2018a, 2018b; World Bank and IMF 2020).

<sup>6</sup> Burkina Faso, Cabo Verde, Cambodia, The Gambia, Guinea, Kosovo, Maldives, Mali, Moldova, Mozambique, Papua New Guinea, Senegal, Togo, Uganda, and Zimbabwe.

<sup>7</sup> World Bank and IMF (2017) confirm the negative change over time for cash flow forecasting and cash balance management; however, additional findings are aggregated to category rather than indicator, complicating a confirmation with their figures.

# 7 | Recent Developments and Main Findings

## COVID-19 Context

The COVID-19 pandemic highlights the importance of strong PFDM to help countries make more efficient use of increasingly scarce resources. To respond to the crisis, countries need strong and flexible PFDM to efficiently and effectively reallocate resources, control spending, improve targeting, and avoid arrears when the private sector is strained. To the extent that the pandemic increases the need to borrow, this needs to be done in a prudent and measured manner to control both fiscal cost and risk.

As governments rapidly shift policy and spending in the face of the pandemic, robust, responsive, and flexible PFDM systems are crucial. Such systems are important for (i) using scarce resources efficiently for both current and capital spending, (ii) accelerating budget execution and funds release to help ensure the ongoing delivery of essential and emergency public services, and (iii) managing the costs and risks associated with inevitable increases in indebtedness. Critical in this flexibility is the maintenance of accountability and transparency to ensure value for money and prevent the unauthorized use of funds (box 7.1). Creditors—both bilateral and multilateral—will expect this as they extend essential debt relief (G-20 Finance Ministers and Central Bank Governors 2020).

Reflecting the rapid increase in the level of external debt distress among IDA-eligible countries even pre-COVID-19, the World Bank recently adopted the Sustainable Development Finance Policy. Although outside the scope of this evaluation, the Sustainable Development Finance Policy aims to support IDA-eligible clients' efforts to strengthen policies, institutions, and practices for transparent and sustainable financing of development goals; enhance coordination among borrowers, creditors, and other development partners; and introduce a more robust monitoring and accountability framework (box 7.2).

IEG plans to prepare an evaluation of the Sustainable Development Finance Policy, which will be delivered in FY22.

### **Box 7.1.** PFDM and Responses to COVID-19: The Importance of Flexibility, Accountability, and Impact

The emergency nature of International Development Association–eligible countries' responses to the coronavirus pandemic (COVID-19) requires an extraordinary, whole-of-government response, with coordinated support from the World Bank and other development partners. Countries that have invested in strengthening public financial and debt management (PFDM) systems will find themselves better positioned to respond to the fallout from the pandemic. Delivery of emergency financing can present tensions between the need for agility and swiftness and the need to ensure that resources are used effectively and efficiently. Much PFDM diagnostic work that has already been undertaken can inform the prior actions that underpin budget support without compromising the urgency of those operations. Critically, PFDM systems need to ensure that, although lives are being saved, fraud and corruption are limited, and emergency funds are allocated and spent efficiently. This involves:

- » Releasing funds to front-line service providers as quickly as possible. Governments can explore different ways of expediting budget execution and funds release: adapting execution rules (such as fast-tracking expenditure authorization procedures or simplifying procurement processes); delegating financial authority to front-line ministries, deconcentrated structures, and decentralized authorities; reviewing payment management and processes to account for decreased liquidity; and potentially loosening restrictions on advance payments and or adopting new payment measures (such as direct deposits) through integrated financial management information systems.
- » Ensuring sound public investment management so that scarce resources, including those used for countercyclical purposes, are directed to growth-enabling investments. Weak public investment management increases the risk that ineffective projects will be selected for scarce financing. It also can lead to systematic cost overruns and delays, low levels of project execution, and substandard completed outputs. Sound public investment management can help economies recover more quickly once the pandemic is under control.

*(continued)*

### Box 7.1. PFDM and Responses to COVID-19: The Importance of Flexibility, Accountability, and Impact (cont.)

- » Securing robust reporting and accountability mechanisms to ensure that expenditure is used transparently and properly tracked. Governments can adjust control procedures to accelerate disbursement, but must still maintain some minimum level of accountability. This can be achieved by establishing dedicated budget lines for crisis response to facilitate funds tracking and channeling all budgetary resources through these lines; allowing for a greater reliance on ex post or risk-based controls (with the latter, after a risk mapping); softening rules for payments made outside the integrated financial management information system, so long as they are recorded ex post and made transparent for external scrutiny; and ensuring that supreme audit institutions are prepared to audit emergency transactions with minimal time lag after the restoration of normalcy.

Source: Barroy et al. 2020; Gurazada et al. 2020; International Monetary Fund 2020a.

### Box 7.2. Sustainable Development Finance Policy

The Sustainable Development Finance Policy (SDFP) was endorsed by the International Development Association (IDA) Deputies and borrower representatives in the context of the 19th Replenishment of IDA negotiations, approved by the Executive Directors of IDA on June 9, 2020, and made effective on July 1, 2020. Its principal objective is to foster more transparent and sustainable financing for IDA-eligible countries as part of a broader strategy to address debt vulnerabilities. The SDFP replaces the Non-Concessional Borrowing Policy to strengthen incentives to improve debt management capacity and debt transparency.

The SDFP has two central dimensions:

- » **The Debt Sustainability Enhancement Program** enhances incentives for countries to move toward transparent and sustainable financing. This will be done by agreeing with debt-distressed countries to a set of performance and policy actions to strengthen debt management, debt transparency, and fiscal sustainability. Although broader public financial and debt management reforms—including for

*(continued)*

## Box 7.2. Sustainable Development Finance Policy (cont.)

public investment management—form a fundamental part of the SDFP, coordination of performance and policy actions will be needed across the Equitable Growth, Finance, and Institutions Global Practice to ensure substantive synergies between public financial management and public debt management are realized.

- » **The Program of Creditor Outreach** enhances IDA's global platform and convening role to promote creditor outreach and coordination on transparent and sustainable lending practices (including debt transparency).

In parallel, Equitable Growth, Finance, and Institutions has developed a debt reporting heat map, which visualizes the results of a semiannual evaluation of debt information on national authorities' websites. The evaluation covers three main areas: (i) public debt statistics dissemination practices, (ii) publication of key debt management documents, and (iii) identification of fiscal risks stemming from contingent liabilities.

*Source:* IDA 2020c; World Bank Debt Reporting Heat Map. <https://www.worldbank.org/en/topic/debt/brief/debt-transparency-report>.

## Main Findings

Over the course of 10 years, the World Bank, and its implementing partners and client countries, developed an extensive work agenda to help build the capacity of IDA-eligible countries to manage scarce public financial resources. This work was motivated by a combination of events and developments, including the need to avoid a reemergence of excessive debt burdens; a commitment to ensuring that scarce resources freed up from major debt-relief initiatives were channeled to productive purposes; the declining importance of official development assistance (and the increasing importance of domestic resources); recognition of the importance of infrastructure development to enable growth; and the need to make more effective and efficient use of scarce public resources if the Sustainable Development Goals were to be achieved. The importance of this work has only grown over time, including in the wake of the COVID-19 pandemic, and as an increasing number of IDA-eligible countries find themselves again at high risk of debt distress or in debt distress.

The World Bank has invested considerable resources in PFDM capacity building for IDA-eligible countries, with mixed results:

- » Diagnostic tools developed by the World Bank show tangible improvements in arrears prevention but reveal more limited improvement in the credibility of budgets.
- » Improvements were registered in the production and structuring of budget data with the help of BOOST, although there is scope to enhance support to help countries use expenditure data more effectively for improved planning and budgeting.
- » World Bank support for public sector accounting practices has been effective, with several countries having taken preliminary steps toward the adoption of accrual basis accounting. However, less than a third of IDA-eligible countries received such support during the evaluation period.
- » The World Bank has contributed to the rollout of IFMIS solutions to lower-capacity IDA-eligible countries, but the expansion of IFMIS coverage to high-value transactions has received limited attention.
- » The World Bank’s modest lending and diagnostic support to IDA-eligible countries to improve PIM has bypassed many slower-growing countries at high risk of debt distress or already in distress.
- » There is evidence of modest improvements in several aspects of PDM—in particular, debt reporting and debt management strategies—with more countries now meeting minimum requirements for most of these aspects.
- » PDM support was found to have made a positive contribution to improving countries’ technical capacity to prepare their own MTDSs and debt sustainability analyses.

Although technical improvements alone will not guarantee improved PFDM, the World Bank can be more effective. Effective institutional and technical capacity building and associated change management takes time and is difficult to establish over the short term. Capacity building requires sustained effort, often over several years. For this reason, World Bank instruments with a longer-term time horizon need to be part of country strategies to build PFDM. This is not to say that investment lending and programmatic ASA

alone are always the preferred instruments; there may be policy, legal, or structural impediments that are better addressed through prior actions in DPOs. This points to the importance of using a mix of instruments in support of PFDM. However, this evaluation has identified that some areas of PFDM—PIM, for example—may not have drawn on the optimal mix of instruments to have the desired impact on PFDM over the longer term.

Delivery of the World Bank’s support was not always coordinated, particularly between PFM and PDM, despite the explicit recognition of complementarities by IDA Deputies. Separately, PDM and PFM support were often internally coordinated, with country-specific prioritization of technical assistance and capacity building; however, coordination across the two areas was limited. This reflects several factors such as infrequent or irregular diagnostic assessments of PFDM capacity and a lack of awareness of diagnostic findings (due to, for example, limited disclosure of diagnostics). One consequence of the distribution of responsibility for PFDM among global units (across the Governance and the Macroeconomics, Trade, and Investment Global Practices) is modest or infrequent efforts to realize complementarities among dimensions of PFDM, even within the organizational umbrella of the Equitable Growth, Finance, and Institutions Vice Presidency. This finding is consistent with the independent external Universalis evaluation (2018) conclusion that the World Bank is not fully realizing complementarities and synergies between debt management and PFM support.

Making more systematic use of analyses and diagnostics to inform country strategies, investment projects, and DPO prior actions can help improve the effectiveness of PFDM support. For example, PFDM diagnostic assessments can help with the identification of prior actions for DPOs or with the articulation of performance and policy actions under the new Sustainable Development Finance Policy. The World Bank could more systematically and consistently reinforce the need for IFMIS to capture all large transactions and promote more comprehensive coverage of financial transactions and debt monitoring across the public sector. Support to improve PDM could be more explicitly linked with support to improve PIM to ensure that investments for which debt is incurred are productive enough to enhance the country’s capacity to service debt.

Although technical improvements in PFDM are necessary to achieve the desired outcomes, a lack of progress may also be a symptom of low compliance or inappropriate policy. Failure to achieve the objectives of support for PFDM may reflect an underlying political economy characterized by pervasive rent seeking by political insiders. This suggests the need to adapt the content of World Bank support to local conditions and enhance its impact by more effectively leveraging the World Bank’s instruments—both lending and nonlending.

## Conclusions and Recommendations

There is scope to increase the effectiveness of the significant World Bank support to improve PFDM. Many IDA-eligible countries still do not meet minimum standards for debt management institutions and practices, suggesting that stronger links between diagnostics and capacity building may be needed. And although considerable support has been channeled to designing and rolling out IFMIS solutions, the World Bank needs to more routinely pay attention to budget coverage within IFMISs.

A more systematic approach to PFDM, coordinated at the vice-presidential level in Equitable Growth, Finance, and Institutions, can make PFDM capacity-building efforts mutually reinforcing. This approach aligns with the independent external Universalia evaluation (2018) recommendation that, to ensure the relevance of its inputs, the DMF should increase its role in strategic coordination at the country level with public debt management and PFM service providers. With a more coordinated approach, the efficiency of public resource management can be enhanced, debt sustainability improved, and the debt service burden reduced to create space for more critical development spending. A more integrated approach to PFDM could also contribute to a greater understanding of the political economy challenges that PFDM practitioners face. The onset of the COVID-19 pandemic makes it even more critical that the institutional underpinnings of PFDM are in place to allow countries to “build back better” through more efficient and impactful use of scarce resources.<sup>1</sup> The newly adopted Sustainable Development Finance Policy can provide a platform for greater integration and reinforcement by including complementary PFDM actions in the performance and policy actions agreed on with IDA-eligible countries.

Countries with high and rising debt burdens require—in addition to help with debt management—support to increase the efficiency of their public investment, but they currently receive little. PIM is crucial to increasing the efficiency of public investment to ensure that countries are not accruing additional debt from investments (including for basic infrastructure) that will not pay for themselves or otherwise generate economic growth. However, countries with high debt burdens or in debt distress do not seem to have been prioritized in receiving World Bank support to improve PIM. Of the 30 countries with high levels of debt or in debt distress in 2018, only 13 had received PIM support from the World Bank over the evaluation period.

PFDM reform and capacity building tend to have greater success when they are supported with the coordinated use of a combination of World Bank instruments. This was the case in several DPOs that supported improvements in PIM during the evaluation period. The design of prior actions in DPOs could be more systematically informed by the often-extensive country-level diagnostic and analytical work on PFDM. This work can provide a ready palette of valuable PFDM reforms in need of support. However, DPO prior actions are a complement to, not a substitute for, the longer-term capacity building that is required for sound and sustainable PFDM.

Even in the context of emergency budget support, resource scarcity requires that operations take on a longer-term line of sight to “build back better.” This can be facilitated by more widespread knowledge of PFDM priorities among World Bank staff, including through better dissemination of the findings of PFDM diagnostics. There should be a presumption, for example, that diagnostics like the DeMPA be publicly available to help inform domestic policy deliberations and build support for reform.

On the basis of the above findings, IEG puts forward two recommendations (table 7.1). The recommendations recognize that improvements in PFDM will be increasingly necessary if IDA-eligible countries are to make the best use of scarce resources during and in the wake of the COVID-19 pandemic. They seek first to derive a transparent, comprehensive, and easily digestible picture of a country’s PFDM strengths and weaknesses to raise the profile of resource management adequacy. This information could help build demand for better PFDM within client countries and guide development partners

(including the World Bank) in setting priorities for providing development support. It would also allow the World Bank to obtain a sound and more systematic basis to leverage its various PFDM engagements both at the level of country strategy and in the design of individual operations, including DPOs and performance and policy actions. The consolidated nature of the proposed exercise would draw together the various dimensions of PFDM operating under Equitable Growth, Finance, and Institutions to enhance coherence, sequencing, complementarity, and impact. Such an approach would be consistent with the findings of the recently published report “Advice, Money, Results—Rethinking International Support for Managing Public Finance,” which calls for a broader view of PFM that sees the concept through not only processes and systems but also government policy choices (International Working Group 2020).<sup>2</sup>

**Table 7.1.** Overall PFDM Recommendations for IDA-Eligible Countries

Number	Recommendation
1	<p><b>World Bank should regularly monitor the quality of the key pillars of PFDM for each IDA-eligible country, possibly through a centralized country-specific PFDM assessment.</b> The purpose of such an assessment would be to provide the basis for a coordinated, medium-term PFDM capacity-building work program that addresses the most critical shortcomings while maximizing complementarities among the main pillars of PFDM. The assessment would be overseen by the World Bank's Equitable Growth, Finance, and Institutions Vice Presidency, given its responsibility for the two Global Practices leading much of the World Bank's work on PFDM. This assessment could be undertaken in the context of various other Bank products (for example, in the preparation of Systematic Country Diagnostics or their updates, or Country Economic Memorandums or Updates) or through a periodic stand-alone report. Such an integrated PFDM assessment would draw from the full range of existing PFDM diagnostics including data on financial reporting standards, the use of sound practices in public sector accounting, integrated financial management information systems coverage, public investment management efficiency, Public Expenditure and Financial Accountability indicators, and financial statistics and Debt Management Facility monitoring and diagnostic frameworks and tools.</p> <p>The assessment would provide a comprehensive picture of a country's capacity to manage its scarce public resources. It would also draw attention to progress in improving key dimensions of PFDM and could highlight areas that are lagging and in need of greater attention and support. Periodic publication of the results of each country's PFDM assessment (either alone or in the context of another report) would highlight the links among the various pillars of PFDM and draw attention to areas in need of improvement.</p>
2	<p><b>Actively use the previously described assessment to prioritize and sequence World Bank support for PFDM capacity building and reform in IDA-eligible countries.</b> Such a framework could inform the design of budget support operations, investment projects, and country-specific performance and policy actions under the newly adopted Sustainable Development Finance Policy (for example, by prioritizing improvements in public investment management alongside measures to improve debt transparency and debt management). Coordinated support for such a work program would be embedded in Country Partnership Frameworks. This would require that the Equitable Growth, Finance, and Institutions Vice Presidency better coordinate and sequence interventions by the Macroeconomics, Trade, and Investment and Governance Global Practices to tackle PFDM challenges. If published, these assessments could guide development partners that are active, or seeking to be active, in this area, and could inform the domestic policy debate on priorities for enhancing public sector transparency and accountability.</p>

Source: Independent Evaluation Group.

Note: IDA = International Development Association; PFDM = public financial and debt management.

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<sup>1</sup> On a related point, to the extent that much public financial and debt management (PFDM) is digitalized, governments in countries that have made progress in PFDM have likely found themselves better able to function in the midst of the coronavirus pandemic. This suggests additional benefits to addressing the quality of PFDM more rigorously, even in the midst of economic turbulence.

<sup>2</sup> The International Working Group on Managing Public Finance, operating with guidance from an advisory group of eminent persons, was convened in 2018 to investigate the effectiveness of the development assistance architecture in supporting public financial management and to consider directions for international support. The report, which is based on consultations with a large number of experts in public finance and development cooperation, is the result of that work. The initiative was hosted by the Robert F. Wagner Graduate School of Public Service at New York University and funded through a research grant from the Bill and Melinda Gates Foundation.

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# APPENDIXES

Independent Evaluation Group

*World Bank Support for Public  
Financial and Debt Management in  
IDA-Eligible Countries*

# Appendix A. Evaluation Methodology and Design

## Evaluation Approach

The evaluation applied several methodological approaches to achieve analytical rigor:

- » **Review of the World Bank's approaches to public financial and debt management (PFDM) analysis.** Taking the *World Development Report 1988* as its starting point, the evaluation focused on two core dimensions of public finance management and their effect on development. It identified discernible trends in the development of the World Bank's PFDM capacity-building strategies, describing the elements of the broader engagement (objectives, priorities, and approaches) as these could be inferred from World Bank documents and supplemented by selective interviews of staff. These initial analyses informed and fed into the rest of the evaluation.
- » **Portfolio review and analysis.** The evaluation identified the World Bank's lending and nonlending portfolios for PFDM and analyzed the portfolio along several dimensions, including by instrument. The analysis also drew on Independent Evaluation Group ratings for completed projects and operations, with a caveat: given the multisectoral nature of many development policy operations, the rated results include performance relative to non-PFDM objectives in addition to performance relative to the two subthemes, because ratings are for entire projects, not specific prior actions or policy pillars. It also drew on complementary data from Public Expenditure and Financial Accountability assessments, Country Policy and Institutional Assessment scores, and Debt Management Performance Assessments.
- » **Country-level case study analysis.** This analysis provided an opportunity for the evaluation to drill down at the country level regarding World Bank lending, nonlending, and policy dialogue, and to consult World Bank staff and country counterparts on specific projects and operations. Eight International

Development Association–eligible countries were purposively selected to maximize (i) regional representation, (ii) intensity of the World Bank’s PFDM lending engagements, (iii) intensity of the World Bank’s PFDM nonlending activities, (iv) fragile and conflict-affected situation status, and (v) heavily indebted poor countries status (see table B.2 in appendix B). Three of the eight countries’ assessments included field visits to supplement desk reviews. Appendix B further details the methodology used to select these cases and appendix F summarizes country case study findings.

- » **Intervention-level case study analysis.** To enhance the depth of analysis, the evaluation looked at selected, relatively homogeneous interventions across the case study countries. The selected interventions covered both lending and nonlending. Intervention-level analysis for lending assessed quality at entry, quality of implementation, and results. For advisory services and analytics, the evaluation assessed quality, timeliness, links to lending, and evidence of contributions to public finance reforms. Appendix E details the intervention-level analysis. This includes an analysis on the effectiveness of lending along four dimensions: (i) sound analysis and adequate knowledge; (ii) complementarity of lending instruments; (iii) use of prioritized, selective, and phased approaches; and (iv) results orientation. It also includes an analysis of advisory services and analytics effectiveness based on (i) partnerships and (ii) ownership of intervention and dialogue.

# Evaluation Design Matrix

Main Methods	Basic Evaluation Questions	
	I. How relevant was the World Bank's lending and nonlending support to building PFDM capacity in IDA-eligible countries?	II. How effective were World Bank interventions in building PFDM capacity at the country level? What worked best and why? What did not work well?
Review of World Bank approaches and thematic analysis	<ol style="list-style-type: none"> <li>1. Collect information about World Bank policies and approaches in the two core public finance areas.</li> <li>2. Desk review of the World Bank's public finance approach documents.</li> <li>3. Desk study on links among ASA and lending products.</li> <li>4. Semistructured interviews with World Bank staff and managers, covering evolving World Bank approaches in thematic areas.</li> <li>5. Incorporate findings from portfolio review and analysis, country-level case study analysis, and intervention-level case study analysis into relevant thematic areas focusing on implementation and results.</li> </ol>	Same information as in column I, items 3, 4, and 5.
Portfolio review and analysis	<ol style="list-style-type: none"> <li>1. Identify global total portfolio.</li> <li>2. Analysis of portfolio by PFDM areas; lending instruments; Regions; states affected by fragility, conflict, and violence; ASA activities; and ICRR ratings.</li> <li>3. Supporting input from ICRs, ICRRs, and PPARs.</li> <li>4. Complementary analysis from aggregate review of country-level case study findings (below).</li> </ol>	Same information as in column II at the country level, with a focus on understanding the implementation and effectiveness of PFDM engagements in each country. Complementary structured interviews on the country portfolio will be conducted with World Bank staff in the field, including government and other development partners. The team will use the theory of change framework (figure 1.3, in the main text) to assess whether the intended results were achieved and review the World Bank contribution to these results.

(continued)

Main Methods	Basic Evaluation Questions	
	I. How relevant was the World Bank's lending and nonlending support to building PFDM capacity in IDA-eligible countries?	II. How effective were World Bank interventions in building PFDM capacity at the country level? What worked best and why? What did not work well?
Country-level case study analysis		<ol style="list-style-type: none"> <li>1. Collect and summarize information on fiscal developments in the country.</li> <li>2. Review the CPFs from the PFDM perspective (normally two for the evaluation period).</li> <li>3. Review the lending portfolio and ASAs benefiting from portfolio review and analysis.</li> <li>4. Review all the relevant project documents (project appraisal documents, ISRs, ICRs, ICRRs, PPARs, and information regarding trust-funded engagements and key trust funds).</li> <li>5. Interviews with key stakeholders, normally including the Ministry of Finance, and with relevant key donors for the country analysis with field visits.</li> <li>6. Individual case studies will also assess the broader PFDM developments and trends in the country, drawing on PEFA material, CPIA ratings, and relevant IMF material, and judge the degree of connection to the World Bank's activities.</li> </ol>

(continued)

Main Methods	Basic Evaluation Questions	
	I. How relevant was the World Bank's lending and nonlending support to building PFDM capacity in IDA-eligible countries?	II. How effective were World Bank interventions in building PFDM capacity at the country level? What worked best and why? What did not work well?
Intervention-level case study analysis		<p>To enhance the depth of analysis and understanding of World Bank support to public finance areas across countries, there will be intervention-level case study analyses covering lending and nonlending.</p> <ol style="list-style-type: none"> <li>1. Select lending operations chosen from the portfolio of completed operations and projects in country-level case study countries.</li> <li>2. Select ASA for intervention-level case study analysis chosen from country-level case study countries.</li> <li>3. Summary of key findings, lessons, and recommendations.</li> </ol>

Source: Independent Evaluation Group.

Note: ASA = advisory services and analytics; CPF = Country Partnership Framework; CPIA = Country Policy and Institutional Assessment; ICR = Implementation Completion and Results Report; ICRR = Implementation Completion and Results Report Review; IDA = International Development Association; IMF = International Monetary Fund; ISR = Implementation Status and Results Report; PEFA = Public Expenditure and Financial Accountability; PFDM = public financial and debt management; PPAR = Project Performance Assessment Report.

# Appendix B. Evaluation Universe and Case Study Selection

## Delimitation of the Evaluation Universe

The universe of countries for this evaluation was defined as those that were eligible for International Development Association support for at least two years during the evaluation period. Nine current (fiscal year [FY]2020) borrowers from the International Bank for Reconstruction and Development countries were International Development Association–eligible for at least two years during the evaluation period. These are Azerbaijan (graduated FY11); Angola, Armenia, India, Georgia, and Bosnia and Herzegovina (graduated FY14), and Vietnam, Sri Lanka, and Bolivia (graduated FY17).

The Independent Evaluation Group identified 85 countries that fit these criteria. Table B.1 lists the countries along with several relevant indicators: Region, current lending category (as of FY20), whether the country was on the fragile and conflict-affected situation list during some part of the evaluation, its heavily indebted poor countries status, and whether the country received at least one development policy operation during the evaluation period.

**Table B.1.** Countries in Evaluation Universe

No.	Name	Region	Current Lending Category			DMF Eligible	At Least One DPO during Period
			Category	FCS	HIPC		
1	Afghanistan	SAR	IDA	FCS	HIPC	DMF	Yes
2	Angola	AFR	IBRD	FCS		DMF	Yes
3	Armenia	ECA	IBRD			DMF	Yes
4	Azerbaijan	ECA	IBRD			DMF	
5	Bangladesh	SAR	IDA			DMF	Yes
6	Benin	AFR	IDA		HIPC	DMF	Yes

(continued)

No.	Name	Region	Current Lending				DMF Eligible	At Least One DPO during Period
			Category	FCS	HIPC			
7	Bhutan	SAR	IDA			DMF	Yes	
8	Bolivia	LAC	IBRD			DMF		
9	Bosnia and Herzegovina	ECA	IBRD	FCS		DMF	Yes	
10	Burkina Faso	AFR	IDA		HIPC	DMF	Yes	
11	Burundi	AFR	IDA	FCS	HIPC	DMF	Yes	
12	Cabo Verde	AFR	Blend			DMF	Yes	
13	Cambodia	EAP	IDA			DMF		
14	Cameroon	AFR	Blend	FCS	HIPC	DMF		
15	Central African Republic	AFR	IDA	FCS	HIPC	DMF	Yes	
16	Chad	AFR	IDA	FCS	HIPC	DMF	Yes	
17	Comoros	AFR	IDA	FCS	HIPC	DMF	Yes	
18	Congo, Dem. Rep.	AFR	IDA	FCS	HIPC	DMF		
19	Congo, Rep.	AFR	Blend	FCS	HIPC	DMF		
20	Côte d'Ivoire	AFR	IDA	FCS	HIPC	DMF	Yes	
21	Djibouti	MNA	IDA			DMF		
22	Dominica	LAC	Blend			DMF		
23	Eritrea	AFR	IDA			DMF		
24	Ethiopia	AFR	IDA		HIPC	DMF		
25	Fiji	EAP	Blend			*		
26	Gambia, The	AFR	IDA	FCS	HIPC	DMF	Yes	
27	Georgia	ECA	IBRD	FCS		DMF	Yes	
28	Ghana	AFR	IDA		HIPC	DMF	Yes	
29	Grenada	LAC	Blend			DMF	Yes	
30	Guinea	AFR	IDA	FCS	HIPC	DMF	Yes	
31	Guinea-Bissau	AFR	IDA	FCS	HIPC	DMF	Yes	
32	Guyana	LAC	IDA			DMF		
33	Haiti	LAC	IDA	FCS	HIPC	DMF	Yes	
34	Honduras	LAC	IDA		HIPC	DMF	Yes	
35	India	SAR	IBRD			DMF	Yes	
36	Kenya	AFR	Blend			DMF		
37	Kiribati	EAP	IDA	FCS		DMF	Yes	
38	Kosovo	ECA	IDA	FCS		DMF	Yes	

(continued)

No.	Name	Region	Current Lending			DMF Eligible	At Least One DPO during Period
			Category	FCS	HIPC		
39	Kyrgyz Republic	ECA	IDA			DMF	Yes
40	Lao PDR	EAP	IDA	FCS		DMF	Yes
41	Lesotho	AFR	IDA			DMF	Yes
42	Liberia	AFR	IDA	FCS	HIPC	DMF	Yes
43	Madagascar	AFR	IDA	FCS	HIPC	DMF	Yes
44	Malawi	AFR	IDA	FCS	HIPC	DMF	Yes
45	Maldives	SAR	IDA			DMF	Yes
46	Mali	AFR	IDA	FCS	HIPC	DMF	Yes
47	Marshall Islands, The	EAP	IDA			DMF	
48	Mauritania	AFR	IDA		HIPC	DMF	Yes
49	Micronesia, Fed. Sts.	EAP	IDA			DMF	
50	Moldova	ECA	Blend			DMF	Yes
51	Mongolia	EAP	Blend			DMF	Yes
52	Mozambique	AFR	IDA		HIPC	DMF	Yes
53	Myanmar	EAP	IDA	FCS		DMF	Yes
54	Nepal	SAR	IDA	FCS		DMF	
55	Nicaragua	LAC	IDA		HIPC	DMF	Yes
56	Niger	AFR	IDA		HIPC	DMF	Yes
57	Nigeria	AFR	Blend			DMF	Yes
58	Pakistan	SAR	Blend			DMF	Yes
59	Papua New Guinea	EAP	Blend	FCS		DMF	
60	Rwanda	AFR	IDA		HIPC	DMF	Yes
61	Samoa	EAP	IDA			DMF	Yes
62	São Tomé and Príncipe	AFR	IDA	FCS	HIPC	DMF	Yes
63	Senegal	AFR	IDA		HIPC	DMF	Yes
64	Sierra Leone	AFR	IDA	FCS	HIPC	DMF	Yes
65	Solomon Islands	EAP	IDA	FCS		DMF	Yes
66	Somalia	AFR	IDA			DMF	
67	South Sudan	AFR	IDA			DMF	
68	Sri Lanka	SAR	IBRD			DMF	Yes
69	St. Lucia	LAC	Blend			DMF	Yes

(continued)

No.	Name	Region	Current Lending Category	DMF Eligible			At Least One DPO during Period
				FCS	HIPC		
70	St. Vincent and the Grenadines	LAC	Blend			DMF	
71	Sudan	AFR	IDA			DMF	
72	Syrian Arab Republic	MNA	IDA			*	
73	Tajikistan	ECA	IDA	FCS		DMF	Yes
74	Tanzania	AFR	IDA		HIPC	DMF	Yes
75	Timor-Leste	EAP	Blend			DMF	
76	Togo	AFR	IDA	FCS	HIPC	DMF	Yes
77	Tonga	EAP	IDA	FCS		DMF	Yes
78	Tuvalu	EAP	IDA	FCS		DMF	Yes
79	Uganda	AFR	IDA		HIPC	DMF	Yes
80	Uzbekistan	ECA	Blend	FCS		DMF	
81	Vanuatu	EAP	IDA			DMF	
82	Vietnam	EAP	IBRD			DMF	Yes
83	Yemen, Rep.	MNA	IDA	FCS		DMF	Yes
84	Zambia	AFR	IDA		HIPC	DMF	Yes
85	Zimbabwe	AFR	Blend			DMF	

Source: Independent Evaluation Group, <https://www.dmfacility.org/>.

Note: AFR = Sub-Saharan Africa; DMF = Debt Management Facility; DPO = development policy operation; EAP = East Asia and Pacific; ECA = Europe and Central Asia; HIPC = heavily indebted poor countries; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; FCS = fragile and conflict-affected situation; HIPC = heavily indebted poor countries; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia. Fiji and Syrian Arab Republic became DMF eligible after the evaluation period.

## Case Study Selection

The selection of case study countries for the evaluation was undertaken through purposive sampling to ensure variation within the group. The selection exercise was carried out on the identified financing and nonfinancing portfolio of the 85 countries in the evaluation universe. Of these 85, the population was narrowed to the 55 that received some sort of investment support (through either investment project financing or a Program-for-Results) during the evaluation period. From this subset of countries, 8 were

then purposively selected to ensure variability along several different factors to ensure maximum representation. These variables include the following:

- » Region;
- » Intensity of public financial and debt management (PFDM) lending: Intensity of World Bank support was established for each country by comparing the number of PFDM interventions in the country against the Region's average. For example, if the number of PFDM lending engagements (projects and operations) in a country was below the Regional average number of PFDM lending engagements, the country was classified as having a low intensity of lending support (and vice versa for high intensity);
- » Intensity of PFDM nonlending support: Similarly, if the number of PFDM advisory services and analytics (ASA) projects in a country was above the regional average number of ASA projects, it was considered to have a high intensity of ASA support;
- » Fragile and conflict-affected situation status: The selection exercise also sought to include countries classified by the World Bank as fragile situations. Fragile situations include countries or territories with one or both of (i) a harmonized Country Policy and Institutional Assessment rating of 3.2 or less or (ii) the presence of any combination of United Nations or regional peace-keeping or a political or peace-building mission during the previous three years; and
- » Heavily Indebted Poor Countries Initiative eligibility.

After this selection process, eight countries remained.

# Appendix C. Portfolio Identification and Analysis

The evaluation covers both the lending and nonlending support of the World Bank. Advisory services and analytics (ASA) are assessed separately from lending support.

## Portfolio Identification

### Lending Portfolio

Identification of the public financial and debt management (PFDM) portfolio was a two-stage process. This involved (i) the identification of a universe of projects that met specified selection criteria, and (ii) a secondary screening process to select only those with relevant PFDM content. An initial portfolio of lending and ASA products was identified based on relevant theme codes assigned by Operations Policy and Country Services: debt management and fiscal sustainability (21), and public expenditures, financial management, and procurement (27).<sup>1</sup> This portfolio was then screened to confirm the existence of PFDM content (to remove false positives). Confirmed interventions were then sorted into one or both of the two PFDM thematic areas—(i) public financial management (PFM) and public expenditures and (ii) debt management and sustainability. Development policy operations (DPOs) were included if the operation had at least one relevant PFDM prior action. The screening process resulted in a final portfolio of 126 investment projects (including 8 PforRs), 267 DPOs, and 668 ASA interventions.<sup>2, 3</sup> This appendix describes the identification and selection process in more detail, then summarizes key statistics for the portfolio.

**Step 1: Identification of projects based on theme code and lead Global Practice.** The primary modality of World Bank support for PFDM has been lending and ASA. To determine the PFDM portfolio, projects were identified based on (i) the implementing Global Practice, and (ii) the assigned World

Bank theme codes. The first stage of portfolio identification included all projects that met at least one of the following criteria:

1. Projects implemented by the Governance and Macroeconomic and Fiscal Management Global Practices.
2. Projects coded with at least one of the following theme codes:
  - a. 21: debt management and fiscal sustainability
  - b. 27: public expenditures, financial management, and procurement

**Step 2: Identification of projects using the prior actions database.** The second stage involved the identification of DPOs whose prior actions were coded with at least one of the three public finance theme codes.<sup>4</sup> The prior actions database helped identify relevant DPOs that had not been assigned any of the PFDM theme codes.

**Step 3: Selection and classification of the PFDM portfolio.** The final stage involved a two-step process that began with a review of each project’s objectives and components to confirm the existence of PFDM content. Projects found to have PFDM content were categorized into two themes, and those without PFDM content were eliminated (table C.1).<sup>5</sup> Project classification followed this protocol:

1. A project was assigned to one of the areas if it was deemed to have objectives, components, or activities that corresponded to the content in that area.
  - a. If the project abstract did not have sufficient information to enable the classification of the project, project design documents or the prior actions database were consulted.

- b. All projects coded with at least one of the two themes were included in the final identified portfolio for the evaluation.

**Table C.1.** Interventions in IDA-Eligible Countries by PFDM Theme, FY08–17

Public Finance Theme	Investment Loans for PFDM <sup>a</sup> (no.)	Lending for PFDM (\$, billions)	DPOs with at Least One PFDM-Related Prior Action	
			(no.) <sup>b</sup>	(\$, billions) <sup>c</sup>
PFM	117	6.6	254	18.3
PDM	11	0.5	82	7.2
Total <sup>d</sup>	126	6.8	260	19.4

Source: Independent Evaluation Group, World Bank Business Intelligence.

Note: DPO = development policy operation; FY = fiscal year; IDA = International Development Association; PFDM = public financial and debt management; PFM = public financial management.

a. Investment loans include Programs-for-Results.

b. The lending amount of DPOs with at least one public finance prior action is the total amount of DPOs.

c. Due to projects being coded with more than one theme, the sum of the number of lending commitments is greater than the total number of PFDM commitments.

## Nonlending Portfolio

The approach used to determine the universe of ASA activities was identical to that used for the lending portfolio. All ASA delivered during fiscal years (FY)08–17 that also met the following criteria were included:

1. All ASA produced by the Governance and Macroeconomic and Fiscal Management Global Practices.
2. All ASA coded with at least one of two theme codes:
  - a. 21: debt management and fiscal sustainability
  - b. 27: public expenditures, financial management, and procurement

This process yielded a portfolio of ASAs. ASA abstracts were extracted from ImageBank (one of the World Bank’s document depositories) and merged into the existing global portfolio (table C.2). The classification of activities used the following protocol:

1. An ASA activity was assigned to a topic area based on its subject matter.
2. If the abstract did not contain sufficient information to enable classification, the ASA activity documentation was consulted.
3. All activities coded with at least one of the themes were included in the portfolio.

**Table C.2.** Nonlending PFDM Support, FY08–17

PFDM Thematic Code	ASA Products (no.)	Total PFDM ASA (percent)
PFM	345	58
PDM	253	42
Total	598	
Other public finance theme code	(121)	

Source: Independent Evaluation Group, World Bank Business Intelligence.

Note: ASA = advisory services and analytics; FY = fiscal year; PDM = public debt management; PFDM = public financial and debt management; PFM = public financial management.

## Overall PFDM Portfolio Analysis

The World Bank’s significant engagement in PFDM capacity building was also reflected in strategic documents guiding country portfolios. These include Systematic Country Diagnostics and Country Partnership Frameworks, among others. A desk analysis of strategic documents from the eight case studies uncovered substantial attention to PFM in most countries, with some exceptions. Issues of debt management were touched on only in strategic documents for four case studies: Burkina Faso, Ghana, Honduras, and Vietnam. Appendix F contains an in-depth analysis of the inclusion of PFDM activities and objectives within World Bank strategic documents for all case studies.

### Investment Lending (including PforRs)

Most of the PFDM investment lending portfolio (IPFs and PforRs) of 126 projects were for World Bank clients in Sub-Saharan Africa and South Asia.<sup>6</sup> The concentration in these two Regions was evident even after taking into account the number of International Development Association (IDA)–eligi-

ble countries in each Region.<sup>7</sup> PFM support per country was heavily skewed toward South Asia: on average, South Asian countries received \$319.2 million of PFM support during the evaluation period (table C.3). This was because of several PFM projects over \$250 million in the Region. The two largest projects in the portfolio (\$600 million and \$420 million) were different phases of Ethiopia’s Promoting Basic Services, which, although mapped to Social Protection, had significant PFM components (and thus were partially coded as such).

**Table C.3.** Regional Breakdown of Approved PFDM Investment Projects, FY08–17

Region	PFDM Investment Projects (no.)	Value of PFM Investment Projects (\$, millions)	Average Value of PFM Investment Projects per Country (\$, millions)	Value of PDM Investment Projects (\$, millions)	Average Value of PDM Investment Projects per Country (\$, millions)
AFR	74	3,708.1	92.7	380.0	9.5
EAP	7	77.3	4.8	12.0	0.8
ECA	11	94.0	10.4	3.0	0.3
LAC	7	97.7	10.9	0	0
MNA	5	84.0	28.0	0	0
SAR	22	2,553.7	319.2	71.0	8.9
Total	126	6,614.8	77.8	466.0	5.5

Source: Independent Evaluation Group, World Bank Business Intelligence.

Note: AFR = Africa; EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; PDM = public debt management; PFM = public financial management; SAR = South Asia.

PforR lending was a relatively small portion of the PFDM portfolio. Only eight PforRs included PFDM during the evaluation period. Reasons for this include: (i) the instrument was only introduced in 2012, halfway through the evaluation period; (ii) there was a cap of 5 percent of aggregate commitments; and (iii) the PforR instrument requires stringent fiduciary controls that some IDA clients have difficult achieving.

Independent Evaluation Group (IEG) outcome ratings for PFDM investment lending (IPF and PforR) were lower on average than the ratings for other investment projects in IDA-eligible countries. Of the 393 PFDM investment projects and policy-based operations, 267 were reviewed and rated by IEG.<sup>8</sup> The overall development outcomes for 61.1 percent of IPFs were rated moderately satisfactory or better, compared with World Bank averages of 71.7 percent of rated non-PFDM projects (table C.4). A review of Project Performance Assessment Reports found that the reasons cited for unsatisfactory or moderately unsatisfactory outcome ratings included overly ambitious project objectives in fragile and politically unstable environments, a mismatch between planned activities and stated objectives, weak government support or policy reversals by government, and inappropriate choice of lending instruments.

**Table C.4.** IEG Ratings of PFDM Investment Projects, FY08–17  
(percent)

IEG Outcome Rating	PFDM Investment Projects	Non-PFDM Investment Projects
Highly satisfactory	0.0	1.5
Satisfactory	11.1	22.2
Moderately satisfactory	50.0	48.0
Moderately unsatisfactory	22.2	18.9
Unsatisfactory	16.7	8.3
Highly unsatisfactory	0.0	1.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
Moderately satisfactory or better	61.1	71.7

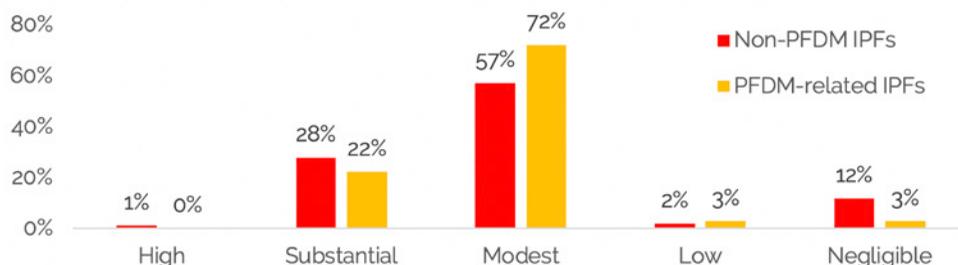
Source: Independent Evaluation Group, World Bank Business Intelligence.

Note: N = 1,264. IEG = Independent Evaluation Group; PFDM = public financial and debt management.

IEG-rated PFDM investment projects had poorer monitoring and evaluation quality than rated non-PFDM investment projects. Monitoring and evaluation quality was rated substantial or higher in 22 percent of rated PFDM

investment projects, compared with 29 percent for non-PFDM investment projects (see figure C.1).

**Figure C.1.** Comparison of M&E Quality of IPFs during Evaluation Period



Source: Independent Evaluation Group, Business Intelligence.

Note: N = 1,232. IPF = investment project financing; M&E = monitoring and evaluation; PFDM = public financial and debt management.

## Development Policy Lending

During the evaluation period, 260 DPOs totaling \$19.4 billion had at least one PFDM prior action, for 714 prior actions. DPOs with at least one PFDM prior action generally had multiple such prior actions. On average, over 35 percent of prior actions for this subset of DPOs were PFM related; this number jumped to almost 45 percent for those DPOs with at least one public debt management (PDM) prior action (table C.5). The number of annual PFDM prior actions fell from an average of 107 per year during the first half of the evaluation (FY08–12) to 79 during the second half.

**Table C.5.** Breakdown of DPOs with At Least One PFDM Prior Action, FY08–17

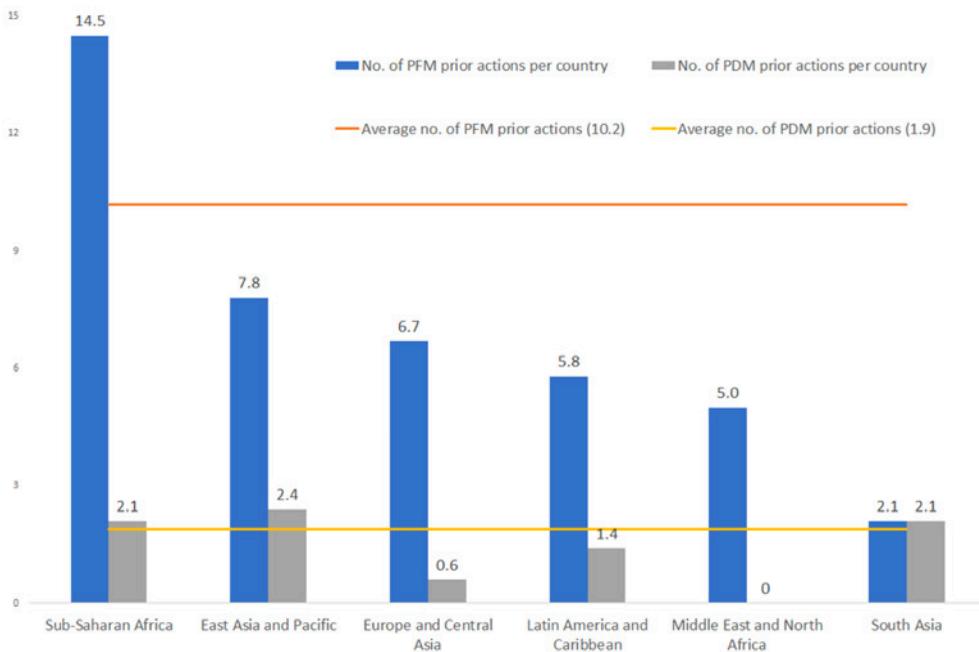
Instrument Type	DPOs with At Least One PFDM Prior Action (no.)	Total Volume of DPOs with At Least One PFDM Prior Action (\$, billions)	PFDM Prior Actions (no.)	Share of Prior Actions in DPOs Related to PFDM (percent)
PFM	254	18.3	602	18.3
PDM	82	7.2	112	44.6
Total	260 <sup>a</sup>	19.4 <sup>a</sup>	714	35.8

Source: Independent Evaluation Group, World Bank Business Intelligence.

Note: DPO = development policy operation; PDM = public debt management; PFDM = public financial and debt management; PFM = public financial management.  
 a. Due to overlaps, the sum of the numbers of lending commitments is greater than the total number of PFDM commitments.

These 260 DPOs and 714 prior actions spanned 57 countries, with operations in higher-income IDA-eligible countries having more PFDM prior actions and operations in Sub-Saharan Africa having more on average per country (16.7 per country, compared with a global average of 12.1).<sup>9</sup> Nigeria (currently an IDA blend country) had the most, at 41, and Georgia and Vietnam had 35 each. Sub-Saharan Africa countries that had DPOs with PFDM prior actions had the lion’s share of PFM prior actions per country: 14.5 compared with the global average of 10.2 (figure C.2). For PDM prior actions, East Asia and Pacific countries had 2.4 prior actions per country, more than any other Region (Sub-Saharan Africa and South Asian countries had 2.1 each).

**Figure C.2.** PFDM Prior Actions per Country across Regions, FY08–17



Source: Independent Evaluation Group, Operations Policy and Country Services.

Note: N = 714. Denominator includes only those countries that had DPOs (N = 57). DPO = development policy operation; FY = fiscal year; PDM = public debt management; PFDM = public financial and debt management; PFM = public financial management.

IEG’s development outcome ratings for DPOs with at least one PFDM prior action were lower than development outcome ratings for DPOs with no such prior actions in IDA-eligible countries (see table C.6). Overall development

outcomes for about 65 percent of rated DPOs with PFDM prior actions were moderately satisfactory or better compared with World Bank averages of 73 percent of DPOs with no PFDM prior actions.<sup>10</sup> Disaggregated by Region, Europe and Central Asia had the highest-rated projects, with 83 percent rated moderately satisfactory or better; Sub-Saharan Africa and Latin America and the Caribbean had a low of 56 percent.<sup>11</sup>

**Table C.6.** IEG Outcome Rating of DPOs with and without PFDM Prior Actions (percent)

IEG Outcome Rating	DPOs with No PFDM Prior Actions	DPOs with At Least One PFDM Prior Action	DPOs with At Least One PFM Prior Action	DPOs with At Least One PDM Prior Action
Highly satisfactory	0	1	0	2
Satisfactory	34	16	16	17
Moderately satisfactory	39	48	45	49
Moderately unsatisfactory	19	27	27	20
Unsatisfactory	9	9	12	12
Highly unsatisfactory	0	0	0	0
Total	100	100	100	100
Moderately satisfactory or better	73	65	62	68

Source: Independent Evaluation Group, World Bank Business Intelligence.

Note: N = 415. DPO = development policy operation; IEG = Independent Evaluation Group; PDM = public debt management; PFDM = public financial and debt management; PFM = public financial management. Columns may not total exactly 100 due to rounding.

## Nonlending Portfolio

During the evaluation period, the portfolio of nonlending PFDM-related activities to IDA-eligible countries comprised 338 PFM and 253 PDM ASAs. Diagnostic reports—including Debt Management Performance Assessments, Public Expenditure and Financial Accountability assessments (PEFAs), and

Public Expenditure Management and Financial Accountability Reviews—made up 19.5 percent of PFM ASAs and 15 percent of PDM ASAs, respectively. Also included were 14 medium-term debt strategies (MTDSs) and 89 systemic public expenditure reviews. Per country across Regions, South Asia received the most PFDM ASAs (13.8), followed by Sub-Saharan Africa (8.2). The total number of ASAs declined sharply starting in FY11 before rebounding strongly in FY14 (table C.7), mainly due to a substantial increase in output for the Sub-Saharan Africa and East Asia and Pacific Regions.

**Table C.7.** PFDM-Related ASAs by Region, FY08–17  
(number)

Delivery FY	Region						Total
	AFR	EAP	ECA	LAC	MNA	SAR	
FY08	29	5	9	2	1	16	62
FY09	28	3	3	0	1	12	47
FY10	28	9	3	6	2	8	56
FY11	28	7	4	0	1	9	49
FY12	9	1	4	0	0	6	20
FY13	22	2	4	2	0	4	34
FY14	41	6	15	2	1	17	82
FY15	55	10	7	4	0	10	86
FY16	42	15	7	3	0	12	79
FY17	47	11	6	1	2	16	83
Total	329	69	62	20	8	110	598
Average per country	8.2	4.3	6.9	2.2	2.7	13.8	7.0

Source: DataMart, Independent Evaluation Group.

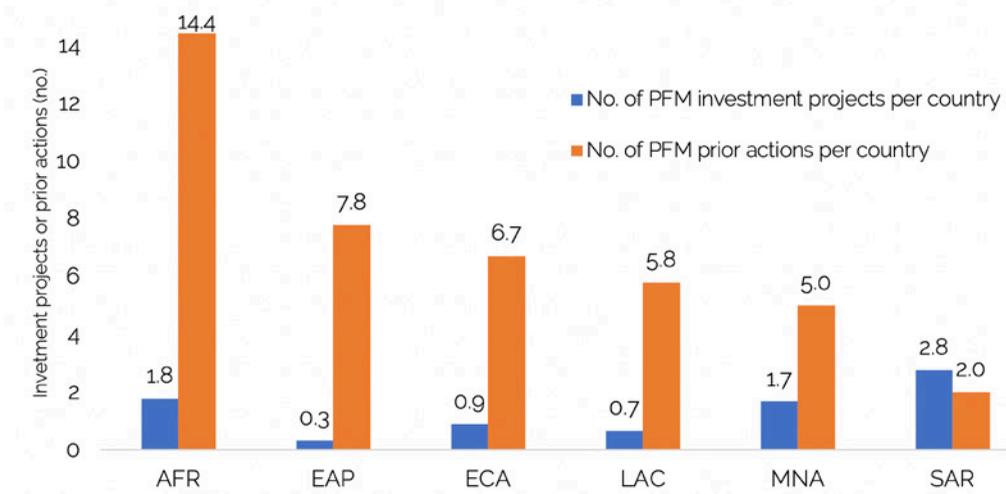
Note: AFR = Sub-Saharan Africa; ASA = advisory services and analytics; EAP = East Asia and Pacific; ECA = Europe and Central Asia; FY = fiscal year; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia.

## Public Financial Management Portfolio Analysis

### Lending Portfolio

During the evaluation period, 371 lending projects with PFM content were approved: 117 investment projects totaling \$6.6 billion and 602 PFM prior actions in 254 DPOs for \$18.3 billion. South Asia had the greatest number of PFM investment projects per country,<sup>12</sup> at 2.8, and the average for all countries in the evaluation universe was 1.4 (figure C.3). For PFM-related prior actions, Sub-Saharan Africa countries that had at least one DPO over the evaluation period had 14.4 prior actions on average per country,<sup>13</sup> significantly more than other Regions and the global average of 10.1. Most of the PFM prior actions were assigned the Public Administration theme.

**Figure C.3.** PFM Lending Portfolio Disaggregated by Region, FY08–17



Source: Independent Evaluation Group, Operations Policy and Country Services.

Note: AFR = Africa; ECA = Europe and Central Asia; EAP = East Asia and Pacific; FY = fiscal year; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; PFM = public financial management; SAR = South Asia.

The Country Policy and Institutional Assessment composite PFM rating weakened slightly among IDA-eligible countries over the evaluation period. This rating is based on 16 indicators grouped into four clusters: economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions.<sup>14</sup> Question 13 of the assessment, which pertains to PFM, has three subquestions on (i) the comprehensiveness and credibility of the budget, (ii) financial management systems, and (iii) accounting and fiscal reporting (including timely audit and financial transparency).<sup>15</sup> On average, the Question 13 score for IDA-eligible countries decreased by 0.2 points. Overall, 26 percent of the countries increased their scores, 41 percent saw their scores

remain the same, and 33 percent witnessed declines. Overall performance had considerable variation by Region, ranging from all Europe and Central Asia countries either improving or staying the same, to all Middle East and North Africa countries (Djibouti and the Republic of Yemen) worsening (table C.8). Reasons for changes varied significantly but were often the result of domestic political developments and decisions.

**Table C.8.** IDA-Eligible Countries in Region with Change in CPIA PFM Rating, FY08–17 (percent)

Region	Improvement	No Change	Deterioration	Total
Sub-Saharan Africa	31	41	28	100
Latin America and the Caribbean	0	11	89	100
East Asia and Pacific	27	47	27	100
Europe and Central Asia	33	67	0	100
Middle East and North Africa	0	0	100	100
South Asia	25	50	25	100
Total	26	41	33	100

Source: Country Policy and Institutional Assessment ratings.

Note: CPIA Question 13. Denominator includes all countries within the evaluation universe with CPIA scores (N = 82). CPIA = Country Policy and Institutional Assessment; FY = fiscal year; IDA = International Development Association; PFM = public financial management. Rows may not total exactly 100 due to rounding.

## Nonlending Portfolio

PEFA assessments are the major diagnostic instrument for PFM. Administered by the World Bank or its development partners,<sup>16</sup> PEFA benchmarks the performance of PFM systems across time to allow for longitudinal analysis of PFM performance. As of February 2020, over 600 PEFA assessments had been finalized in 151 countries (including 83 of 85 evaluation universe countries),<sup>17</sup> with 392 PEFA reports publicly available; many of these are repeat assessments, allowing a perspective on changes in PFM practices and results over time.<sup>18</sup>

An analysis of 31 repeat PEFA assessments for IDA-eligible countries found that 23 had a greater number of improved scores since their previous assess-

ment,<sup>19</sup> or had already reached the highest possible rating. The remaining eight countries had a higher number of lower scores or were already at the lowest level. In the PFM question cluster,<sup>20</sup> four out of the seven countries with repeat PEFA assessments improved or maintained their average scores on the relevant indicators (table C.9). Four out of seven case study countries with repeat PEFA assessments improved or maintained their scores for PEFA indicators (PI) measuring credibility of the budget (PI1–4): Afghanistan, Bangladesh, Georgia, and Sierra Leone. Five countries (Bangladesh, Georgia, Ghana, Honduras, and Sierra Leone) saw improvement in the predictability and control of budget execution (PI13–21); six of seven (all but Afghanistan) saw improvements or maintained their scores for PEFA indicators measuring external scrutiny and audit (PI26–28).

**Table C.9.** Changes in PFM Cluster PEFA Scores for Case Study Countries

Score	Afghanistan 2008, 2013	Bangladesh 2010, 2015	Burkina Faso 2013, 2017	Georgia 2013, 2017	Ghana 2009, 2012	Honduras 2011, 2012	Sierra Leone 2010, 2014	Vietnam 2013
Initial score	2.6	2.1	3.2	3.4	2.4	2.6	2.5	2.6
Final score	2.6	2.3	2.4	3.7	2.1	2.8	2.2	—
Assessment	Unchanged	Improved	Declined	Improved	De- clined	Improved	De- clined	—

Source: Independent Evaluation Group, Public Expenditure and Financial Accountability Secretariat.

Note: Questions include PI 5–12, 16, and 18–28. — = not available; PEFA = Public Expenditure and Financial Accountability; PFM = public financial management.

# Public Debt Management Portfolio Analysis

## Lending Portfolio

The World Bank supported PDM through IPFs worth \$466 million and through 112 prior actions in 82 DPOs. DPOs with at least one PDM prior action were found in 42 countries, of which 17 were heavily indebted poor countries beneficiaries; these 17 countries had 30 DPOs (table C.10). East Asia and Pacific IDA-eligible countries that had DPOs also had, on average, the most PDM-related prior actions: 2.4 per country. However, the countries with the most DPOs with PDM-related prior actions were Nigeria, Madagascar, and Pakistan—Nigeria had DPOs with nine prior actions through its central government and Lagos State DPO series; Madagascar, nine, including seven in its Resilience DPO; and Pakistan, eight.

**Table C.10.** DPO Portfolio with At Least One Public Debt Management Prior Action, FY08–17 (number)

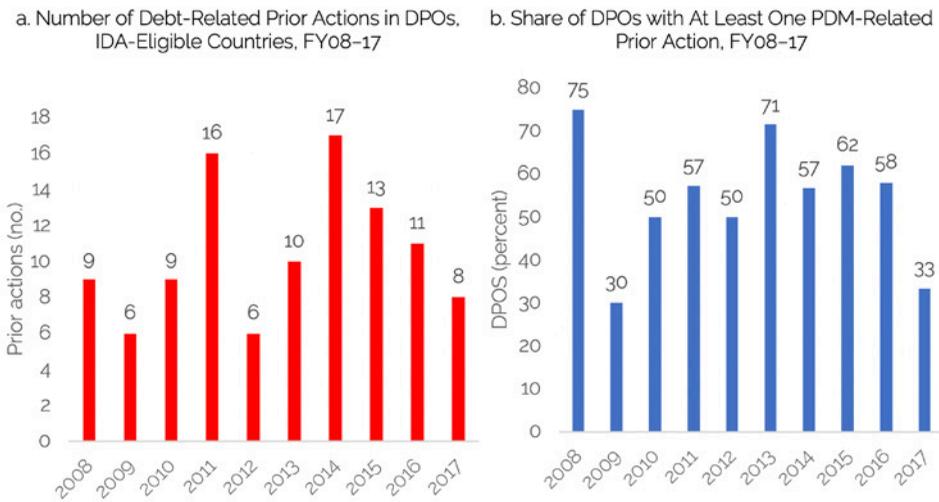
Country Region or Characteristic	DPOs	DPOs per Country	PDM Prior Actions	PDM Prior Actions per Country
AFR	39	1.3	64	2.1
EAP	21	2.3	22	2.4
ECA	7	1.0	4	0.6
LAC	4	0.8	7	1.4
MNA	0	0	0	0
SAR	11	1.6	15	2.1
Total	82	1.4	112	1.9
FCV	29	1.3	44	1.5
HIPC	30	1.1	53	1.8

Source: Independent Evaluation Group.

Note: Denominator for number of DPOs and number of prior actions uses the subset of the evaluation universe that had at least one DPO during the evaluation period: 30 in Sub-Saharan Africa, 9 in East Asia and Pacific, 7 in Europe and Central Asia, 5 in Latin America and the Caribbean, 1 in Middle East and North Africa, and 7 in South Asia. AFR = Africa; EAP = East Asia and Pacific; ECA = Europe and Central Asia; FCV = fragility, conflict, and violence; HIPC = heavily indebted poor countries; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia.

DPOs with PDM-related prior actions became more common in later years (2013–17) when 66 DPOs had PDM-related prior actions, compared with only 37 DPOs in the first half of the evaluation period (figure C.4, panel a). The overall share of DPOs with PDM-related prior actions averaged 54 percent over the evaluation period, with the second half of the period averaging four percentage points higher (figure C.4, panel b); these shares increased to 67 percent and 78 percent in 2018 and 2019, respectively.

**Figure C.4.** DPOs with PDM-Related Prior Actions (FY08–17)

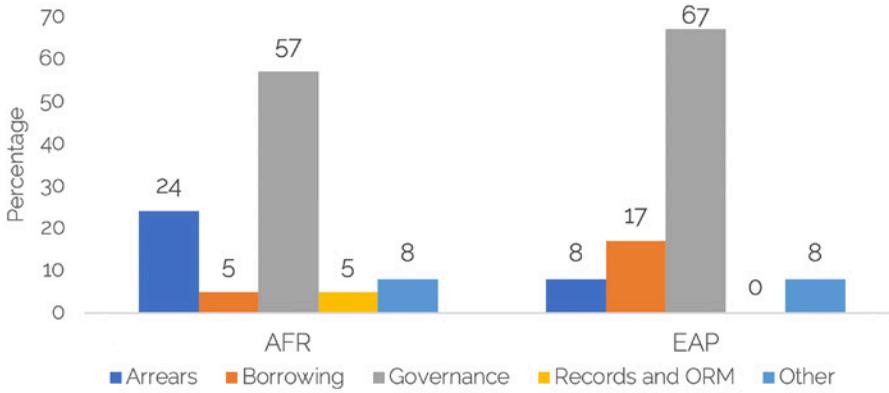


Source: Independent Evaluation Group, Operations Policy and Country Services.

Note: DPO = development policy operation; FY = fiscal year; IDA = International Development Association; PDM = public debt management.

PDM-related prior actions are of varying types. IEG grouped the prior actions into five areas: (i) arrears clearance or prevention, (ii) borrowing, (iii) governance, (iv) records and operational risk management, and (v) other (see appendix G for a comprehensive list of PDM prior actions by type). Prior actions related to governance (formulating of PDM law, preparing and publishing of a debt management strategy, reorganizing of the debt management unit, strengthening coordination among government agencies, and so on) represent most of the prior actions (figure C.5).

**Figure C.5.** Debt Management Prior Actions in Two Regions, by Sub-Area



Source: Independent Evaluation Group, Operations Policy and Country Services.

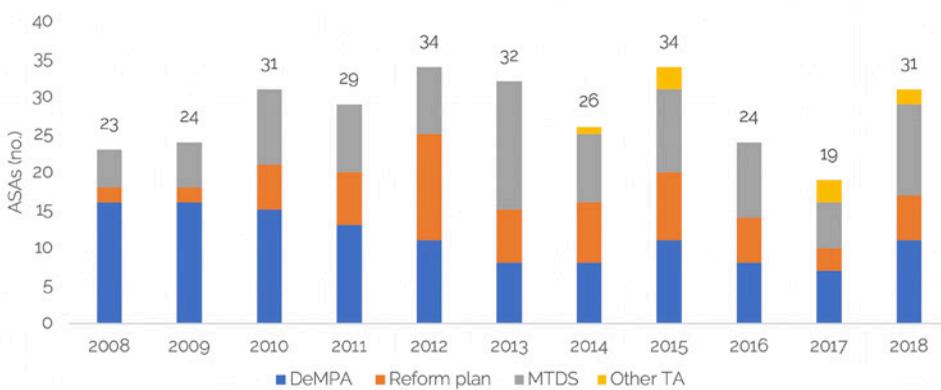
Note: AFR = Africa; EAP = East Asia and Pacific; ORM = operational risk management.

## Nonlending Portfolio

PDM was most often addressed through ASA. Whereas only 18 percent of all IDA-eligible countries had more than one operation with a PDM-related prior action (FY08–17), 84 percent of IDA-eligible countries benefited from more than one ASA on PDM. World Bank nonlending support for PDM in IDA-eligible countries consisted of 280 ASAs.

The number and composition of ASAs varied significantly throughout the period, with interest in support to build client capacity to form MTDSs becoming more significant over time. The Debt Management Facility delivered an average of 28 pieces of debt management ASA per year over the evaluation period (figure C.6). This included (i) 99 Debt Management Performance Assessments, (ii) 60 reform plans, (iii) 85 MTDSs, and (iv) six other debt management activities customized to country-specific needs (for example, cash management, operational and risk management, and domestic debt market development).

**Figure C.6.** Public Debt Management ASAs, by Type, FY08–18

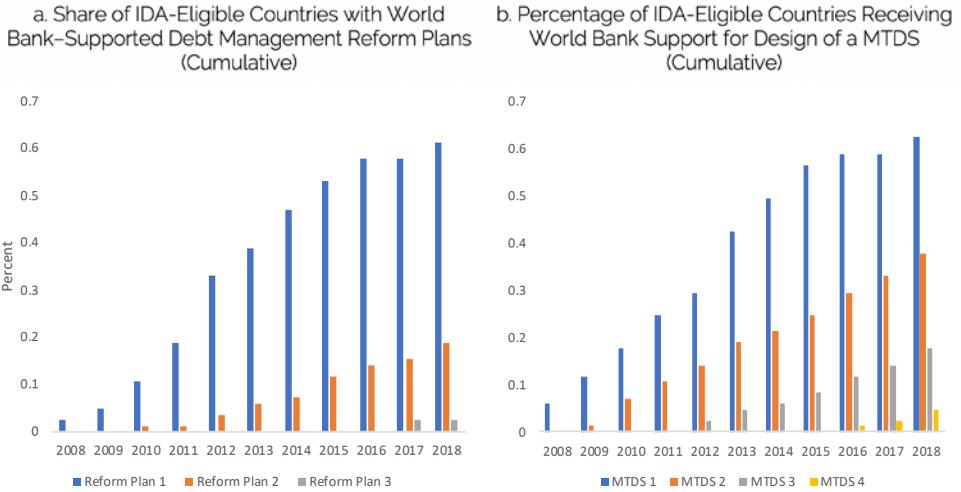


Source: Macroeconomics, Trade, and Investment Global Practice; Independent Evaluation Group.

Note: "Other TA" includes debt sustainability analysis. ASA - advisory services and analytics; DeM-PA - Debt Management Performance Assessment; MTDS - Medium-Term Debt Management Strategy; TA - technical assistance.

The World Bank supported the design of 28 reform plans for 28 countries (figure C.7, panel a) and, jointly with the International Monetary Fund, provided support to countries to build their capacity to develop MTDSs, demand for which has increased over time. Fifty IDA-eligible countries benefited from MTDS support (figure C.7, panel b), about three-quarters of which requested further support to deepen middle-office technical expertise.

**Figure C.7. IDA-Eligible Countries Receiving Debt Management Reform Plan or MTDS Support**



Source: Debt Management Facility Annual Report.

Note: N = 85. IDA = International Development Association; MTDS = Medium-Term Debt Management Strategy.

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<sup>1</sup> The taxonomy of theme codes was updated in 2016. Code 21 was divided equally into fiscal sustainability (111) and debt management (413); Code 27 was split into public expenditure management (411) and transparency, accountability, and good governance (432). For disaster risk management, which was identified solely for the purposes of the portfolio analysis, code 28 (tax policy and administration) was used.

<sup>2</sup> The screening process involved a systematic review of project objectives, project components, or both to check for public financial and debt management (PFDM) content.

<sup>3</sup> The evaluation could not include trust-funded projects because of gaps in documentation.

<sup>4</sup> The World Bank prior actions database is a consolidated database of all prior actions from development policy operations approved since 1980. The database is maintained by the Operations Policy and Country Services Vice Presidency. For each development policy operation, Operations Policy and Country Services assigns a theme code reflecting the main objective(s) of the reform measures (prior actions in the policy matrix) supported by the operation. The theme codes assigned to prior actions are independent of the theme codes assigned to the project.

<sup>5</sup> Based on a review of relevant literature and consultations with relevant World Bank units, PFDM engagements were broadly categorized into four areas or themes: (i) public revenue; (ii) public expenditure; (iii) public financial management (PFM); and (iv) debt management. Given substantial overlap, public expenditure and PFM were combined into one category. Work on public revenue was excluded because it is being evaluated in a subsequent Independent Evaluation Group evaluation.

<sup>6</sup> Ninety-two percent of investment project financings were coded PFM; this may somewhat understate the attention to public debt management issues because many of the public debt management projects also had PFM components.

<sup>7</sup> The denominator for PFDM investment projects per country uses the entire evaluation universe of 85 countries: 40 in Sub-Saharan Africa, 16 in East Asia and Pacific, 9 in Europe and Central Asia, 9 in Latin America and the Caribbean, 8 in South Asia, and 3 in Middle East and North Africa. See appendix B for the full list of countries.

<sup>8</sup> Including 34 that had Project Performance Assessment Reports.

<sup>9</sup> The denominator includes only those countries within the evaluation universe with development policy financing: 30 in Sub-Saharan Africa, 9 in East Asia and Pacific, 6 in each of Eu-

rope and Central Asia and South Asia, 5 in Latin America and the Caribbean, and 1 in Middle East and North Africa.

<sup>10</sup> Outcome ratings are for entire operations or programmatic series (not just PFDM-related pillars or prior actions). This limits the relevance of such ratings when non-PFDM prior actions influence the ratings.

<sup>11</sup> Middle East and North Africa scored the lowest, but with  $N = 2$  there are not enough cases to establish a pattern.

<sup>12</sup> The denominator for number of PFM investment projects per country uses the entire evaluation universe of 85 countries.

<sup>13</sup> The denominator for number of PFM prior actions per country uses the subset of the evaluation universe that received at least one development policy operation during the evaluation period: 30 for Africa, 9 for East Asia and Pacific, 7 for each of Europe and Central Asia and South Asia, 5 for Latin America and the Caribbean, and 1 for Middle East and North Africa ( $N = 59$ ).

<sup>14</sup> The Country Policy and Institutional Assessment is calculated for all World Bank borrowers. For each of the 16 criteria, countries are rated on a scale of one (low) to six (high). Criterion 13 measures the quality of budgetary and financial management. For more information, see appendix E.

<sup>15</sup> This criterion assesses the extent to which there is (i) a comprehensive and credible budget, linked to policy priorities; (ii) effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and (iii) timely and accurate accounting and fiscal reporting, including timely auditing of public accounts and effective arrangements for follow-up.

<sup>16</sup> In cases in which other development partners—or client governments—lead this initiative, the World Bank's main role is to carry out a quality review of the findings and identify where improvements are needed to meet the quality standard.

<sup>17</sup> There are no PEFA's for Eritrea or Somalia. Angola has a 2016 PEFA report, although it has not been made public.

<sup>18</sup> Although the assessment's latest methodology is the 2016 PEFA Framework, given the evaluation time period, the vast majority of PEFA's reviewed for this evaluation were conducted using the 2011 methodology.

<sup>19</sup> Time between assessments was three years, on average.

<sup>20</sup> This includes questions on comprehensiveness and transparency (PEFA indicators [PI 5–10); policy-based budgeting (PI11–12); predictability in the availability of funds for commitment of expenditures (PI16); effectiveness of payroll controls (PI18); competition, value for money, and controls in procurement (PI19); effectiveness of internal controls for non-salary expenditure (PI20); effectiveness of internal audit (PI21); accounting, recording, and reporting (PI22–25); and external scrutiny and audit (PI26–28). The rest of the relevant questions were grouped into the debt management cluster; PI1–4 are already composite scores so they were not further grouped.

# Appendix D. Institutional Public Finance Indicators

## Public Expenditure and Financial Accountability Indicators

Public Expenditure and Financial Accountability (PEFA) is an instrument for assessing public financial and debt management (PFDM) performance. Initiated in 2001 (by the European Commission, International Monetary Fund, World Bank, and the governments of France, Norway, Switzerland, and the United Kingdom), PEFA provides the foundation for evidence-based measurement of countries' PFDM systems. A PEFA assessment measures the extent to which PFDM systems, processes, and institutions contribute to the achievement of desirable budget outcomes.

Each PEFA report has 28 indicators that seek to measure the performance of a key public finance element against a four-point ordinal scale (A to D, with the option of giving “+” ratings). Most PEFA indicators have multiple dimensions linked to the subject of the indicator. Each of these dimensions is assessed separately. The overall score for an indicator is then based on the assessments for the individual dimensions of the indicator.

Independent Evaluation Group grouped the relevant PEFA indicators into the following two thematic clusters:

- » Debt management cluster (performance indicator [PI] 17)
- » Public expenditure and PFM cluster (PIs 5–12, 16, and 18–28)

The score for each cluster was obtained by averaging the scores of the indicators in the cluster. PEFA scores 1 to 4 were left ungrouped because they are aggregate scores.

For each case study country, Independent Evaluation Group sought to compare PEFA scores between two time periods to assess changes in public fi-

nance dimensions. A comparison of scores was only possible when the same PEFA methodology was applied across the two PEFA reports.<sup>1</sup> Only seven of the case study countries had repeat PEFA with comparable scores.

For the two clusters together, one-third of the indicators showed improvements, 22 percent showed deteriorations, and 44 percent were unchanged for all countries—not just case studies—with available scores (table D.1). It should be noted that it is likely, as found in an earlier (2011) analysis of repeat PEFA assessments, that more difficult functional features were more likely to worsen or maintain a lower score than formal features (for example, passing a law may be easier than actually having the law applied as expected).

**Table D.1.** PEFA Scores Summary

Cluster	Improved	Unchanged	Deteriorated	Total
PDM (countries, no.)	2	6	1	9
PFM (countries, no.)	4	2	3	9
Total (countries, no.)	6	8	4	18
Percentage	33	44	22	100

Source: Independent Evaluation Group; Public Expenditure and Financial Accountability Secretariat.

Note: PDM = public debt management; PEFA = Public Expenditure and Financial Accountability; PFM = public financial management. Percentage row may not total exactly 100 due to rounding.

## Country Policy and Institutional Assessment Indicators

The quality of budgetary and financial management in IDA-eligible countries is captured by Criterion 13 of the IDA Resource Allocation Index, the Country Policy and Institutional Assessment (CPIA).<sup>2</sup> This criterion assesses the extent to which the following are true:

- » **Policies and priorities are linked to the budget.** This includes whether forecasts of fiscal aggregates on the basis of main categories of economic and functional classification are prepared for three years on a rolling annual basis; links between multiyear estimates and subsequent setting of annual budget ceilings are clear and differences are explained; the budget formulation and execution is based on administrative, economic, and subfunctional

classification using Government Finance Statistics or Classification of the Functions of Government standards (or a standard that can produce consistent documentation according to those standards); the level of unreported extrabudgetary expenditure (other than donor-funded projects) is insignificant; and budget-supporting documents are submitted to the legislature, including the annual budget (original and revised), information on macroeconomic assumptions, estimates of the budgetary impact of major revenue and expenditure policy changes, and comparisons to previous budget outturns or estimated outturns.

- » **Financial management systems ensure that the budget is implemented as intended.** This includes whether deviation in actual expenditure from budgeted expenditure is minimal; internal control rules and procedures are relevant and incorporate a comprehensive and generally cost-effective set of controls, which are widely understood; compliance with rules is very high and any misuse of simplified and emergency procedures is insignificant; the stock of arrears is low; funds available to spending agencies or ministries are highly predictable within the budget year; and in-year adjustments are infrequent, justified, and consistent with prespecified guidelines and stated priorities.
- » **Accounting and fiscal reporting are timely and accurate.** This includes whether reports are prepared at least quarterly, issued within four weeks of end of period, and have no material concerns regarding data; a consolidated government statement is prepared annually, which includes full information on revenue, expenditure, and financial assets and liabilities, and it is submitted for external audit; audit reports are submitted to the legislature without delays; there is clear evidence of effective and timely follow-up on audit findings; the public has access to annual budget documentation and year-end reports without delays; and the public has inexpensive access to annual budget documentation, in-year and year-end reports, and external audit reports.

Five of the World Bank's annual CPIA ratings pertain to PFDM issues:<sup>3</sup> fiscal policy rating, debt policy rating, quality of budgetary and financial management ratings, efficiency of revenue mobilization rating, and equity of public resource use rating.

CPIA scores tend to change only gradually over time. Between 2007 and 2017, average PFDM-related CPIA scores for IDA-eligible countries have been stagnant or declining marginally. Table D.14 shows that two of these composite indicators—debt policy and quality of budgetary and financial management—declined slightly during the evaluation period, leading to a very slight overall decline of 0.2 for the two PFDM-related indicators.

**Table D.2.** IDA Composite CPIA Scores for PFDM Indicators

CPIA Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Change
Debt policy	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.3	3.3	3.3	3.2	-0.2
Quality of budgetary and financial management	3.2	3.2	3.2	3.3	3.2	3.2	3.2	3.2	3.1	3.1	3.1	-0.1
Average of two CPIA indicators	3.3	3.3	3.3	3.4	3.3	3.3	3.3	3.3	3.2	3.2	3.2	-0.1
Overall CPIA score	3.3	3.3	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.2	3.2	-0.1

Source: World Development Indicators database and Independent Evaluation Group calculations.

Note: 1 = low to 6 = high. CPIA = Country Policy and Institutional Assessment; IDA = International Development Association; PFDM = public financial and debt management.

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<sup>1</sup> The 2011 Public Expenditure and Financial Accountability methodology was used for all the comparable reports.

<sup>2</sup> See <http://datatopics.worldbank.org/cpia/>. Other criteria in the Country Policy and Institutional Assessment's (CPIA) Governance cluster include property rights and rule-based government; efficiency of revenue mobilization; quality of public administration; and transparency, accountability, and degree of corruption in the public sector.

<sup>3</sup> An Independent Evaluation Group (2010) evaluation found that efforts are being made to enhance the reliability of CPIA ratings, and to reduce discretion of staff that may have an interest in more positive ratings than called for. (CPIA ratings are prepared by the same country teams that may be seeking approval for lending pipelines. Because CPIA affects International Development Association allocation, this dual role could compromise objectivity.) CPIA ratings are in line with similar indicators from other sources, both in relation to country rankings and the direction of change. The CPIA process was assessed in light of Independent Evaluation Group's findings and recommendations (World Bank 2017). The review introduced changes to reduce overlap among criteria and ensure consistency across the rating levels of each criterion. However, the overall framework was not changed, and thus a comparison of ratings over fiscal years 2008–17 in the public finance area is possible.

# Appendix E. Intervention-Level Analyses

Selected interventions were analyzed to increase the granularity of operational insights by reviewing details of program design, implementation, and outcomes. A purposive sample of lending and nonlending projects was selected from completed engagements in the case study and comparator countries. The lending sample included completed operations and projects with available Independent Evaluation Group Implementation Completion and Results Report Reviews and consisted of 32 engagements from all eight countries. The advisory services and analytics (ASA) sample consisted of 23 completed products from the same countries. This appendix summarizes the results of each analysis, including their quantitative scores from Independent Evaluation Group reviewers.

## Analysis of Effectiveness of Lending Engagements

Implementation effectiveness was assessed along four dimensions: basis in sound analysis and adequate knowledge; appropriateness to country conditions; use of prioritized, selective, and phased approach; and results orientation.

### Sound Analysis and Adequate Knowledge

In most cases, the evaluation found that World Bank assistance was underpinned by sound analysis and adequate knowledge of institutional realities. The average rating was 3.2 on a scale of 1 (lowest) to 4 (highest).

The interventions rated 4 were based on appropriate preparatory work, typically with a combination of analytical work and technical assistance. Thus, the Vietnam public investment reform development policy operations (DPOs) 1 and 2 had a series of core diagnostic and specific studies, including a best practice public expenditure review and Integrated Fiduciary Assessment, and a Country Financial Accountability Assessment. However, subse-

quent implementation showed a lack of consensus within the government on the scope and timing of the key aspects of public investment reform. Those reforms were realized with a significant delay due to difficulties in reaching consensus on the legal framework within the governing coalition.

The engagements rated 3 showed the importance of two interconnected issues: political economy and understanding of administrative and practical constraints. These engagements typically reiterate the emphasis on preparatory work—but with some caveats.

For the engagements rated 2, the same issues were present, although more prominently. For Burkina Faso, a disconnect was evident between the DPO and prior knowledge and lessons. The program documents do not refer to relevant sector studies, do not integrate lessons learned from previous engagements, and inadequately integrate political economy lessons. In Georgia, the World Bank did not conduct an appropriate assessment of in-house technical capabilities for public integrated financial management information system development. It also relied excessively on off-the-shelf solutions on which the government was not keen. Finally, for Ghana Poverty Reduction Support Credits 7 and 8, the issue was inadequate attention to the key political economy issues and the absence of new analysis and dialogue after major changes in personnel expenditures.

## Complementarity of Lending Instruments

In most cases the reviewers thought that World Bank lending instruments reinforced the use of other instruments. Ratings for 17 of the 18 cases were 4 (7 cases), 3 (8 cases), 2 (2 cases), and 1 (2 cases), with an average rating of 3.1.

For the interventions rated 4, references were to the use of previous lending engagements, to various pieces of ASA, and to how the projects were complemented by support from DPOs for program budgeting. For the Vietnam public financial management reform investment project financing, the project was a part of a cluster of support provided by the World Bank and other donors (through a multidonor trust fund); various ASA products provided analytical knowledge and DPOs aimed to accelerate reforms that the project helped prepare.

Some engagements were rated 4 and 3 based on complementarity with support from other entities. This included the multidonor trust fund in the Vietnam project (financed by the Australian Agency for International Development, Canadian International Development Agency, Danish International Development Agency, European Commission, the government of the Netherlands, and Switzerland’s State Secretariat for Economic Affairs).

For the four projects and operations rated either 2 or 1, the loan documents typically provided little or no information on any interaction with other instruments, including between two DPOs approved a year apart in Honduras. For Burkina Faso, the complementarity and division of labor aspects for four DPOs was unclear, and collaboration with other donors was limited. The World Bank did not capitalize on its leadership of the budget support group (among donors) to improve operational designs, partly because its technical staff were not located in the country office.

In sum, for these projects and operations, experience showed that insufficient capacity and integration of knowledge was an issue through strategy implementation, and that the absence of a technical assistance and capacity-building instrument was a missing link.

### Use of Prioritized, Selective, and Phased Approach

In most cases, Independent Evaluation Group found that the World Bank had followed a reasonably prioritized, selective, and phased approach. Ratings varied among 4 (seven cases), 3 (eight cases), and 2 (four cases), for an average rating of 3.1.

The seven cases rated 4 tended to have a strong demand orientation, addressing reforms that the government was pursuing, or concentrating on well-identified constraints in which the World Bank could add value. Typically, these engagements were either parts of a series, with sound sequencing, or in other ways built on previous interventions.

For the four cases rated 2, the common thread was overly ambitious objectives with inadequate attention to capacity constraints, even when these had been clearly flagged during project preparation, as for Georgia. It was deter-

mined that the Afghanistan Policy Programmatic Series had an overly ambitious approach and was not sufficiently prioritized.

## Results Orientation

In most cases, the reviewers thought that the World Bank’s lending interventions had been oriented toward results. Ratings for 19 of the 20 cases varied among 4 (8 cases), 3 (7 cases), and 2 (4 cases), with an average rating of 3.2.

The seven cases rated 4 tended to have clear objectives, logical causal chains, and appropriate targeting (as in the Afghan programmatic series). The Bangladesh Value-Added Tax Improvement Project-for-Results was also mentioned as a well-established monitoring mechanism.

The four interventions rated 2 typically had inadequate results frameworks. In Sierra Leone, the chain of logic was broadly credible, but weaknesses in the results framework limited the ability to measure the full effect of project activities. In addition, there were significant “real” issues, such as indicators that were not reached or were not sustained. In Ghana Poverty Reduction Support Credits 7 and 8, the objectives (restoring budgetary discipline and tackling long-standing public sector and energy issues) were not achievable in the program’s timetable in the country context of heightened anxiety about macroeconomic stability. Further, the underpinning intermediate outcomes (reduction in nonwage arrears and a freeze in hiring in two large ministries) could not make significant changes toward those objectives. Finally, in the Vietnam Public Investment Reform DPOs 1 and 2, little was achieved with regard to enhancing project selection in public investments and implementation.

## Ownership of Intervention and Dialogue

Although the level of government ownership of the intervention and the quality of dialogue with the government and other development partners varied, it was strong in several cases. This area received an average rating of 3.2. For the effectiveness of donor cooperation—which for many reviewers overlapped with partnership—eight ASA interventions rated 4, two rated 3, three rated 2, and three rated 1. So, when it occurred, such cooperation was

reasonably effective. Ratings of 1 or 2 occurred typically when there was little cooperation. Several of the cases rated 4 reflected strong cooperation, such as in Ghana and Vietnam (discussed earlier).

The seven cases rated 4 all described areas of strong government ownership:

- » Georgia: Analysis was conducted in coordination with government counterparts, and outputs (as inputs for the government) included policy notes and presentations.
- » Ghana External Review of Public Financial Management: The government put together a local counterpart team to conduct the fieldwork with the World Bank team, and the government had a keen interest in the findings.

Weaknesses for the ASA interventions rated 3 included a lack of records in which the government refers to the World Bank's work, uneven levels of interest and response, and no structured involvement of the government or other institutions in design and dissemination.

The three cases rated 2 differed in their absence of ownership. In Afghanistan, the role of donors is often very important. For Bangladesh, the public expenditure review update was originated and used by the World Bank with little apparent government participation (but was used at times by the government after the fact). For Morocco, ownership by line ministries was weak.

# Appendix F. Case Study Fiscal Indicators and Findings

This appendix presents the fiscal indicators and findings of the eight country case studies. It focuses on the country dimension for the evaluation period (fiscal years [FY]08–17) with particular attention to countercyclical fiscal policies and political and other adverse developments during that period.

## Fiscal Indicators

Overall, the case study countries showed increasing levels of public debt and budget deficits relative to GDP. Three of the countries are currently rated at a high risk of debt distress (Afghanistan, Ghana, and Sierra Leone). Some countries that previously benefited from debt relief through the Heavily Indebted Poor Countries Initiative–Multilateral Debt Relief Initiative saw their debt positions worsen. In terms of the case studies, this was the case for Burkina Faso (debt increased from 21.7 percent of GDP in 2008 to 38.3 percent in 2017), Ghana (debt increased from 33.6 percent in 2008 to 71.8 percent in 2017), and Sierra Leone (debt increased by almost 10 percentage points between 2015 and 2016). Fiscal indicators show a worsening trend overall, particularly for some countries; these trends also apply to the eight case study countries, with significant individual variations (see tables F.1–F.8).

**Table F.1. Afghanistan Fiscal Indicators**  
(percent of GDP)

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government revenue	19.0	17.0	19.4	21.7	21.3	25.2	24.3	23.7	24.6	26.1	25.3	28.0
General government total expenditure	21.5	20.9	21.2	20.8	21.9	25.0	25.0	25.4	25.9	26.0	25.9	27.1
Fiscal balance	-2.5	-3.9	-1.8	0.9	-0.7	0.2	-0.6	-1.7	-1.4	0.1	-0.6	0.9
General government gross debt	20.1	19.1	16.2	7.7	7.5	6.8	6.9	8.7	9.2	8.4	8	7.4

Source: IMF Fiscal Monitor database, April 2019; World Economic Outlook database, June 2020.

Note: GDP = gross domestic product.

**Table F.2. Bangladesh Fiscal Indicators**  
(percent of GDP)

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	9.3	9.8	9.5	10.0	10.4	11.2	11.2	10.9	9.8	10.1	10.2	10.1
Expenditure	11.5	13.8	12.7	12.7	14.0	14.2	14.6	14.0	13.8	13.4	13.6	14.2
Fiscal balance	-2.2	-4.0	-3.2	-2.7	-3.6	-3.0	-3.4	-3.1	-4.0	-3.4	-3.3	-4.1
Gross debt	41.9	40.6	39.5	35.5	36.6	36.2	35.8	35.3	33.7	33.3	33.4	34.6

Source: IMF Fiscal Monitor database, April 2019; World Economic Outlook database, June 2020.

Note: GDP = gross domestic product.

**Table F.3.** Burkina Faso Fiscal Indicators  
(percent of GDP)

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	20.0	16.8	19.5	19.8	20.7	22.4	24.4	21.6	20.7	21.8	22.1	22.8
Expenditure	25.7	20.9	24.2	24.4	23.0	25.5	28.4	23.5	23.1	25.5	30.0	27.5
Fiscal balance	-5.6	-4.1	-4.7	-4.6	-2.3	-3.1	-4.0	-2.0	-2.4	-3.6	-7.9	-4.7
Gross debt	22.8	23	25.9	27.8	24.5	25.2	25.9	26.6	31.4	33.3	33.5	37.7

Source: IMF Fiscal Monitor database, April 2019; World Economic Outlook database, June 2020.

Note: GDP = gross domestic product.

**Table F.4.** Georgia Fiscal Indicators  
(percent of GDP)

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government revenue	29.3	30.7	29.3	28.3	28.2	28.8	27.5	28.0	28.1	28.3	29.2	28.4
General government total expenditure	28.4	32.7	35.8	33.1	29.1	29.6	28.9	29.9	29.4	29.9	29.7	29.3
Fiscal balance	0.8	-2.0	-6.5	-4.8	-0.9	-0.8	-1.4	-1.9	-1.3	-1.6	-0.5	-0.9
General government gross debt	24.8	30.3	39.9	40.3	34.9	33.5	32.5	33.3	38.8	42.2	40.8	40

Source: IMF Fiscal Monitor database, April 2019; World Economic Outlook database, June 2020.

Note: GDP = gross domestic product.

**Table F.5.** Ghana Fiscal Indicators  
(percent of GDP)

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	12.8	11.8	12.3	12.5	14.1	13.7	12.6	13.4	14.9	13.4	13.9	14.6
Expenditure	18.0	17.8	17.7	20.0	19.6	22.1	21.7	21.4	18.9	20.3	18.0	21.6
Fiscal balance	-5.3	-5.9	-5.4	-7.5	-5.5	-8.4	-9.1	-8.0	-4.1	-6.9	-4.1	-7.0
Gross debt	22.6	24.9	27	34.6	31.4	35.6	43.2	51.2	54.8	57.1	58.3	59.1

Source: IMF Fiscal Monitor database, April 2019; World Economic Outlook database, June 2020.

Note: GDP = gross domestic product.

**Table F.6.** Honduras Fiscal Indicators  
(percent of GDP)

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	24.2	26.1	23.5	23.1	23.0	22.9	23.8	24.7	25.2	27.0	26.5	26.9
Expenditure	24.4	26.4	28.4	26.5	25.9	26.4	29.6	27.6	26.0	27.4	26.9	26.5
Fiscal balance	-0.3	-0.3	-4.9	-3.4	-2.9	-3.5	-5.7	-2.9	-0.8	-0.4	-0.4	0.3
Gross debt	24.0	22.3	23.5	22.7	24.6	29.2	39.4	37.1	37.1	38.2	38.9	40.1

Source: IMF Fiscal Monitor database, April 2019; World Economic Outlook database June 2020.

Note: GDP = gross domestic product.

**Table F.7. Sierra Leone Fiscal Indicators**  
(percent of GDP)

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government revenue	33.0	12.7	15.1	15.2	17.0	15.2	13.3	14.0	16.2	14.9	14.6	16.9
General government total expenditure	13.0	16.2	17.5	20.2	21.5	20.3	15.7	17.6	20.7	23.3	23.3	23.6
Fiscal balance	20.1	-3.5	-2.3	-5.0	-4.5	-5.2	-2.4	-3.6	-4.5	-8.5	-8.7	-6.8
General government gross debt	42.2	42.4	48.1	46.8	44.8	36.8	30.6	35.1	45.7	60.7	69.2	69.1

Source: IMF Fiscal Monitor database, April 2019; World Economic Outlook database, June 2020.

Note: GDP = gross domestic product.

**Table F.8. Vietnam Fiscal Indicators**  
(percent of GDP)

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	26.1	26.6	25.6	27.3	25.9	22.6	23.1	22.2	23.8	23.7	23.5	23.6
Expenditure	28.1	27.1	31.6	30.0	27.0	29.5	30.5	28.5	29.2	28.4	28.4	28.2
Fiscal balance	-2.0	-0.5	-6.0	-2.8	-1.1	-6.9	-7.4	-6.3	-5.5	-4.7	-4.8	-4.6
Gross debt	32.2	31	36.3	36.8	35.8	38.3	41.4	43.6	46.1	47.6	46.3	43.6

Source: IMF Fiscal Monitor database, April 2019; World Economic Outlook database, June 2020.

Note: GDP = gross domestic product.

# Public Financial and Debt Management Priorities in Country Strategies

Each of the case study countries had two or three Country Partnership Frameworks (CPFs), Country Partnership Strategies (CPSs), or Country Assistance Strategies (CASs) during the evaluation period, and all addressed public finance issues.

- » **Afghanistan** The three interim strategy notes, one Systematic Country Diagnostic, and one CPF focused on public financial and debt management (PFDM) support, particularly managing and accounting for on-budget expenditures, improving human resource and financial management capacity, and effecting regulatory and procedural improvements on customs and taxation. In the second interim strategy note, public finance was extended to the sub-national level (such as provincial budget planning and rollout of the integrated financial management information system [IFMIS]). Results were mixed: there was a relatively strong public financial management (PFM) framework, along with impressive revenue growth and greater assurance that funds provided through the budget would be used effectively; however, budget formulation, procurement, and external audit remained weak, according to the Country Program Evaluation (FY02–11; World Bank 2013).
- » **Bangladesh** The two CASs and one CPF had a major focus on PFDM initially, but that was scaled back after modest preliminary results. The first CAS (FY06–09) emphasized expanding the tax base through rationalizing exemptions, improving human and financial resource management at the National Board of Revenue, and institutionalizing a medium-term budget framework. There was “substantial achievement” concerning PFM, according to the Country Assistance Evaluation (World Bank 2009), although overall governance reforms were lackluster. The second CAS (FY11–14) scaled back support for PFDM due to broader issues of good governance and a lack of political will, and results framework indicators related to public investment and improved revenue generation were dropped in 2013 due to limited World Bank contributions (and progress). Nevertheless, PFDM outcomes were rated as moderately satisfactory in the Completion and Learning Review (FY11–15; World Bank 2016a).

- » **Burkina Faso** Of the three assistance strategies over the evaluation period, only the second two had PFDM objectives. The last pillar of the first CAS (FY06–09), on better governance and greater decentralization, only indirectly related to PFDM. The second CAS (FY10–12) emphasized PFM under its second strategic objective (sharing growth through improved service delivery). The 2013–16 CPF included revenue management and PFM within its strategic objectives; however, performance indicators were not fully aligned with objectives and no PFDM indicators were included until the CPS Learning Review (World Bank 2015). With regard to results, the Completion and Learning Review pulled down the World Bank’s rating for the only objective on PFDM, Increased domestic resource mobilization, from partially achieved to not achieved, as progress achieved in the sector could not be directly attributed to World Bank interventions (World Bank 2018a).
- » **Georgia** All three CPSs included support to PFDM areas. The FY06–09 CPS did not focus on PFDM, but nonetheless did include the need to improve public budgeting and expenditure management, increase the effectiveness of local governance and intergovernmental fiscal relations, boost the transparency of procurement and financial management, and rationalize the tax code. Designed against the backdrop of the twin crises, the FY10–13 CPS likewise did not focus on PFDM but did emphasize strengthening the foundations for medium-term competitiveness and growth, and included continuing support for tax administration and customs reform. The FY14–17 CPS deepened PFM reforms, including support for programmatic budgeting, rationalizing intergovernmental fiscal relationships, implementing a public investment management framework for central and local governments, and including a state-owned enterprise fiscal risk assessment in budget annual reports. The CPS Completion Report Review (FY10–13) noted positive outcomes for the included PFDM interventions (World Bank 2014). Additionally, the Completion and Learning Review (FY14–17) noted that the CPS’s objective on improving public investments and delivery of public services, and the objective on adoption of modern public sector and fiscal management systems, were mostly achieved (World Bank 2018b).
- » **Ghana** The two CASs (FY08–12 and FY13–18) during the evaluation period included PFDM objectives related to revenues, expenditures, and debt

management and sustainability. According to the Performance and Learning Review of the CPS (FY13–18; World Bank 2016b), revenue objectives related to setting up and strengthening a single revenue entity and later improving overall tax administration were partially achieved. Expenditure objectives on rolling out IFMISs to an increasing number of ministries, departments, and agencies (to reduce discretion in expenditure management and improve the capacity of the government to produce reliable and timely accounts) and improving human resource management (including reducing the wage bill) were likewise partially achieved. Finally, the objective of anchoring the fiscal policy outlook to the medium-term debt strategy, from the first CAS, was achieved.

- » **Honduras** All four strategic documents had PFM and domestic resource mobilization emphases, and the first also had a focus on debt management until it was dropped during the Mid-Term Review in 2008. The FY07–10 CAS sought to support the diminishing of the public debt-to-GDP ratio, but this was diluted to a fiscally sustainable remuneration policy for the public sector by the beginning of the evaluation period (FY08). The removal from power of President Manuel Zelaya in June 2009 also led to a significant decline in lending across the board that particularly affected the PFDM portfolio. The FY11 interim strategy note reinstated earlier PFDM objectives (such as reductions in the wage bill and financial management improvements) and added tax administration and policy objectives, including the widening of the tax base and establishment of an electronic tax payments system. The FY12–15 CPS continued the earlier objectives and added pension and civil service reforms. The FY16–20 CPF did not articulate PFDM objectives within its results matrix, but earlier objectives were carried forward, and support for the regulatory framework for debt management was prioritized. With regard to results, the FY07–11 CAS/CPS Completion Report rated the CAS’s Good Governance pillar, which included PFM interventions, as unsatisfactory, in large part due to the failure to professionalize the civil services over the strategy period (World Bank 2011a).
- » **Sierra Leone** Both strategic documents reflected a heavy emphasis on PFDM support during the evaluation period. The FY06–09 CAS had one (of three) strategic priorities focused on governance, decentralization, and PFM—all directly or indirectly related to PFDM: sectoral strategic planning, transparency

of intergovernmental fiscal transfers, improved procurement, and increased core ministry staffing for PFM. The Joint Country Assistance Strategy for FY10–13 (but extended due to the Ebola crisis) had as two of its priorities (i) promoting efficiency, transparency, and accountability in the use of public resources through enhanced PFM and governance; and (ii) improving the investment climate by ensuring infrastructure services were provided in a fiscally sustainable manner. Both strategies closely mirrored the government’s objectives from its two Poverty Reduction Strategy Papers (2005 and 2009). Although PFDM interventions during the first half of the evaluation period successfully contributed to improved decentralization and capacity building within local governments and more effective PFM at the central level—the PFM pillar for the CAS was rated moderately satisfactory by the CAS Completion Report in annex 3 of the Joint Country Assistance Strategy (World Bank 2010)—vested interests and the twin shocks of the Ebola outbreak and the drop in commodity prices complicated further reforms during the second half.

- » **Vietnam** Both CPSs during the evaluation period emphasized PFM, with the later document (FY12–16) also focusing significantly on debt management. The FY07–11 CPS had as one of its four strategic pillars the strengthening of governance systems, which included further strengthening PFM by implementing an IFMIS, promoting financial accounting and reporting, improving revenue collection through strengthened tax administration and a better designed tax code, and boosting the transparency of public procurement. The FY12–16 CPS had three specific PFM outcome indicators, including one on debt sustainability: to maintain public debt below the government target of 65 percent of GDP. Support during the first half of the evaluation was rated poorly by Independent Evaluation Group, as the outcome of the FY07–11 CPS’s PFDM objective was rated moderately unsatisfactory in the CPS Completion Report Review (World Bank 2011b). Although the IFMIS and medium-term expenditure frameworks were being piloted, overall, the country’s PFM system (and, in particular, its accounting standards and regulations) was widely viewed as significantly below international standards. Outcomes of the FY12–16 CPS were far more positive: according to the Completion and Learning Review (World Bank 2017), all three PFDM indicators were achieved (including early rollout of the IFMIS at the provincial level).

For lending instruments, development policy operations (DPOs) were more common in the first half of the evaluation period. Burkina Faso, Georgia, Ghana, and Vietnam all benefited from single-tranche multisector and programmatic DPOs, largely, though not exclusively, concentrated in the crisis and immediate postcrisis years. After 2014, DPOs gradually declined. By contrast, other countries (Afghanistan, Bangladesh, and Sierra Leone) relied heavily on investment project financing (IPF).

The value of PFDM lending varied among the eight countries. The World Bank provided Vietnam, a blend country during the evaluation period, with \$3 billion through four series of DPOs and four IPFs. Ghana received \$1.8 billion in financing for public finance with a couple of DPOs and IPFs. IDA countries, however, received limited World Bank support during this period. The World Bank approved four lending projects to Afghanistan with commitments valued at \$199 million. PFDM lending was relatively small to Bangladesh, Burkina Faso, and Sierra Leone.

The World Bank's analytical work on public finance has become increasingly prominent. When World Bank financing represents a small share of the national budget, high-quality analytical work can still be influential and play a catalytic role. Analytical work can be influential and support important reforms when it responds to a government's requirements for specific analyses and problem solutions. The impact of ASA could possibly be enhanced through broader and more sustained dissemination and with greater use of local think tanks and experts.

World Bank PFDM support was more successful in International Bank for Reconstruction and Development countries based on project/program level (Implementation Completion and Results Report, Project Performance Assessment Report) and country level (Country Program Evaluation, Completion and Learning Review) Independent Evaluation Group ratings. PFM programs had limited success in Bangladesh, Burkina Faso, Ghana, and Sierra Leone, where the institutional capacity, ownership, and governance environment were generally weaker. On the World Bank side, there were issues in the quality of design and quality at entry.

## Effectiveness

The World Bank worked actively in each of the eight countries, most often with a combination of DPOs and ASA, and, within some countries, IPFs as well. The effectiveness of individual instruments and of the overall World Bank–supported public finance country programs was mixed, however.

Factors supporting effectiveness included substantial ASA programs, government ownership, World Bank application of appropriate skills, and collaboration with key development partners. Issues responsible for insufficient effectiveness included inadequate attention to the political economy aspects of the planned reforms, including underestimation of resistance from vested interests, flagging government ownership, weaknesses in program and project design, including inadequate results orientation, weaknesses in monitoring and evaluation frameworks, inadequate knowledge programs including absence of a public expenditure review, and failure to fully address key identified risks in the policies underpinning budget support operations.

One country with generally positive results during this period was

- » **Afghanistan** A substantial number of ASA products were helpful in preparing World Bank operations, for which most—but not all—performance targets were met, and overall performance is impressive considering the extraordinary security challenges in the country.

More typically, World Bank–supported programs achieved limited progress, which may not be commensurate with ambitions or efforts. A repeated message is the importance of sustained government ownership:

- » **Ghana** The DPO programs launched in the evaluation period were not implemented fully satisfactorily. As a result, a few areas targeted by the reforms remained problematic almost a decade later.
- » **Honduras** Overall implementation was mixed, with weaknesses in project and implementation design, in monitoring and evaluation frameworks, and with excessive optimism on fiscal outcomes.
- » **Bangladesh** PFDM was given significant weight in the early country programs, and there was an early attempt with development partners to es-

establish a large multidonor trust fund. The World Bank was not successful in pushing for higher government revenues and had modest results with public expenditure management, and progress regarding the value-added tax remains uncertain. The lesson was that more gradual and carefully targeted efforts in support of government policies may be more effective over the medium term.

- » **Vietnam** The engagement on macroeconomic and fiscal policies through DPOs since 2007 has not been very effective. Appropriate diagnoses were not reflected in program designs, and the macroeconomic policy dialogue was relatively weak. Combining the objectives of external financing for crisis response and promotion of long-standing institutional reforms may not be effective when there is a high risk that reforms will not be implemented.

## World Bank Contributions to Results

The summaries show several PFDM results to which the World Bank contributed:

- » **Georgia** Support for the implementation of a medium-term expenditure framework and program budgeting.
- » **Ghana** Creation of a treasury single account, an important step toward improved management of the government's cash balances; rollout of the IFMIS to about two-thirds of the central administration, allowing better record keeping and data sharing among expenditure units; and a net hiring freeze in two of the largest ministries and the elimination of ghost workers, a key step toward bringing the personnel numbers and wage bill under control.
- » **Sierra Leone** Financial support during the financial crisis and, later, the Ebola crisis that helped ensure continued stability.
- » **Vietnam** Reforms in debt management, public investment, treasury single account, and an electronic fund transfer system, which has become fully operational in the central agencies (37 ministries) and in all 63 provinces.

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# Appendix G. Prior Actions Supporting Public Debt Management

## Examples of Debt Management Support in IDA-Eligible Countries

**Table G.1.** Public Debt Management Prior Actions in IDA-Eligible Countries, 2009–19

Country	DPO Year	Prior Action	Debt Management Area
Malawi	2009	The recipient's debt and aid management policy has been approved by the cabinet.	Governance
Niger	2009	The recipient has taken the measures necessary to clear internal debt arrears (to private enterprises only) in the amount of CFAF 2.5 billion.	Internal debt arrears
Vietnam	2009	Formulated a public debt management law, consolidating the management of domestic and external debt.	Governance
Côte d'Ivoire	2009	Executed through treasury advances of less than 15 percent of current cumulative expenses, excluding wages and salaries, debt service, and expenditures financed through the revolving fund cash account mechanism (régies d'avances) and from external sources, for 2008.	Cash management

(continued)

Country	DPO Year	Prior Action	Debt Management Area
Grenada	2010	The borrower, through its Ministry of Finance, has (i) restructured the Ministry's Department of Economic Affairs and created, as a result of said restructuring, the Economic Management and Planning Division, whose structure includes: (i) a budget unit; (ii) a macro policy unit; and (iii) a debt management unit, to sharpen the analytical underpinnings of policy framework and to improve economic management as part of the institutional reform of said ministry.	Governance
Malawi	2010	The recipient has operationalized its Debt Management Committee, comprising representatives of its central bank, Treasury, Accountant General's Office, Ministry of Justice, and Ministry of Development, Planning and Cooperation, for the purpose of making recommendations regarding incurring of domestic and external debt.	Coordination with macro policies
Nigeria	2011	A 2010 Lagos State budget based on a medium-term fiscal strategy that is consistent with long-term debt sustainability has been adopted by the Executive Council.	Governance
Sierra Leone	2011	The recipient has submitted to its parliament a suitable bill to govern management of public debt, including the accumulation and management of contingent liabilities.	Governance
Honduras	2011	To determine the exact amount of public sector debt in arrears with the private sector as of December 31, 2009, the recipient has (i) drafted terms of reference for the hiring of an international audit firm to conduct an audit of undocumented public sector debt in arrears ( <i>deuda flotante</i> ) and (ii) invited firms to submit requests for proposals.	Internal debt arrears

(continued)

Country	DPO Year	Prior Action	Debt Management Area
Cabo Verde	2011	Adopted measures to improve the performance of ELECTRA as evidenced by the debt restructuring plan issued by ELECTRA's Board of Directors on April 19, 2010, reflecting (i) a time-bound action plan to restructure ELECTRA's arrears with its providers; and (ii) ELECTRA's initial steps with its creditors inviting them to negotiate the rescheduling of said arrears as evidenced by letters to the Minister of Tourism, Industry and Energy dated August 4, 2010, and to the general director for treasury at the Ministry of Finance.	Arrears
Cabo Verde	2011	Caused TACV to adopt measures to improve its operational, financial, and commercial performance, as evidenced by the debt rescheduling agreement signed between ASA and TACV providing that arrears among both entities have been rescheduled, dated November 30, 2009.	Arrears
Cabo Verde	2011	Cleared its domestic arrears, which were acknowledged in 2005, except for those with its municipal chambers, which will be offset through debts owed by the said municipalities to the central government, as evidenced by the recipient's minister of finance letter dated August 19, 2010.	Arrears
São Tomé and Príncipe	2011	The recipient's Council of Ministers has submitted to the recipient's national congress, as a prelude for final approval, a bill of law that regulates public debt management specifying the processes and procedures for contracting new recipient's public debt.	Governance
Guinea-Bissau	2011	The recipient's minister of finance has adopted an action plan for the strengthening of its Public Debt Office, as evidenced by letter from the recipient's minister of finance, dated May 4, 2011.	Governance
Cabo Verde	2012	The issuance of the MTDS for 2012–15 by the Ministry of Finance and Planning, as evidenced by a letter from the recipient's general director of treasury dated November 7, 2011.	Governance

*(continued)*

Country	DPO Year	Prior Action	Debt Management Area
Cabo Verde	2012	Further improvements in ELECTRA's performance as evidenced by the design of a comprehensive, realistic, and time-bound approach to the financial restructuring of ELECTRA, including recapitalization, restructuring of financial short-term debt, and financing mechanisms for public lighting, as evidenced by letter from the minister of finance dated November 10, 2011.	Governance
São Tomé and Príncipe	2012	The Council of Ministers has (i) submitted to the National Assembly a status report on the recipient's central government debt with information updated as of October 2011 that indicates the debt broken down by origin, and the outstanding debt and payment profiles, as evidenced by Certificate No. 02/IX/12 issued by the Secretary to the National Assembly on January 27, 2012, certifying that the status report mentioned under this subparagraph (i) has been received for discussion and approval by the National Assembly; and (ii) published this report on the recipient's public portal.	Records and ORM
Senegal	2013	SENELEC's Board of Directors has approved SENELEC's financial restructuring and has reached a settlement on cross-debts with the recipient as of July 31, 2012.	Arrears
Tanzania	2014	The recipient has (i) completed and published the MTDS, which recognizes its central government debt off-budget liabilities, including from pension funds and other parastatals; and (ii) submitted to its cabinet proposed amendments to the Government Loans, Grants and Guarantees Act CAP 134 R. E. 2004.	Governance
Nigeria	2014	The Executive Council has adopted a 2014 Lagos State budget based on a medium-term fiscal strategy that is consistent with long-term debt sustainability, including an assessment of primary contingent liabilities.	Governance
Pakistan	2014	The Ministry of Finance has settled the power sector circular debt in the amount of PKR 480 billion.	Arrears

(continued)

Country	DPO Year	Prior Action	Debt Management Area
Pakistan	2014	ECC has approved the Tariff and Subsidy Policy Guidelines covering (i) subsidy policy for low-income residential customers; (ii) multiyear tariffs; (iii) equalization mechanisms and guidance for tariff setting as envisaged in the NEPRA Act, including forward-looking fuel price adjustments; and (iv) guidance for circular debt management related to payment of overdue payables to power generators by CPPA.	Arrears
Mozambique	2014	The Council of Ministers has approved the MTDS (2012-15), as evidenced by the letter issued by the director of the cabinet of the recipient's prime minister on May 24, 2013.	Governance
Comoros	2014	The recipient has included in its 2014 budget law a detailed debt report analyzing the debt stock as of October 31, 2013.	Records and ORM
Lao PDR	2014	The cabinet has approved a draft presidential ordinance on public debt management.	Governance
Solomon Islands	2014	The Solomon Islands Electricity Authority and the Solomon Islands Water Authority, in collaboration with the recipient's Ministry of Finance and Treasury, have agreed on a mechanism for the reduction of the Solomon Islands Water Authority's debt toward the Solomon Islands Electricity Authority, as evidenced through the "Debt Settlement Agreement" dated May 31, 2012, between the recipient's Ministries of Finance and Treasury and Mines, Energy, and Rural Electrification on one side and the Solomon Islands Electricity Authority and the Solomon Islands Water Authority on the other side.	Arrears

*(continued)*

Country	DPO Year	Prior Action	Debt Management Area
Samoa	2014	The recipient has approved and made public an updated MTDS, as evidenced through (i) the endorsement by the recipient's cabinet of said strategy through Cabinet Memorandum No F. K. (13)21 ("Review Debt Management Strategy 2011–2015") dated June 20, 2013; and (ii) the recipient's Quarterly Public Debt Bulletin for the September and December quarters, 2012, dated May 2013, published by the recipient's Ministry of Finance and available on the website.	Governance
Kiribati	2014	The recipient, through its cabinet, has approved a debt policy establishing policy criteria for concessional and nonconcessional public borrowing consistent with sustainable macroeconomic management.	Governance
Ghana	2015	In accordance with paragraph 18 of the Letter of Development Policy, the recipient has, through its cabinet, approved an MTDS for FY15–17, including a provision for reducing the refinancing risk of domestic debt.	Governance
Ghana	2015	In accordance with paragraph 18 of the Letter of Development Policy, the recipient has, through its minister of finance, issued draft guidelines for undertaking credit risk assessments prior to the issuance of loan guarantees, on-lending, and other debt-related transactions.	Borrowing
Ghana	2015	In accordance with paragraph 22 of the Letter of Development Policy, the recipient has, through its cabinet, approved a policy paper on the establishment of a single agency responsible for financial oversight of SOEs, including approval of budgets and debt plans of said SOEs.	Governance
Mozambique	2015	The Ministry of Finance has implemented the first annual domestic borrowing plan, prepared based on the MTDS.	Borrowing

(continued)

Country	DPO Year	Prior Action	Debt Management Area
Samoa	2015	The recipient, through its cabinet, has approved (i) formal procedures for contracting loans, and (ii) formal procedures for issuing government guarantees, to strengthen the recipient's debt management, as evidenced by Cabinet directive FK(14)30, dated August 7, 2014, endorsing Cabinet Paper PK(14)1295.	Borrowing
Solomon Islands	2015	The recipient's cabinet has adopted a policy within its debt management strategy to guide on-lending and the issuance of guarantees to SOEs and provincial governments.	Borrowing
Madagascar	2015	The recipient's National Assembly has adopted a law on public debt, which provides a legal framework to ensure public borrowing is conducted strategically and prudently and stipulates the preparation of an MTDS.	Governance
Comoros	2015	The recipient has prepared and submitted to its National Assembly a debt management bill to strengthen the recipient's debt management framework.	Governance
Honduras	2015	The government, through SEFIN, has (i) approved and published an MTDS, and (ii) submitted this strategy to Congress for information.	Governance
Senegal	2016	The recipient has amended the performance contract entered into between the recipient and SENELEC on June 11, 2013, to include performance-based bonuses and sanctions, and has amended the agreement regularizing cross debt entered into between the recipient and SENELEC dated November 16, 2012, to determine the method for the balance allocation.	Governance
Madagascar	2016	The recipient has issued an implementing decree for the law on public debt concerning opening dedicated accounts for externally financed projects at the Central Bank of Madagascar.	Governance
Mozambique	2016	The Ministry of Economy and Finance prepared the recipient's MTDS for 2015–18 in September 2015.	Governance

*(continued)*

Country	DPO Year	Prior Action	Debt Management Area
Tonga	2016	The recipient's cabinet has approved a new MTDS, as evidenced by the recipient's Cabinet Decision number 1443 dated December 18, 2015, and the MTDS has been made publicly accessible on the recipient's Ministry of Finance and National Planning website.	Governance
Honduras	2016	The recipient, through SEFIN, has (1) approved and published online (i) a medium-term public debt ceiling recommended targets for SOEs; and (ii) borrowing guidelines for local governments; and (2) approved and published online a calendar for debt issuance for 2015–16. All publications were certified by the Minister of SEFIN through letter No. DT-OIP-14beautify0-2015 dated November 3, 2015.	Governance
Pakistan	2016	The recipient's Ministry of Finance has improved debt management coordination through: (i) ministerial notification expanding the existing functions of the recipient's Debt Policy Coordination Office, and (ii) publication of the approved MTDS for FY15/16–18/19.	Governance
Myanmar	2017	The government of Myanmar has centralized public debt management functions in the Ministry of Public Finance, precluding any public sector body, including ministries and state-owned economic enterprises, from independently contracting debt, as evidenced through the adoption of the Public Debt Management Law (Pyidaungsu Hluttaw Law No. 2/2016).	Governance

(continued)

Country	DPO Year	Prior Action	Debt Management Area
Myanmar	2017	The government of Myanmar has (i) instructed that the CBM charge market interest rates on CBM financing of the union budget deficit from fiscal year 2016/17 onward, as evidenced through the letter from the Union Cabinet to CBM dated July 7, 2016; (ii) submitted a debt strategy to parliament that sets out the government's borrowing plan for the 2017/18 fiscal year and limits CBM financing of the 2017/18 budget deficit to 30 percent of the deficit financing requirement, as evidenced through the copy of the strategy, the Union minister of planning and finance's speech to the parliament uploaded on the Ministry of Public Finance website, and the letter from the Treasury Department of the Ministry of Public Finance to the association, dated March 23, 2017; and (iii) launched treasury-bond auctions, as evidenced through the treasury bonds offering memorandum and the auction results uploaded on the CBM website.	Governance
Samoa	2017	The recipient has (i) passed an amendment to the Public Finance Management Act that sets out government borrowing purposes, debt management objectives, consistency of operations with the MTDS, and requirements for annual reporting to parliament; and (ii) through its cabinet, approved an updated MTDS for 2016–20, which is designed to strengthen debt policy and debt management and includes an assessment of the implementation of the previous MTDS.	Governance
Kiribati	2017	DPO3 Prior Action #3: The recipient has improved management of its public debt by establishing a comprehensive database of public debt, including the debt of state-owned enterprises and joint ventures.	Records and ORM

*(continued)*

Country	DPO Year	Prior Action	Debt Management Area
Burkina Faso	2017	Prior Action #1: The recipient, SONABEL, and SONABHY have entered into a tripartite agreement to clear arrears accumulated between the recipient, SONABHY, and SONABEL, with an implementation process that includes (i) a one-time payment of CFAF 40 billion from SONABEL to clear part of the accrued arrears to SONABHY; (ii) the conversion of the remaining CFAF 26.6 billion due by SONABEL to SONABHY into a debt to be repaid over 10 years; and (iii) clearance of the recipient's arrears to SONABEL for electricity bills and compensation subsidies in the amount of CFAF 45.48 billion over the period of three years between 2017–19.	Arrears
Bhutan	2017	Prior action 1: The recipient, through its cabinet, has approved a debt policy setting debt limits to improve fiscal sustainability.	Governance
Sri Lanka	2017	The Cabinet of Ministers has approved setting up a Debt Management Unit in the Ministry of Finance.	Governance
Senegal	2017	To sustainably resolve SENELEC's cross debt and financial arrears, the government has adopted a comprehensive financial package including the following measures: (i) the government has signed a cross-debt clearance agreement with SENELEC covering August 2012 to February 2016; (ii) in the performance contract, SENELEC has committed to honor 100 percent of its tax commitments by 2019, and the minister of finance has committed to pay SENELEC's 2017 VAT credits within the statutory three months; (iii) the minister of finance has issued a circular to all central government autonomous entities mandating that their budgets submissions for approval by the Ministry of Finance contain separate allocations for electricity and water bills.	Arrears
Niger	2018	To stabilize NIGELEC, the Ministry of Finance has approved NIGELEC's financing plan to stabilize its debt to equity structure.	Arrears

(continued)

Country	DPO Year	Prior Action	Debt Management Area
Ghana	2018	MTDS 2016–18 was published on the Ministry of Finance website with debt indicator targets for refinancing, and currency and interest rate risks for all government debt.	Governance
Ghana	2018	Risk management model adopted that allows quantification of debt portfolio risks and costs.	Governance
Central African Republic	2018	The recipient has (i) completed the audit of its RMF for 2008–15, including a stock-taking of the debt; and (ii) through the RMF, adopted the debt clearance plan for the RMF, the settlement plan for the RMF debt, through the note 0044/FER/OP/DG/DAFC of January 17, 2018, improving the financial management practices of the RMF.	Arrears
Chad	2019	(i) The minister of finance and budget and the minister of economy and development planning have signed an interministerial regulation (“arrêté”) suspending the use of nonconcessional external debt contracted or guaranteed by the government and non-financial public enterprises, with a maturity of more than one year (with exceptions in line with the current IMF program); and (ii) the Ministry of Finance and Budget published a report on the PPG debt situation at end-2016.	Records and ORM
Kyrgyz Republic	2019	The government of the Kyrgyz Republic approved and submitted to its parliament amendments to the budget code to introduce a fiscal rule that provides a debt anchor supplemented by an operational deficit target for ensuring a sustainable fiscal policy, and revised Article 115 to stipulate that any request to the Budget and Finance Committee of the parliament to preauthorize unbudgeted expenditure shall be deficit neutral and compliant with fiscal rule parameters.	Fiscal

*(continued)*

Country	DPO Year	Prior Action	Debt Management Area
Samoa	2019	The recipient has (i) through its cabinet, approved an amendment to the Income Tax Act to facilitate increases in the collection of capital gains tax; and (ii) adopted measures to improve tax compliance in Samoa, including measures to improve debt and returns management, audit, and the collection of land rents.	Governance
Togo	2019	To enhance debt management, the recipient has published a new MTDS geared toward ensuring debt sustainability and minimizing debt service costs within an acceptable level of risk.	Governance

Source: Independent Evaluation Group, Operations Policy and Country Services.

Note: ASA = advisory services and analytics; CBM = Central Bank of Myanmar; CFAF = West African francs; CPPA = Central Power Purchasing Agency; DPO = development policy operation; ECC = Economic Coordination Committee; FY = fiscal year; IMF = International Monetary Fund; MTDS = Medium-Term Debt Management Strategy; NIGELEC = Nigerian Electricity Society; ORM = operational risk management; PKR = Pakistan rupee; PPG = public and publicly guaranteed; RMF = Roads Maintenance Fund; SEFIN = Honduras finance ministry; SENELEC = Senegal National Electricity Agency; SOE = state-owned enterprise; SONABEL = national electricity company of Burkina Faso; SONABHY = national oil company of Burkina Faso; TACV = Cabo Verde Airlines; VAT = value-added tax.

# Appendix H. Changes in DeMPA Scores: Select Countries and Regions

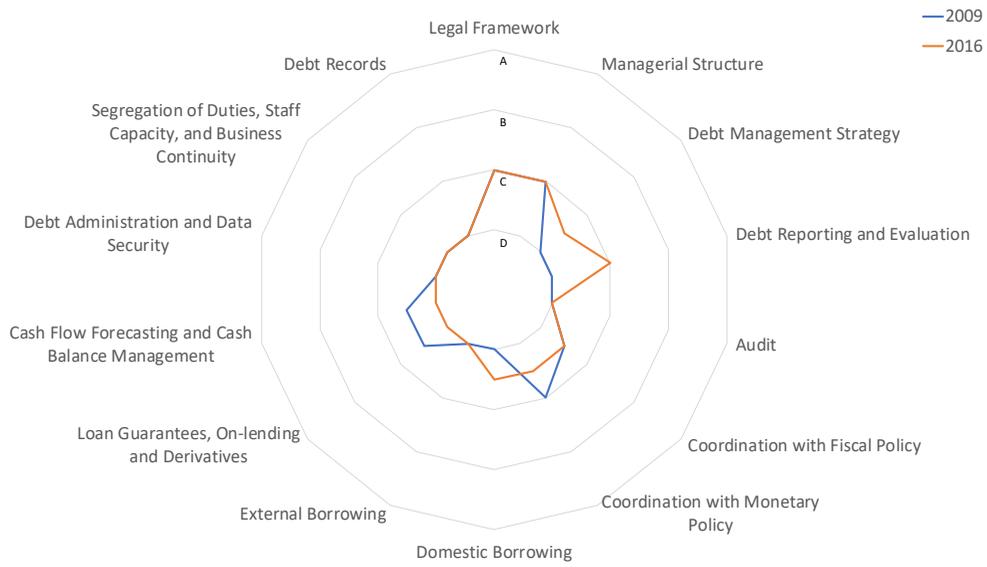
**Figure H.1.** Burkina Faso: 2008 vs. 2011 DeMPA Results



Source: Independent Evaluation Group; Debt Management Facility.

Note: DeMPA - Debt Management Performance Assessment.

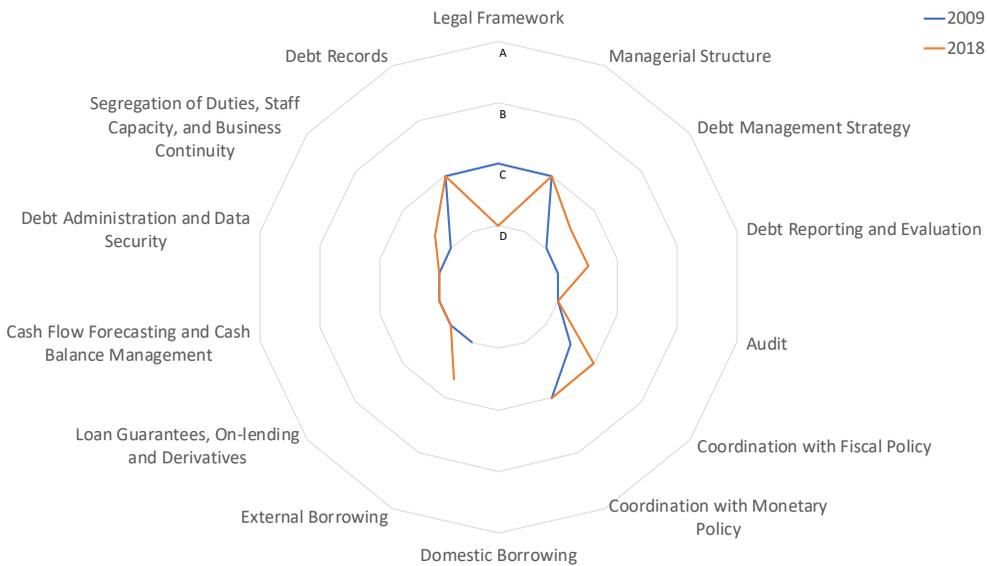
**Figure H.2. Cabo Verde: 2009 vs. 2016 DeMPA Results**



Source: Independent Evaluation Group; Debt Management Facility.

Note: DeMPA = Debt Management Performance Assessment.

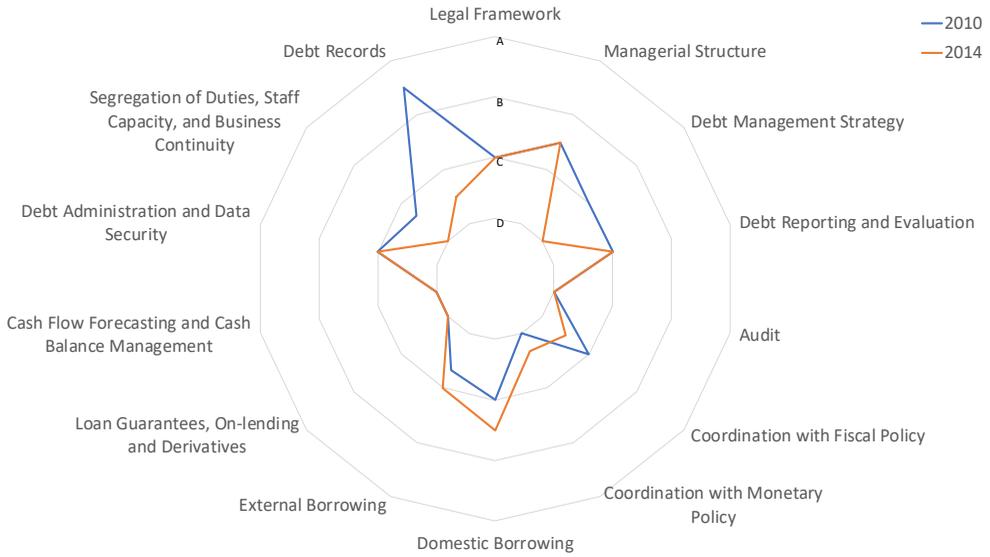
**Figure H.3. Cambodia: 2009 vs. 2018 DeMPA Results**



Source: Independent Evaluation Group; Debt Management Facility.

Note: DeMPA = Debt Management Performance Assessment.

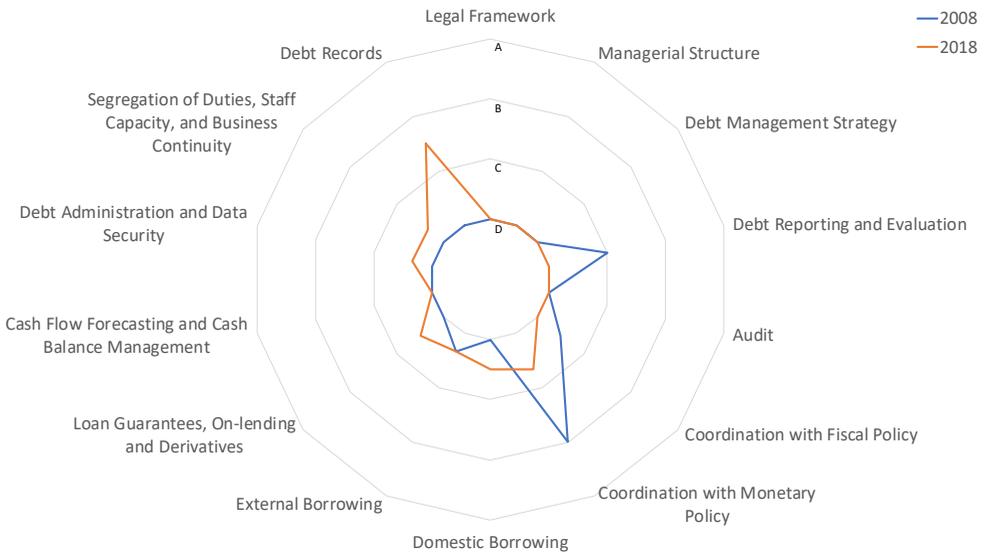
**Figure H.4. The Gambia: 2010 vs. 2014 DeMPA Results**



Source: Independent Evaluation Group; Debt Management Facility.

Note: DeMPA = Debt Management Performance Assessment.

**Figure H.5. Guinea: 2008 vs. 2018 DeMPA Results**

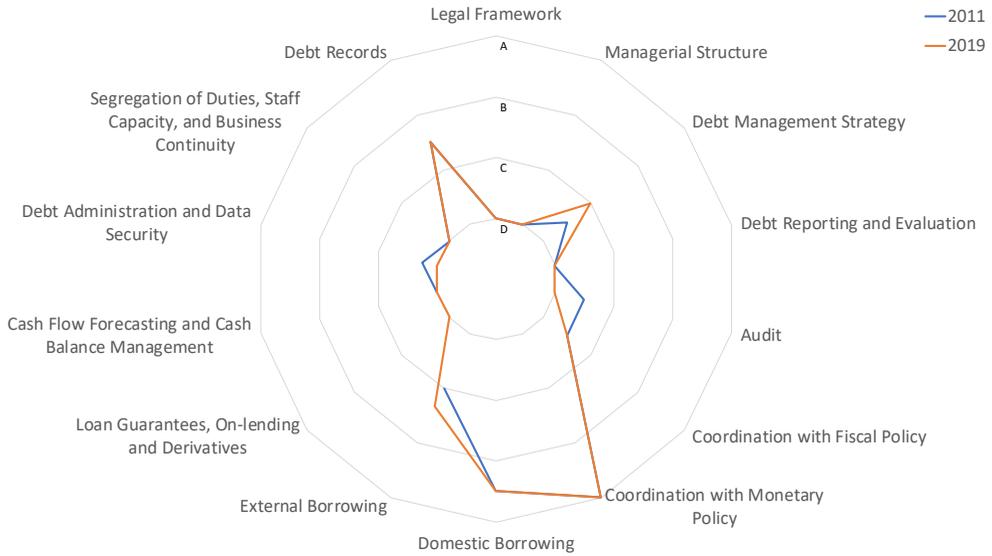


Source: Independent Evaluation Group; Debt Management Facility.

Note: DeMPA = Debt Management Performance Assessment.



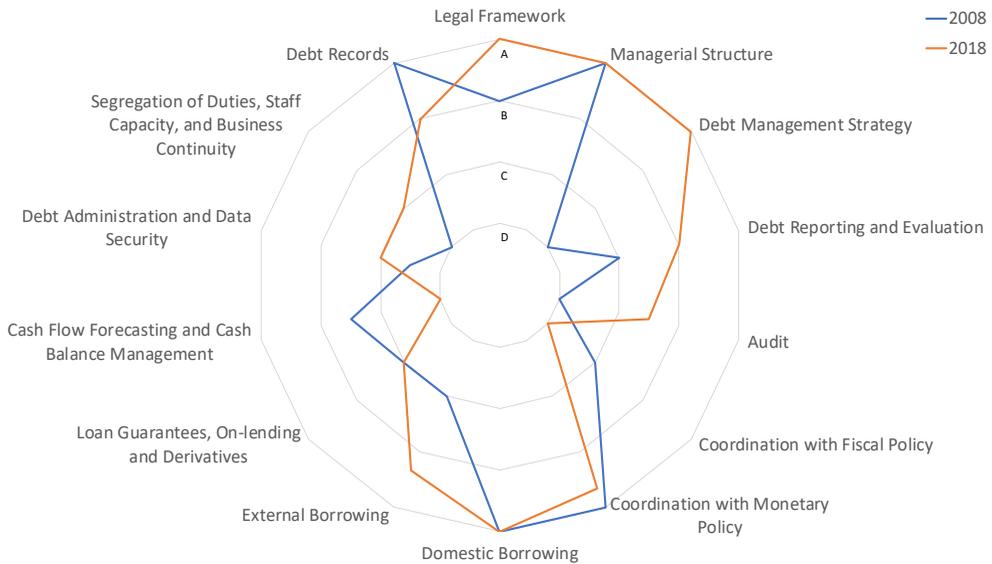
**Figure H.8. Mali: 2011 vs. 2019 DeMPA Results**



Source: Independent Evaluation Group; Debt Management Facility.

Note: DeMPA = Debt Management Performance Assessment.

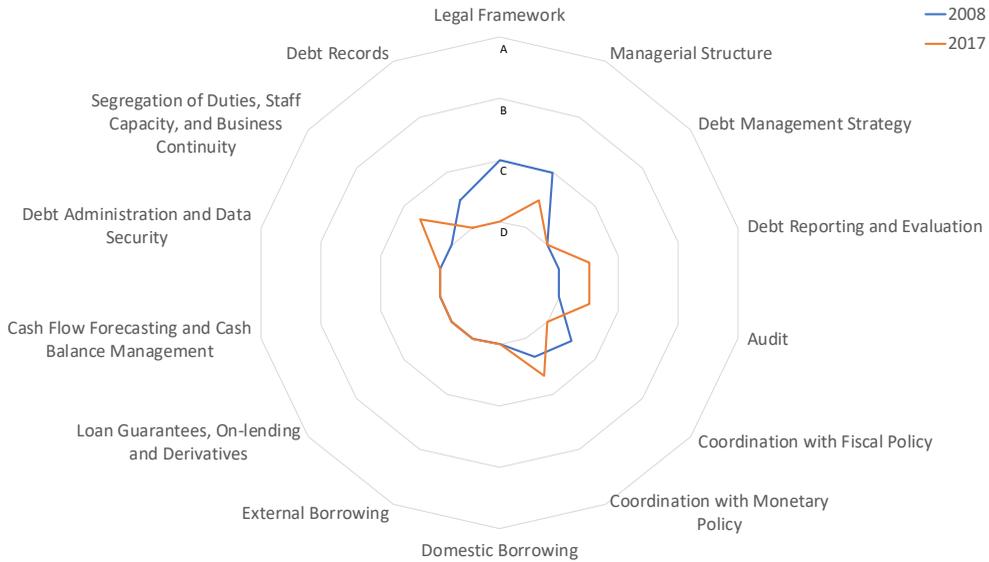
**Figure H.9. Moldova: 2008 vs. 2018 DeMPA Results**



Source: Independent Evaluation Group; Debt Management Facility.

Note: DeMPA = Debt Management Performance Assessment.

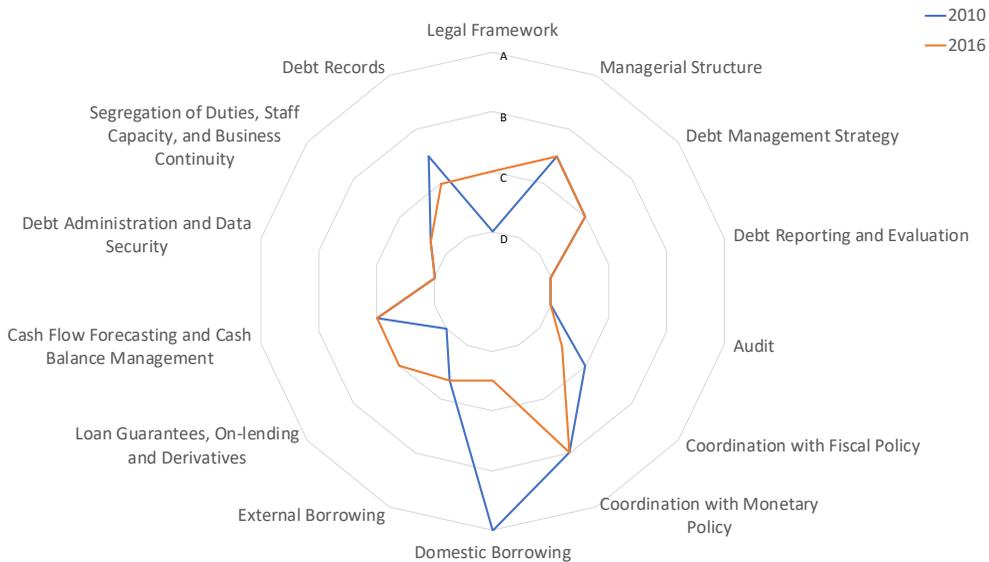
**Figure H.10. Mozambique: 2008 vs. 2017 DeMPA Results**



Source: Independent Evaluation Group; Debt Management Facility.

Note: DeMPA = Debt Management Performance Assessment

**Figure H.11. Papua New Guinea: 2010 vs. 2016 DeMPA Results**



Source: Independent Evaluation Group; Debt Management Facility.

Note: DeMPA = Debt Management Performance Assessment

**Figure H.12.** Senegal: 2009 vs. 2017 DeMPA Results



Source: Independent Evaluation Group; Debt Management Facility.

Note: DeMPA = Debt Management Performance Assessment.

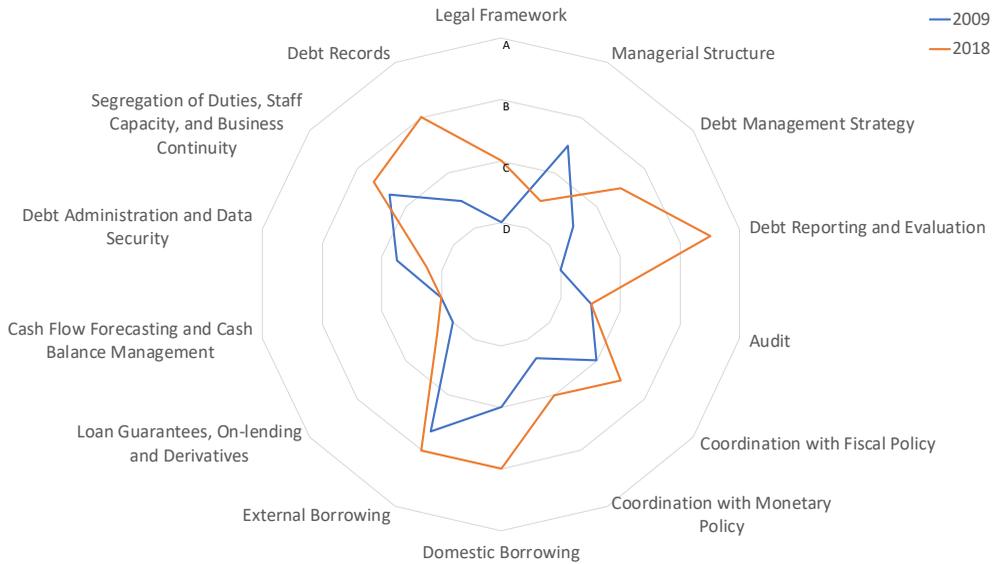
**Figure H.13.** Togo: 2008 vs. 2010 DeMPA Results



Source: Independent Evaluation Group; Debt Management Facility.

Note: DeMPA = Debt Management Performance Assessment.

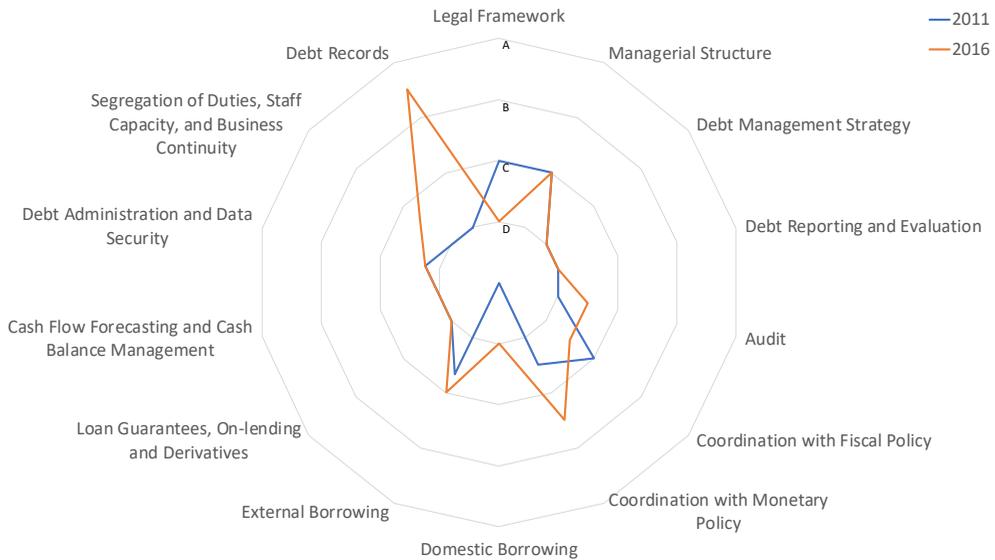
**Figure H.14.** Uganda: 2009 vs. 2018 DeMPA Results



Source: Independent Evaluation Group; Debt Management Facility.

Note: DeMPA = Debt Management Performance Assessment.

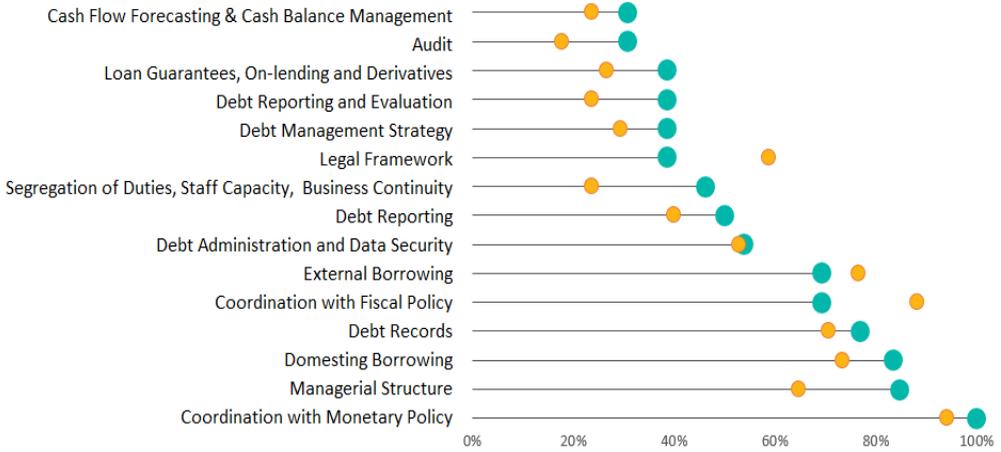
**Figure H.15.** Zimbabwe: 2011 vs. 2016 DeMPA Results



Source: Independent Evaluation Group; Debt Management Facility.

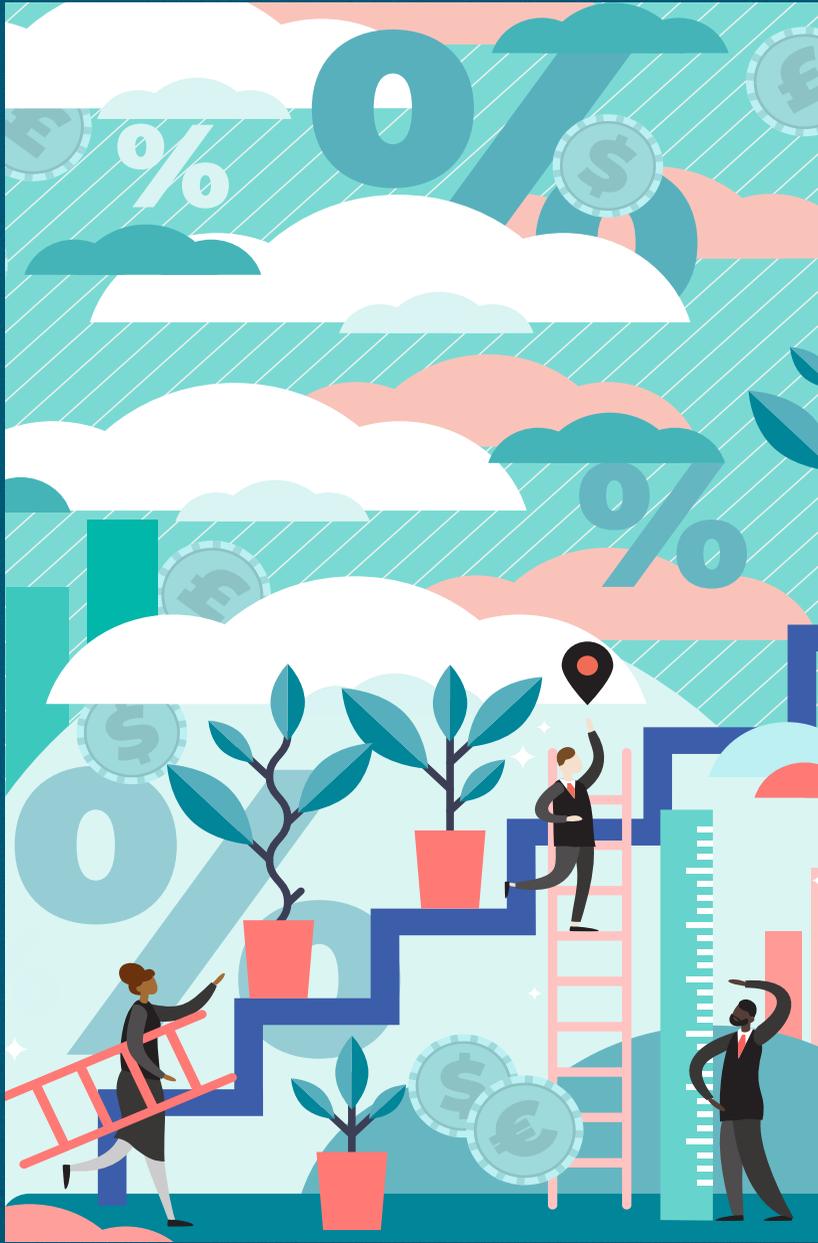
Note: DeMPA = Debt Management Performance Assessment.

**Figure H.16.** Share of AFR Countries Meeting Minimum Threshold, First vs. Second DeMPA



Source: Independent Evaluation Group; Debt Management Facility.

Note: N = 20. AFR = Sub-Saharan Africa; DeMPA = Debt Management Performance Assessment.



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