

Independent Evaluation on SECO's Public Financial Management portfolio

Have SECO's PFM interventions contributed to successful reforms in public financial management and what role did the evidence-based approach play in these processes?

Final report

Executive Summary

This report presents an evaluation of the Swiss State Secretariat for Economic Affairs (SECO) activities to support Public Financial Management (PFM) in partner countries. The support is implemented by the Economic Cooperation and Development Division (WE) in SECO¹. The priority countries supported directly by SECO's PFM projects are mainly middle-income countries in Africa, Asia and Latin America, while SECO's support to global initiatives in PFM indirectly targets lower-income countries. The evaluation is a part of SECO's overall evaluation programme. It was carried out by a team of consultants from Oxford Policy Management Ltd between May 2020 and January 2021.

The evaluation has two objectives: to provide i) an instrument of accountability, addressed to the Swiss Parliament and the broader public, and ii) an important opportunity for institutional learning. In relation to the accountability objectives, the evaluation provides an overview of the results achieved by SECO's PFM projects against the evaluation criteria of the OECD Development Assistance Committee (DAC), which are: Relevance, Coherence, Effectiveness, Impact, Efficiency, and Sustainability. In relation to the learning objectives, the evaluation aims to identify good practices and success factors which enable the portfolio to perform well against the DAC criteria. Overall, the evaluation aims to answer two main questions:

- Has SECO's ODA contributed to successful reforms in public financial management, and
- What role did the evidence-based approach play in these processes?

Overall assessment

The overall assessment of the evaluation is that SECO's PFM portfolio has performed very strongly against its objectives. This assessment is based on several findings:

- The majority of projects in SECO's PFM portfolio achieve high scores based on the internationally recognised OECD-DAC evaluation criteria;
- SECO's strategy of operating at 3 distinct levels (global, national, subnational) has been a hallmark of the portfolio, and this has given a particular strength to the programme;
- SECO is proven to be an active, capable and respected partner to other development partners (DP), and a reliable partner to the governments supported, and
- SECO has successfully advocated for important developments in international support to PFM reform initiatives. Most notable is the increased attention now paid to the sub-national level of government, which is the focal point for much service delivery.

Evaluation at programme level by OECD/DAC criteria scores

The overall performance of the portfolio is assessed as 'satisfactory'. Performance against each of the DAC criteria indicates a very even level of performance across the six criteria. The evaluation applied a four-level scoring system to the assessment of each project: scores of 1 (highly satisfactory), 2 (satisfactory), 3 (unsatisfactory) or 4 (highly unsatisfactory) were applied to each DAC criterion. The highest score was for the relevance criterion, with an average of 1.3, or 'highly satisfactory'. The remaining five OECD/DAC criteria all represent satisfactory scores, ranging from 1.9 for coherence to 2.4 for impact.

The portfolio scores particularly well against the relevance and coherence criteria, which reflects the quality of the evidence used in the projects credit proposals (CP) and the specific objectives and design adopted. Without exception, the projects are based on a thorough analysis

¹ In the report, "SECO" refers to the Economic Cooperation and Development Division in SECO.

of the political and economic context. In relation to the alignment of SECO projects with PFM initiatives of other DPs the evaluation finds SECO's performance commendable.

The portfolio scores well against the effectiveness and impact criteria. Given the early stages of implementation of many of the projects in the portfolio, there is some difficulty in determining a firm, evidence-based assessment of the portfolios' effectiveness. However, several large well-advanced projects demonstrate that good progress has been made. In other cases, the evaluation judges it to be highly likely that project outputs will eventually be delivered in full. The majority of projects demonstrate a good level of beneficiary buy-in, reflecting sound processes used in project preparation and design.

The portfolio also scores well for efficiency and sustainability. The majority of the projects in the portfolio are achieving or making progress towards the delivery of their outputs within the originally defined budgets. Against this, it is recognised that some projects have been subject to delays in start-up or implementation. The assessment on sustainability is largely a matter of judgement, based on the following: introduction of relevant PFM reforms, relevant and adequate capacity building and, for the subnational projects, a good interface between the national and the subnational level.

Average scoring of all projects following OECD/DAC criteria

	Relevance	Coherence	Effectiveness	Impact	Efficiency	Sustainability	Average
Average	1.3	1.9	2.3	2.4	2.3	2.3	2.1

Learning results

SECO's PFM projects have adopted a wide range of approaches to capacity development (CD) but not all are succeeding to the same degree. In some cases, the CD activities are relevant but often need to be repeated several times at the individual level by the project. The impact and sustainability of capacity development initiatives will be partial if they are not sufficiently supported by relevant national agencies and training institutions. There is a potential for SECO to play a greater advocacy role in supporting such strategic and institutionalised approaches.

The PEFA PFM assessment framework has played an important role in the design of most of the SECO projects falling under the evaluation.² The evaluation found strong evidence of SECO's effective use of the PEFA tool to promote reform dialogue. The evaluation found that many of SECO's PFM projects use adaptive approaches during implementation. This is consistent with good practice, which emphasizes the importance of flexibility and adapting reforms to changes in context. Rather than specify a particular approach, SECO should continue to determine the degree of flexibility required, and then determine the appropriate mechanism for achieving that flexibility.

SECO PFM projects are typically not designed with the specific intention of forwarding transversal themes such as gender mainstreaming, climate change, digitalisation or anti-corruption, but are oriented to supporting reform at the national or subnational level to strengthen the existing processes and implementation of PFM reform and PFM procedures. There is an opportunity to strengthen the approach to the inclusion of transversal themes across the portfolio.

The explicit commitment to or adoption of a change management strategy is only found in a few of the projects reviewed. However, while the formal adoption of a strategy for change management remains the exception rather than the rule in the SECO projects reviewed, most if not all projects contain elements which would normally play a large part in a formal change management strategy for the project.

² The Public Expenditure and Financial Accountability (PEFA) program was initiated in 2001 by seven international development partners including SECO. The PEFA program provides a framework for assessing and reporting on the strengths and weaknesses of PFM using quantitative indicators to measure performance.

The overall finding of the evaluation is that the projects portfolio under review have, with few exceptions, contributed to successful reforms in PFM. The evaluation has found compelling evidence that SECO has played a strong role in the development of the PEFA assessment, now used globally as a PFM system diagnostic tool, and in particular, the development of the application of the PEFA methodology at the SNG level. Equally, SECO's support for the INTOSAI IDI has promoted support to SAIs worldwide as an important supplement to PFM projects. In terms of the adoption of the targeted PFM reforms, categorical conclusions cannot be reached, due to the fact that many of the reforms under review are ongoing and in some cases at quite an early stage of implementation. However, several large projects, both multi-lateral and bilateral are already making important progress in the adoption of reforms. In terms of building of institutional capacity as a basis for sustainability of PFM reforms, for the same reasons the conclusions of the evaluation are positive but slightly more cautious.

The evaluation finds strong evidence that SECO PFM interventions are based on diagnostic assessments aimed at strengthening institutional capacities. SECO's approach to PFM emphasises the role of evidence-based diagnostic assessments and institutional capacity building as foundations for the design and implementation of effective project interventions. Evidence for this conclusion is based on the pervasive use of the PEFA methodology in providing the initial diagnostic of PFM strengths and weaknesses and the targeting of specific areas for targeted PFM reforms. SECO's role in the development of the PEFA PFM assessment has been particularly important in respect of application of PEFAs at the subnational level. The particularly strong portfolio-level results against the DAC criteria for relevance and coherence suggest that the diagnostic approach has led to better targeted and designed reforms than would have otherwise been the case. SECO's approach to the use of PFM diagnostics, which emphasizes strong stakeholder engagement in the diagnostic process, supports this conclusion.

Recommendations

The evaluation has identified the following recommendations aimed at further strengthening SECO's performance and effectiveness in the PFM thematic area:

SECO should continue to:

1. Maximise policy engagement, especially when engaging jointly with other donors.
2. Maintain a balance between the bilateral and MDTF/IFI project implementation modalities.
3. Develop approaches to project design which permit flexibility in the project implementation.
4. Support the strengthening of National/Subnational PFM linkages.

SECO should start to:

5. More clearly reference the coherence and synergies of its PFM projects with projects implemented by SDC, where both are present at country level.
6. Develop a more coherent approach to Theory of Change and Change Management across its PFM portfolio.
7. Further strengthen its approach to sustainable capacity development, building on the successful experiences of projects within the portfolio.
8. Strengthen its approach to inclusion of transversal themes in PFM project designs, where local opportunities and partner strategies permit.
9. Make more visible the link between objectives relating to SDGs and PFM project objectives, to better communicate the link between its PFM portfolio and the Swiss Dispatch on International Cooperation.

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List of abbreviations

CP	Credit Proposal
DAC	Development Assistance Committee
DP	Development Partner
EQ	Evaluation Question
EU	European Union
FAD	Fiscal Affairs Department
FTE	Fiscal Transparency Evaluation
GIZ	Gesellschaft für Internationale Zusammenarbeit GmbH
IMF	International Monetary Fund
IFI	International Financial Institution
INTOSAI	International Organisation of Supreme Audit Institutions
IDI	INTOSAI Development Initiative
MDTF	Multi Donor Trust Fund
MoEF	Ministry of Economy and Finance (Peru)
MoF	Ministry of Finance
OECD	Organisation for Economic Co-operation and Development
OPM	Oxford Policy Management
PDIA	Problem Driven Iterative Adaptation
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
P2P	Peer to Peer
SAI	Supreme Audit Institution
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goals
SECO	State Secretariat of Economic Affairs
SNG	Subnational governments
TADAT	Tax Administration Diagnostic Assessment Tool
ToC	Theory of Change
ToR	Terms of reference
WE	Economic Cooperation and Development Division
WEMU	Macroeconomic Support Section of the WE
WEIN	Infrastructure Financing Section of WE

1 Introduction

This report presents an evaluation of the Swiss State Secretariat for Economic Affairs (SECO) activities to support Public Financial Management (PFM), which contribute to achieving the strategic objectives of Switzerland's foreign economic policy as well as the government's strategy on International Cooperation. The support is implemented by the Economic Cooperation and Development Division (WE) in SECO³. This evaluation is a part of SECO's overall evaluation programme.

SECO identified 20 PFM projects covering 11 countries and three global initiatives as the focus of this evaluation which was carried out by a team from Oxford Policy Management Ltd between May 2020 and January 2021. The team would like to thank all the stakeholders who have participated in the evaluation, which include SECO officials in Berne and several SECO priority countries, implementing companies or international finance institutions (IFI), and beneficiaries and partners of the programmes and projects. A special thanks goes to government officials at national, local and regional level, who provided valuable contributions to the two country studies carried out in Peru and Albania.

The evaluation team has done its best to reflect and accurately present the opinions and recommendations of all stakeholders involved in the evaluation. Any remaining errors of fact or omission rest with the evaluation team. The findings and recommendations in this report are ultimately those of the evaluation team and do not necessarily represent the views of SECO.

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³ In the report, "SECO" refers to the Economic Cooperation and Development Division in SECO.

2 Purpose of the evaluation

Within the thematic area of PFM, the evaluation has two overall objectives, namely, to provide (a) an instrument of accountability, addressed to the Swiss Parliament and the interested broader public and (b) an important opportunity for SECO's institutional learning.

2.1 Accountability and learning objectives

2.1.1 Accountability objectives

The evaluation provides an assessment of SECO's support to PFM against the evaluation criteria of the OECD Development Assistance Committee (DAC), which are: Relevance, Coherence, Effectiveness, Impact, Efficiency, and Sustainability. It also provides an assessment of SECO's general approach to activities in the field of PFM and its intervention logic. This emphasises the importance of diagnostic assessments and interventions aimed at strengthening institutional capacities of partner governments, to enable better design and implementation of reforms in PFM.

2.1.2 Learning objectives

The evaluation identifies lessons learned from the portfolio of activities in PFM, with an emphasis on institutionalisation of learning within government structures and/or the instruments of monitoring in place to assist decision-making. This part of the evaluation identifies good practices from the assessed portfolio in the design of PFM projects, the success factors which enable these projects to perform well against the OECD-DAC criteria, with a focus on the sustainability and the institutionalisation of reforms, and past and current challenges and how these have been or could be overcome. The 20 projects selected for this evaluation were assessed on the basis of 17 evaluation questions (EQs).

2.2 Impact as key question

The evaluation includes two overall questions i.e.

- Has SECO's official development assistance contributed to successful reforms in public financial management and
- What role did the evidence-based approach play in these processes"?

The second question, on the evidence-based approach is addressing SECO's general approach to PFM, which was outlined in the evaluation's ToR as:

If interventions in partner countries are based on diagnostic assessments and aim at strengthening institutional capacities,

↳ *Then these institutions will be better able to design more effective reforms in the field of Public Financial Management (which enable aggregate fiscal discipline, strategic allocation of public funds, and/or efficient service delivery),*

↳ *Because diagnostics can identify the key strengths, weaknesses and challenges, they constitute a useful source of data which can contribute to monitoring, steering, benchmarking and peer-learning purposes. They also contribute to increase ownership, coordination and political dialogue amongst stakeholders within and across institutions, which allows institutions to be more efficient, accountable and transparent.*

3 SECO's PFM approach and the project portfolio

SECO contributes to achieving the strategic objectives of Switzerland's foreign economic policy as well as the Government's strategy on International Cooperation.

The "Dispatch on Switzerland's International Cooperation, 2017–2020" outlines its strategy and priorities in International Cooperation. The Dispatch includes five policy instruments (credits) through which the International Cooperation strategy is implemented. SECO is responsible for implementing the third policy instrument, "Economic and trade policy measures for development cooperation", while the fourth instrument, "Transition aid and cooperation with Eastern Europe", is implemented jointly with the Swiss Agency for Development and Cooperation (SDC).

The four-year cycle in the Dispatch is supported by country strategies for eight priority countries (Colombia, Egypt, Ghana, Indonesia, Peru, South Africa, Tunisia and Vietnam) and five priority countries in the east (Albania, Kyrgyz Republic, Tajikistan, Serbia, Ukraine). In addition, SECO operates in six so called complementary countries (Azerbaijan, Bosnia and Herzegovina, Georgia, Kosovo, North Macedonia and Uzbekistan). For the present evaluation, the joint SECO-SDC countries: Albania, Tunisia, Kyrgyz Republic, Tajikistan and Serbia are of particular interest. SECO's overall strategy is to support middle-income countries, rather than least developed countries or fragile states.

SECO has addressed the challenges of support to PFM reform in several important ways. Globally, SECO's support to the IFIs is a long-standing element of its support for progress in PFM systems. This includes support for PEFA (Public Expenditure and Financial Accountability programme), TADAT (Tax Administration Diagnostic Assessment Tool) and the INTOSAI Development Initiative assessment frameworks and standards. In particular, SECO has supported the progressive development of the PEFA PFM assessment methodology, including its application to subnational PFM systems. It has also worked closely and collaboratively with the INTOSAI and its development initiative (IDI) in relation to the setting of standards for the operations of national audit institutions in partner countries and provided substantial financial contribution to TADAT.

Switzerland's current Dispatch on International Cooperation was launched in January 2021.⁴ At the time of this evaluation, the Macroeconomic Support Section (WEMU) of the Economic and Development Division (WE), which is the subject of the evaluation, was working under the International Cooperation Dispatch 2017-2020. As such, WE as a whole was working to achieve four objectives within the Dispatch, with WEMU addressing one of these objectives, namely "Effective institutions and services". The business line within this objective that is relevant for PFM is "Transparent resource mobilisation and reliable public financial management". The relationship between this evaluation and SECO's outcomes and business lines is shown graphically in Annex 2.

Table 1 below lists the projects that are the subject of this evaluation and their implementation period.

⁴ [Factsheet IZA Botschaft 21–24.pdf](#)

Table 1: List of evaluated SECO projects

#	Country	Project Title	Implementation
1	Global	Contribution to PEFA, Phase IV (<i>PEFA</i>)	2012-2017
2	Global	Contribution to PEFA, Phase V (<i>PEFA</i>)	2017-2021
3	Global	Supreme Audit Institutions Capacity Development Fund (<i>SAI CDF</i>)	2013-2018
4	Global	Supreme Audit Institutions: Strategy, Performance Measurement and Reporting <i>SAI SPMR</i>)	2018-2022
5	Albania	Strengthening Subnational Public Financial Management (<i>Albania Subnational</i>)	2018-2023
6	Colombia	TA Activities Improving Fiscal Transparency (<i>Colombia IMF FAD</i>)	2016-2020
7	Colombia	Support to the PFM Reform Process in Colombia, Phase II (<i>Colombia PFM</i>)	2019-2024
8	Ghana	PFM Reform Strategy Accounting Project (<i>Ghana RESTRAP</i>)	2018-2021
9	Ghana	Domestic Revenue Mobilisation, Phase III (<i>Ghana DRM</i>)	2016-2022
10	Indonesia	PFM Multi Donor Trust Fund, Phase II (<i>Indonesia MDTF</i>)	2018-2022
11	Kyrgyz Republic	Capacity Building in PFM Multi-Donor Trust Fund, Phase II (<i>Kyrgyz MDTF</i>)	2015-2019
12	Peru	Public Financial Management (<i>Peru, IMF FAD</i>)	2016-2020
13	Peru	Subnational Public Finance Management Strengthening Program, Phase I (<i>Peru National PFM</i>)	2015-2019
14	Peru	Support to the National Public Finance Management Reform, Phase II (<i>Peru Subnational</i>)	2016-2021
15	Serbia	Local Government Finance Reforms, Phase II (<i>Serbia RELOF2</i>)	2018-2022
16	South Africa	Procurement, Infrastructure, and Knowledge Management Capacity Development (<i>SA PINK</i>)	2017-2023
17	Tajikistan	Ex-Post Evaluation of the Tajikistan Supreme Audit Institution (<i>Tajikistan SAI</i>)	2018-2019
18	Tunisia	PFM and Local Governments, Phase II (<i>Tunisia PFM</i>)	2016-2020
19	Vietnam	PFM Analytical and Advisory Assistance (<i>Vietnam AAA</i>)	2015-2021
20	Vietnam	State Audit (<i>Vietnam SAI</i>)	2014-2018

The project selection includes 14 projects which are on-going, five completed projects and one discontinued project (early exit).

Four projects are global projects and 16 are directed at one specific country.

With respect to the four global projects, PEFA Phase IV (2012-17) and SAI CDF (2013 -18) are completed while PEFA Phase V (2017-21) and SAI SPMR are ongoing. The evaluation treats the two PEFA support projects as one project.

Financing modalities distinguish between (a) SECO as sole external DP that procures an implementing agency (bilateral projects) (b) projects undertaken in collaboration with a single other DP focusing on a single country (multi-bi projects), and (c) multilateral projects undertaken as a co-financing contributor often through a MDTF arrangement on a global level (global projects).

The project selection contains seven bilateral projects funded by SECO alone; nine multi-bi projects i.e. undertaken in collaboration with a single other DP (IFI), often through a Multi-Donor Trust Fund (MDTF), and four global projects funded through an IFI and in the PEFA case, an MDTF.

Ten projects are confined to the national level. Ten projects involve support at subnational level, of which eight projects combine support at national and subnational level, and two projects work only on the subnational level. The two global programmes in support of PEFA are considered as supporting both national and subnational levels (in view of the extension of the PEFA methodology to subnational entities). The two global projects for support to SAs are classified as national.

All seven bilateral projects involve the selection of implementation providers directly by SECO, although one of the bilateral projects is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

Of the 13 multi-donor projects, that is both the global and multi-bi categorised projects, nine are implemented through the World Bank/ IBRD, two by the International Monetary Fund's Fiscal Affairs Department (IMF FAD), one by the INTOSAI Development Initiative and one by the European Union (EU).

4 Methodology, approach, limitations and mitigation strategies

The methodology underlying this evaluation is based on the initial assessment of 16 SECO projects in 11 countries and additional three global initiatives (with support to two phases of PEFA considered as one project). The selection of projects and countries to be included in the evaluation was made by SECO.

The assessment of the individual projects has involved two overall elements. The projects were assessed on the basis of the six OECD/DAC evaluation criteria (relevance, coherence, effectiveness, impact, efficiency and sustainability). For each project, assessment against the OECD/DAC criteria were based on judgements against 17 specific EQs set out in the Terms of Reference (ToR) of the evaluation (see Annex 1).

The EQs were adjusted slightly during the inception phase, when the evaluation matrix was developed (see Annex 3). The EQ 1-13 of the specific EQs can be seen as probing specific aspects of the six OECD/DAC criteria and addressing the accountability criteria, while EQ 14-17 relate to learning experience, including approaches to capacity development, the application of the PEFA tool, SECO's transversal themes and change management. Finally, the evaluation aimed to draw some further lesson learning. For all projects, this involved a desk review of project documents, and completion of a detailed evaluation matrix to answer all the EQs.

In order to draw conclusions at the level of the overall portfolio of PFM projects, the evaluation applied a four-point scoring system to the project-level assessments, as follows: score of 1 (Highly Satisfactory), 2 (Satisfactory), 3 (Unsatisfactory) and 4 (Highly Unsatisfactory). The OECD/DAC criteria for 'impact' was not scored for five projects that are still at a relatively early stage of implementation. In these cases, the impact criterion was excluded from the calculation of summary statistics across the OECD/DAC criteria and across projects. The scores were determined as an exercise of judgement for each DAC criterion for a given project, based on the EQs for each OECD/DAC criterion. The EQs themselves were not scored.

The ToR specified that projects in two of the 11 countries covered by the overall group of evaluated projects should undergo a more in-depth review. The selection criteria used to identify the two countries are presented in Table 2 below, which shows that Peru had the highest score (4), while eight other countries covered by the portfolio of assessed projects scored 2. Therefore, Peru was selected and, following discussion with SECO, it was agreed that Albania should be the second country, due to the project's relevance and the accessibility of key project stakeholders in the context of the COVID-19 pandemic. In Albania, one project was the subject of more detailed evaluation, while in Peru three projects were the subject of more detailed evaluation (as indicated in Table 1).

While it was intended that the evaluation team would conduct fieldwork and interviews in the two selected countries with the support of two local PFM consultants, this was not possible due to travel restrictions arising from the COVID-19 pandemic. Instead, the two country studies were conducted by local PFM consultants guided remotely by the evaluation team, with interviews undertaken in each country.

Table 2: Criteria and selection of countries for in-depth evaluation

Country	Projects just or almost finalised	More than 1 project	SECO impl. (bilateral)	Subnational coverage	Total score (1-4)
Albania	0	0	1	1	2
Colombia	0	1	1	0	2
Ghana	0	1	0	1	2
Indonesia	1	0	0	0	1
Kyrgyz Republic	1	0	0	0	1
Peru	1	1	1	1	4
Serbia	0	0	1	1	2
South Africa	0	0	1	1	2
Tajikistan	1	0	1	0	2
Tunisia	1	0	0	1	2
Vietnam	1	1	0	0	2

Following the completion of the desk reviews and the two country studies, the evaluation focused on the findings and recommendations at the thematic and portfolio level. This stage of the evaluation included the following steps:

1. Refinement of the table of findings for each project, against the six OECD/DAC criteria, to permit easy review of findings against each criterion across the projects.
2. Preparation of data tables to move from individual project evaluations to the portfolio-level evaluation. The data tables comprise:
 - A consolidated table following the six OECD/DAC criteria scores for the 20 projects, grouping them according to the four-level scoring scale with an average and appropriate other statistical measures.
 - A table with classification of implementation modalities (e.g. bilateral, multi-bi, global, national, subnational, combined), partner (e.g. IFI, private consultancy) and partnerships in categories to compare with effectiveness and impact (EQ12).
 - A correlation matrix of the sustainability relative to i) other OECD/DAC criteria (relevance, coherence, effectiveness and efficiency), ii) implementation modality and iii) to national/subnational level (EQ13).
3. Critical review of the findings emerging from the tables assembled under stages (1) to (2) above by the evaluation, including the significance and robustness of findings and lessons learnt. Also, identification of potential weaknesses in findings due to limitations in access to information and stakeholders or other factors.

The following considerations affect the findings:

- The nature of the sample of the projects in comparison to the population of full PFM portfolio is not known. As a result, the evaluation findings relate only to the set of projects reviewed and some limitations may arise since the findings are based on the sample.

- Most of the reviewed projects (14) are still on-going. It is generally too early to draw robust conclusions on impact and sustainability for these on-going projects.
- The impact of COVID-19 pandemic has slowed down implementation of most if not all ongoing projects, both by hampering field operations and by making overall project management and engagement of SECO programme managers and field officers more difficult and reliant on distance communication. COVID-19 has also meant that many projects have been delayed and are at earlier stage of implementation than was anticipated when the evaluation was initially launched (e.g. South Africa PINK, Albania Subnational, Peru National and Subnational and Tunisia PFM). Many projects may require extension, affecting assessment in particular against efficiency, impact and sustainability criteria.
- COVID-19 travel restrictions also implied that all interviews were conducted virtually (i.e. via Microsoft Teams, Zoom or Skype for Business). This affected a more direct interaction with the stakeholders and a full understanding of the context in the case countries. Even in Peru and Albania, the local consultants could not interact directly with the subnational governments (SNG) in two SNG projects and interviews had to take place remotely.

5 Findings and scoring at programme level following OECD/DAC

This section of the report presents the findings of the evaluation in relation to the assessment against the six OECD/DAC evaluation criteria, based on 13 EQs. It includes first an assessment at DAC level followed by an overview of the findings against the EQs related to the DAC criterion. The scoring is: 1 (Highly Satisfactory), 2 (Satisfactory), 3 (Unsatisfactory) and 4 (Highly Unsatisfactory). The section concludes with a summary which shows the average score against the six OECD-DAC criteria for the portfolio as a whole and an assessment of the relationship (i.e. correlation) between OECD/DAC criteria scores and the overall performance of projects.

It should be noted that the evaluation treats the two PEFA projects in the portfolio as one project. The findings below therefore refer to 19 evaluated projects.

5.1 Findings in relation to the OECD/DAC evaluation criteria and EQs

5.1.1 Relevance

The evaluation has rated the relevance of SECO's PFM projects as highly satisfactory with an average score of 1.3 with 15 out of 19 projects being rated as 'highly satisfactory'. This assessment reflects the quality of the evidence which is drawn upon in the Credit Proposals (CP) to justify the project and the specific objectives and design adopted. The CPs, without exception, provide a thorough analysis of the political and economic context of the proposed project, a summary of preceding projects both of SECO and other relevant development partners (DP) and an indication of the anticipated future activities of DPs. In most of the projects reviewed the proposed projects are demonstrated to fit clearly within the stated priorities of the beneficiary government and institutions, citing documents such as PFM reform strategies, national development plans and PFM legislative documents.

EQ1: Alignment with Government Priorities

How is the provided assistance aligned with priorities of the government in partner countries (i.e. beneficiaries of assistance)?

The PFM projects evaluated show a very high level of relevance in relation to the stated policies and priorities of the beneficiary governments. In almost all the projects reviewed the project objectives are directly aligned with specific objectives stated in the relevant government programmes and strategies, such as PFM reform strategies, medium-term reform plans and in some cases, specific reform objectives included in PFM legislation.

The CP for each project includes the documentary basis for asserting the relevance of the project. In some cases, relevance is confirmed by a solid technical approach and understanding, i.e. following good PFM practices. Examples are the SAI SPMR project, which relies on INTOSAI's and IDI's high understanding of Supreme Audit Institutions (SAIs) and the two PFM projects implemented by IFM FAD in Peru and Colombia, which rely on IMF FAD's technical experience. Another example is the set-up of a SAI in Tajikistan, which focused on establishing, for the first time, an independent SAI, and which was pushed by DPs based on good practice standards rather than the Government.

SECO recognises that the relevance of a project is also dependent on the cooperation and interest of government counterparts:

'South African politics is very much people-driven and the project – as every donor-led project – will rise and fall with the governmental counterparts. At the moment, the National Treasury has some individuals invested in reform processes and the project is pushed, however, this might change quickly should these individuals change jobs' (SECO PM).

Text Box 1: The PEFA PFM assessment framework

PEFA was initiated in 2001 as a multi-donor initiative to harmonise assessment of PFM systems across partner organisations, funded by seven international development partners including the European Commission, the World Bank, the IMF, and the governments of France, Norway, Switzerland (through SECO) and the UK. Since 2001, PEFA has become the acknowledged standard for PFM assessments.

PEFA identifies seven 'pillars' of performance in an open and orderly PFM system that are essential to achieving desirable fiscal and budgetary outcomes, namely: aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery. The seven pillars are: budget reliability (the budget is implemented as intended); transparency of public finances; management of assets and liabilities; policy-based fiscal strategy and budgeting; predictability and control in budget execution; accounting and reporting, and; external scrutiny and audit.

Under the PEFA assessment system a national or subnational entity's PFM system is assessed against 33 indicators, which fall under the seven pillars. The PEFA indicators focus on operational performance of key elements of the PFM system, rather than all the various inputs and capabilities needed to reach a certain level of performance, such as human resource capacity. Each indicator is measured against a set of up to 4 or 5 subsidiary areas, referred to as dimensions. The dimension scores run from the lowest of D, through 10 steps (D, D+, C-, C, C+ etc) to the highest grade (A). Indicator scores are determined from dimension scores.

The PEFA Secretariat manages development of the assessment framework. In 2016, the Secretariat coordinated a substantial upgrade of the framework, incorporating significant feedback from a global public consultation in 2014 and testing in 2015. PEFA 2016 builds on the previous (2011) version with the addition of four new indicators, the refinement of existing indicators, and the recalibration of baseline standards for good performance in PFM. More than 600 PEFA assessment reports from 153 countries have been completed as of 18th December 2020. (www.pefa.org)

The evaluation has examined relevance not only in terms of whether projects are aligned to government policies and objectives, but also in terms of appropriate sequencing of PFM reforms. An example is the Ghana RESTRAP project, which is moving rapidly to a full accrual basis for public sector accounting (for full compliance with the IPSAS Accrual Accounting Standard). Although clearly stated as a priority in government documents, the evaluation has questioned the appropriateness of the prioritisation of this reform, given the more pressing need to address the shortcomings of the existing modified cash-based system of public accounts. In this case, the latest PEFA scores for the three indicators relating to public sector accounting were B, D+ and D+ respectively, which indicate severe shortcomings in the existing cash-based accounting systems. Thus, it is arguably a more important task to strengthen the existing cash-based system of public accounting, rather than attempt to move rapidly towards full accrual-based accounting.

Other projects proved to be aligned to policies but also flexible to accommodate new strategy elements. This is particularly the case for projects where sub-project proposals are made by the government on a regular basis (Tunisia PFM and Peru National PFM) and where the approval processes allow for flexibility both in sequencing and in content of the projects. This flexibility has also shown to be useful during the COVID-19 pandemic, where sequencing of activities has adapted to ad-hoc needs, i.e. in South Africa, where local procurement processes were strengthened through project funds when the need arose. In the case of the Tajikistan SAI project, SECO financed three phases of support in spite of lack of interest or support from most other DPs and ambiguity on the part of government as to the institutional structure it wished to establish for the audit function. In the event, SECO's efforts have been largely successful on this project.

Text Box 2: COVID-19 - challenge and opportunity

The COVID-19 pandemic has affected and delayed the operation of several projects covered by the evaluation, but it has also created incentives for implementation of more online activities with lower costs and more flexibility. Initially, following the outbreak of the pandemic in December 2019 activities (seminars, workshops and other capacity development) were put on hold as were inputs from short term experts. However, by June 2020 new online approaches were emerging and implemented by web-based platforms and through social media.

Among the projects most affected are those with weak Information and Communication Technology (ICT), inflexible programming and high dependence of interactions with project staff e.g. the subnational projects in Albania, Serbia and South Africa. Also, projects with high dependence of international technical assistance, for example the IMF FAD projects in Colombia and Peru, the National PFM project in Peru, and the Kyrgyz Republic PFM project.

Projects that were less affected by the COVID-19 pandemic were those that already used online activities extensively e.g. the SAI SPMR project, which already had incorporated online meetings between SAIs and the regional SAI organisations, and the Peru subnational PFM projects, with a strong network of local PFM staff connected through social media. These networks were established through the diploma training, which were mostly carried out online through several platforms including Microsoft Teams, Zoom, Facebook, Skype and WhatsApp.

Projects where sub-project proposals are made by the government on a regular basis have also demonstrated some resilience to allow for flexibility in sequencing and in content of the projects to adapt to ad-hoc needs, i.e. in South Africa, where local procurement processes were strengthened through project funds when the need arose. In Peru a sub-project under the National PFM project supported the implementation of a special support to the epidemiological surveillance system for Covid-19. The presence of local residential advisers can also mitigate setbacks, which was the case in the Peru Subnational PFM project.

Project management and DP coordination have in general quickly shifted to online as most development partners were already using these tools e.g. from headquarters to country offices.⁵ However, regular contacts to government partners are affected, in particular, while partners are working from their homes with less availability of effective communication platforms.

⁵ Planned before the pandemic, the evaluation was able to shift fully to online communication with easy access to most stakeholders among SECO, other development partners and IFIs. Access to national and in particular subnational stakeholders was more complicated, where accessibility more limited.

In terms of project efficiency, the application of online events for many project activities has saved costs on travel, accommodation, training facilities and other resources for capacity development activities and technical assistance with some loss of effectiveness in some but not all projects. Looking forward, it would therefore be important to assess the applicability of different online tools and introduce them systematically into projects' implementation whenever feasible.

While relevance and coherence likely will remain high, it is too early to assess how the pandemic will affect effectiveness, impact and sustainability at the portfolio level. It is however inevitable that project implementations have been delayed and SECO in general should accept extensions. Some of the delays may be mitigated by continuous online innovations, but this depends highly on the projects as presented above.

EQ2: The Significance of an Evidenced-Based Approach

To what extent has the evidence-based approach, based on assessments such as PEFA and TADAT contributed to promote dialogue, coordination and ownership from the key stakeholders, identified the relevant weaknesses and priority reforms in SECO's priority countries and contributed to their needs?

The evidence-based approach to project design and consultation with stakeholders is very strongly present in the projects assessed in this evaluation. The results of PEFA PFM diagnostics are explicitly used to define the focal areas in the design of the new projects or new phases of existing projects. The approach has contributed significantly to reform dialogue, coordination and ownership in SECO's priority countries.

The use of PEFA assessments in the project development, implementation and monitoring processes is evident. Of the 16 country-level PFM projects reviewed, 14 project CPs make specific reference to PEFA assessments as contributing to design. Even in the two exceptions, the Peru National PFM and Colombia PFM projects, some elements of formerly conducted PEFAs were taken into consideration, while the two IMF FAD projects in Peru and Colombia were mainly based on the use of the IMF Fiscal Transparency Evaluation (FTE) instrument⁶. At the subnational level, projects have made extensive use of PEFA assessments to guide their interventions, with multiple subnational PEFA assessments undertaken or drawn on in Albania (5 municipalities), Serbia (6 municipalities), Tunisia (6 municipalities), Peru (11 regions and municipalities) and two in Vietnam (Danang and Can Tho).

Text Box 3: PEFA 2016 Framework

SECO was closely involved in the development of the revised 2016 PEFA framework, which drew on the experience and lessons of the initial decade of application of PEFA. The 2016 framework is generally described by PEFA partners and stakeholders as more 'robust', 'evidence-based' and 'more objective'. PEFA reports are seen as relevant to PFM reform, both as baselines and as a means of measuring progress. The main objectives of the PEFA assessments cited by country clients are to identify strengths and weaknesses of PFM systems and use these as an input to define PFM reforms.⁷

⁶ The IMF's FTE provides countries with: (i) an assessment of their fiscal transparency practices, (ii) analysis of fiscal vulnerability, (iii) a more complete picture of the financial position of the public sector, and (iv) an account of their fiscal transparency strengths and (v) reform priorities and recommendations.

⁷ ECORYS (2019). Study of options and recommendations for a sustainable global public good - review of the PEFA Programme. Rotterdam. [3 web-based surveys with over 250 respondents and semi-structured interviews with over 400 individuals]

In relation to the projects conducted in collaboration with IDI, the initial concentration on audit was justified by the finding across multiple country PEFA that audit is a typically weak area of PFM. The IDI audit-specific tool (SAI-Performance Framework Management) incorporated and expanded some PEFA indicators.

There is evidence of the use of successive PEFAs to assess the effectiveness of completed SECO-supported projects, for example in the Serbia RELOF2, Peru Subnational PFM and Tunisia PFM (MDTF).

PEFAs are used in consultations and to create ownership of Ministries of Finance and SNGs. This was demonstrated in the Albania Subnational project, where the assessments were widely shared and discussed among development partners and the SNGs and thereafter refined; and in Peru, where PEFAs were discussed among 11 participating SNGs to define their PFM action plans.

'If PEFA is used properly it can assist in coordinating institutions that are not used to talking to each other ... we use our contacts to enable better coordination and bring different [PFM diagnostic] tools together. This makes the [PFM reform] process more efficient.' (SECO PM).

TADAT has been less widely used in the projects falling under the evaluation. However, in Ghana DRM III, the basic design of the components of the project was based on three selected performance areas drawn from TADAT, and the project aims to support a TADAT during implementation.

5.1.2 Coherence

The average score for coherence across the 19 projects varies from very close to highly satisfactory to unsatisfactory with an average score of 1.9 (satisfactory). The evaluation has assessed the DAC coherence criterion under two headings: (i) relative to a project's coherence in terms of other Swiss initiatives and other Swiss institutions, and (ii) in respect of the alignment to the activities of other DPs.

In relation to other Swiss initiatives the evaluation notes that coherence of project design is typically given close attention in the CPs, with particular attention accorded to WEMU, WEIN (infrastructure financing) and SDC activities. During implementation, there is less attention paid to other Swiss institutions, partly reflecting the fact that in the many projects managed and reported on by IFIs, such as the World Bank, the specifically Swiss aspect is of less central concern. In most of the projects reviewed the relations in implementation between the project and other Swiss initiatives are not highlighted and other Swiss national institutions are not involved, e.g. within tax and audit, although they are sometimes approached.

In relation to the alignment of SECO projects with other DPs the evaluation believes that the SECO performance is commendable. This judgment is based on several considerations: the attention paid at project design stage to recording and taking account of the activities of other DPs, the pro-active role that SECO plays in global projects (support for the PEFA Secretariat and IDI), and in the routine DP coordination activities carried out in-country through meetings of PFM donor coordination groups. It is noted that in the many cases where SECO is a co-financier of MDTFs, there is typically a strong process of alignment both between the donors in the MDTF and in terms of the wider consultation with government which usually accompanies the development and design of these large multi-donor projects.

The evaluation did not find a strong correlation between coherence and projects' results – 'relevance' seems to be more important in this regard (see Table 6, section 5.2). This indicates that if projects are relevant for the counterpart, low coherence is less of an issue.

EQ3: Portfolio's fit within Swiss Cooperation

How does the evaluated portfolio fit with other related interventions of the Swiss international cooperation as stipulated in the strategic objective 1 'Effective institutions and services'[1] for the period 2017-2020, in particular with interventions from the SECO infrastructure financing which is active at subnational and municipal levels, and the Swiss Agency for Development and Cooperation (SDC) which is also sometimes active in the same countries (e.g. Albania Subnational, Serbia RELOF2, Kyrgyz Republic MDTF)?

The relationship of a project to other Swiss initiatives is given significant attention at the design stage, typically in the form of a dedicated section in the CP, which often addresses both the relationship of the project in question to specific SECO departments and Swiss organisations (WEMU, WEIN, SDC, ESTV (Swiss Federal Tax Administration), SIF (Swiss State Secretariat for International Financial Affairs) etc.).

Examples of project designs being tailored to fit in with or complement the SECO-supported initiatives include the Peru Subnational PFM and Tunisia PFM project (relationship with upcoming WEIN infrastructure financing initiative) and four projects - the Albania Subnational project, Kyrgyz MDTF, Serbia Subnational and Tunisia PFM – aligned with SDC's projects in relation to the development of the local government systems and service delivery.

In several instances SECO is consciously promoting and exploiting SECO's specialisation and value-added in the technical area of public accounting and audit developed through implementation of several projects worldwide. This is a driver for several projects, i.e. the two projects supporting SDIs (SAI SPMR and SAI CDF), the support for development of the Tajikistan and Vietnam SAIs, the decision to provide substantial support for development of accrual accounting in Ghana under the RESTRAP project and the Tunisia sub-national accounting reform project currently in preparation as a follow-up to the current Tunisia PFM. Although encouraged by SECO, the Swiss Federal Audit Office has not been interested in being part of any of the SAI projects, i.e. as a partner in a P2P (peer to peer) project⁸.

In terms of the relationship with SDC, several CPs see SECO PFM initiatives as supportive of the planning and the PFM framework within which SDC can operate more effectively. The evaluation observes that the progressive enlargement of SECO's footprint in PFM support at the subnational level and SDC progressively stepping up engagements in governance and PFM matters, create the need for closer collaboration with SDC to ensure clear differentiation between roles. Two contrasting experiences are noted: In the Kyrgyz Republic, where the relationship between SECO and SDC at subnational level has been highly effective and where the PFM project was expanded with an intergovernmental component, while an SDC project is implemented by an NGO and, by contrast, in Albania, where it was difficult to implement complementarity and achieving synergies with SDC due to different approaches to PFM and service delivery. SDC's subnational programme was already operating in all 61 Albanian municipalities including the 15 pilots, where the SECO project is now active in PFM capacity development. Thus, a potential for alignment and synergies existed, but it was difficult for the stakeholders to agree on the approach including in discussions during SECO missions. Agreement has since been reached between SECO and SDC and synergies have gradually been realised.

The in-country programme officers at the Swiss Embassy and in-country project staff have a particular responsibility in ensuring complementarity between different Swiss initiatives. In the Kyrgyz Republic, the fact that responsibility for both SECO and SDC projects lies with the same programme officer has been helpful in ensuring a strong mutual supportive and complementary role of the initiatives of the two institutions: the SECO project has provided

⁸ The Vietnam SAI could have been implemented with SFAO with a solid hand holding by SECO instead of with Expertise France in an EU Twinning modality (see further below).

access to the Ministry of Finance to the SDC project and the SDC project has created access for SECO to municipalities.

The same is to be said for Tunisia, where a high level of engagement of both SECO and SDC as well as synergies between their projects are visible and projects are coordinated in-country by programme officers in the Swiss Embassy. Examples for these synergies are a joint follow-up project by WEMU and WEIN, implemented by the World Bank, to a public investment management activity pushed through the Tunisia PFM project; and synergies with an SDC project supporting the development of the subnational system.

In Peru good synergies exist between the National PFM project and the IMF FAD project with the national project supporting the overall implementation of the PFM legislation from 2018, while the TA from IMF FAD supports mainly specific needs in the Ministry of Economy and Finance (MoEF). The synergies worked best while a long-term adviser was positioned in MoEF, funded by the IMF FAD project, to facilitate and coordinate the cooperation.

It is expected that it would be easier to achieve synergies in the bilateral SECO projects and in projects implemented by private companies than in the multilateral projects implemented by an IFI, and this seems to be the case. In Albania and Serbia for example, synergies are achieved although it took some time in Albania to form an agreement between SECO and SDC on the approach to PFM.

EQ4: Coordination with other DPs

To what extent are the interventions complementary and coordinated with other donors? Where has SECO proven its added value?

The evaluation notes a high degree of complementarity and coordination with the initiatives of other DPs. In the subnational PFM agenda SECO is spearheading PFM approaches such as in Peru and Albania with an effort to link the subnational and national PFM agenda.

Several factors have contributed to the generally favourable outcome:

- **MDTF.** A substantial number of SECO projects take the form of SECO acting as contributor to multi-donor initiatives especially through MDTFs implemented by IFIs. In these cases, the elaborate and prolonged preparation period and the aim to fit in closely with the priorities established in the basic beneficiary country's PFM strategies and policies, automatically lead to a unity of purpose across the participating partners. This consideration is evident in the Vietnam AAA and Indonesia MDTF and the global support to SAIs (SAI CDF and SAI SPMR). This is also the case in the Tunisia PFM project, where in the second phase, additional DPs joined the World Bank and SECO in the funding of PFM activities at national and subnational level.
- **Multi-phases.** In several important cases SECO projects constitute follow-on projects or new phases of existing projects in countries, where SECO is already well informed on the activities, current and planned, of other DPs (an example is the Ghana DRM III and the 2nd phase of the National PFM in Peru). In Colombia, SECO had solely run the first phase of its PFM reform process support and has now handed over the implementation to the World Bank for better connectivity to other World Bank projects in the country. SECO is however still very much engaged and is pushing synergies within the Swiss development cooperation sphere and within other DPs in the country.
- **Proactivity.** SECO has been markedly pro-active among the DPs in promoting the formation and regular meetings of donor PFM Working Groups, In the PFM agenda in Peru, for example, SECO's long engagement has clearly enabled it to take the lead in

the PFM dialog with the shifting governments. This is also the case in some other countries, including for leading or co-leading the subnational PFM Agenda.⁹

- **Steering.** SECO has been active in pressing for full and transparent monitoring and reporting by project implementing IFIs where in some cases the World Bank, when acting as the implementing agency, has initially been slow to provide adequate reports. In one case, Ghana RESTRAP, inadequate, un-timely and inaccurate reporting by the World Bank threatened the very viability of the project. In response to this management limitation by the World Bank, SECO has pursued an active steering role and has progressively escalated its corrective interventions.

Text Box 4: Long-term involvement in Peru

By supporting several PFM projects in Peru during the last 10 years including the two phases of the National PFM project, projects implemented by IMF FAD and the support to subnational PFM since 2011, SECO has been able to grasp the PFM dynamics, partners and agenda and understand the complex and changing political context better than other DPs. This has positioned SECO as the key government PFM partner and enabled SECO's support to be of high technical standard, relevant and respected by the government and other DPs.

A few examples of emerging duplication were noted by the evaluation. One example is the Vietnam AAA, in which some changes in project design were required to avoid duplication with GIZ initiatives on the development of the Mid-Term Expenditure Framework. However, these examples are the exception rather than the norm. In Tajikistan, good coordination was maintained with other major DPs, even after DFID and the EU decided not to participate in the SAI project. This coordination provided the basis for audit to be included in the support for PFM capacity building as the Tajikistan SAI project started to produce results.

The CPs reviewed make reference to the most important DPs operating in related support areas, which helps to inform SECO about possible cooperation areas and synergies. The information is however typically too general, and the evaluation finds that a potential exists for addressing duplication and synergies more thoroughly at an early stage in order to be adequately addressed during implementation.

For the two national and the subnational PFM projects assessed in the country study in Peru, the evaluation found a solid coordination with other developing partners including the World Bank and the Inter-American Development Bank. This was due to SECO's leading position in the PFM agenda including leadership in the Donor Table on PFM and SECO's strong relations with MoEF built up during several PFM projects since 2011. Also, the residential adviser positioned in MoEF in the IMF FAD project facilitated the coordination well.

In conclusion, SECO's interventions have indeed been complementary to and well-coordinated with the actions of other DPs. SECO's value-added in relation to coordination has arisen from the pro-active and agile role it has played in the promotion of DP coordination and its long-term engagement in several countries.

EQ5. PEFA Complementarity

To what extent does the support to the PEFA global program and its bilateral support for PEFA assessments complement each other?

⁹ Other DPs are supportive to SECO taking the PFM lead with the IFIs (WB, IMF) – stakeholder interviews.

There has been a very strong and beneficial complementarity between SECO support to the PEFA global programme and SECOs use of and support to PEFA assessments at national and subnational level. SECO is playing a unique role with its direct contribution to the PEFA Secretariat and support to numerous PEFA assessments at the national and subnational levels. Strong complementarity between these two activities has enabled SECO to develop internal capacity in application of the PEFA tool and strong institutional knowledge of evidenced-based approaches to PFM reform.

This assessment is based on the specific role that SECO has played as an important and active co-financier of the PEFA and the support provided to the functioning of the PEFA Secretariat in terms of development and testing of improvements to the PEFA assessment methodology, and the pervasive utilisation of PEFA at national and subnational level in almost all the country-level projects falling under this evaluation. SECO has also played a key role in advocating the development of the subnational PEFA methodology and its implementation in several countries (see also EQ2 above).

“The 2016 upgrade of the PEFA Framework was a huge task for the Secretariat. It was difficult to get PEFA stakeholders to agree to a process which singled out the most important standards and practices in PFM to upgrade. It is challenging to take a leading role, but SECO absolutely helped to push this process both in terms of their financial contribution and their technical work. This was also the case in development of the subnational PEFA assessment framework which SECO supported and helped to pilot” (PEFA Steering Committee member)

The supportive and proactive role of SECO is also confirmed by the PEFA Secretariat:

“SECO is one of the most important bilateral partners of the PEFA programme. They have made important and meaningful contributions to the 2016 revision and development of the subnational framework and are currently supporting activities on PFM and climate change. SECO uses the PEFA diagnostic to support its projects and has invited the PEFA Secretariat to participate in these activities (e.g. in Peru). This helps the Secretariat to develop its approach and methodologies which have been adjusted as a result” (PEFA Secretariat staff)

5.1.3 Effectiveness

The evaluation assesses that the 19 projects on average are satisfactory with a score of 2.3 against the effectiveness DAC criterion. Most projects are satisfactory, while three projects are assessed to be highly unsatisfactory, which affects the overall score. Without these three projects, the average score for effectiveness improves significantly to 1.9 (satisfactory).

In view of the early stages of implementation of many of the projects selected for review, the evaluation has experienced some difficulty in determining a firm, evidence-based assessment of the effectiveness of some projects. However, for several large well-advanced projects, such as Vietnam AAA, Indonesia MDTF II and Peru Subnational PFM, good progress has either already been made or is expected in the coming months.

In other cases, the evaluation is estimating the likelihood that project outputs will eventually be delivered in full. In several cases, effectiveness as measured by the delivery to date has been low owing to delays in project start-up and implementation, pointing to low effectiveness as measured by results achieved to date. However, where the project has been either reformulated to address early constraints, or where significant time-extension for the project has been agreed, the outlook for final effectiveness may be quite positive. Examples of these latter categories are the Albania Subnational and the Kyrgyz Republic MDTF projects, or the Peru National PFM.

EQ6: Projects' Contribution to Intended Objectives

To what extent has the provided support to PFM reforms, processes and procedures contributed to achieve its intended objectives in its partner countries?

The evaluation's overall assessment is that the portfolio of projects is contributing to the intended objectives for PFM reforms. The ability of the evaluation to reach a robust assessment of the effectiveness of the selected projects as a whole is limited by the fact that 14 projects are still ongoing, and several are at quite early stages of implementation (e.g. Albania Subnational, Serbia RELOF2, SAI SPMR, Colombia PFM II and South Africa PINK).

The assessment of effectiveness is to a large extent based on the direction of travel of on-going progress, based on preliminary reported results, the completion of inception activities and the establishment of sound relationships with beneficiary institutions and other stakeholders. Attention has also been afforded to the degree of success of previous phases of multiphase projects. In addition, some completed projects among the 19 have made strong contributions towards objectives, including the global SAI CDF, the project to support Phase IV of PEFA, Tajikistan SAI, as have three large well-advanced projects, namely Vietnam AAA, Indonesia MDTF II and Peru Subnational PFM.

The assessment of the degree of achievement of the intended outputs is based on the projects' objectives. While evidently each project has its own specific objectives, the evaluation has noted that there is a general pattern to the objective statements. The project objective statements combine an overall objective statement with a more detailed statement of between three and five more specific objectives. A key feature of the objective statements is that they are typically confined to improvement of the PFM systems, in general terms for the overall objective and in more respects for the specific objectives. The objective statements rarely include high level objectives such as reducing poverty or advancement of the general SDG agenda. The implication for the evaluation is that the achievement of project objectives lies in the extent of success in implementing the reforms set out in the statements of specific objectives.

This is elaborated further below under 5.1.4 impact.

Examples of successful contribution to project objectives:

- The establishment and embedding of the SAI in Tajikistan was largely successful, especially considering the difficult political post-Soviet context. The SAI's mandate execution and independency remains limited to date as it is challenged by the current political context and intersections with other actors in the control environment.
- The SAI SPMR is under implementation, but it has already demonstrated some effectiveness with the selection of 43 SAIs of which 18 have developed performance management frameworks as a first step towards preparing new or modified strategic plans.
- The first phase of the Peru Subnational PFM project has been highly effective by reaching most of its specific objectives including a more effective PFM cycle from budgeting to accounting, more transparency and better accountability. The project has also helped creating stronger relationships with entities at central level within planning, auditing and civil service facilitating their access to the SNG level. This factor is important in Peru, where the government's strategy for subnational government (SNG) level is unclear and there is no specific Ministry of municipalities or regions. This contrasts with Albania, which has had a clear decentralisation reform path since 2016 and South Africa, where the Ministry of Provincial and Local Government exists.

Examples of less successful contribution to project objectives

- The Kyrgyz Republic MDTF project has proven to be a more problematic project mainly resulting from inconsistent support from the Government. This has led to a substantial time extension, leaving open the possibility that the project will eventually deliver on its objectives.
- The global SAI CDF project failed to become a multi-donor project as SECO was the only contributor to the project, so only 20% of the total planned budget of USD 30 million was raised by the World Bank. However, it is noted that the sub-projects to support 12 SAIs financed by SECO were in overall satisfactory¹⁰.
- SECO's contribution to the Vietnam SAI is one of the low scoring projects. It was implemented by the EU in a twinning modality and terminated prior to project completion due to long delays in the selection of an EU twinning partner as implementer of the project¹¹, inadequate progress at the inception stage and ambiguous support from the Vietnamese government. SECO withdrew from the project before completion, while the EU continued.

Text Box 5: EU twinning

Twinning is an EU instrument¹² for institutional cooperation between public administrations in EU Member States and sister organisations in non-EU partner countries such as countries with an aspiration or agreement to be an EU member state. The idea behind EU twinning projects is to bring together public sector expertise from EU member states and non-EU beneficiary partner countries together within a formal project. Activities in the project are mainly conducted by P2P activities i.e. EU experts and experts from beneficiary institutions working together to achieve certain outputs. In EU twinning, the projects are in general developed by consultancies before the Twinning partnerships are formed, which can affect their relevance once the implementation starts.

- In the National PFM project (second phase) in Peru, the set-up of an effective implementation of medium-term sub-projects identified with MoEF has been delayed and progress halfway through the project's implementation has not been as expected due to frequent staff changes at all levels. The first phase of the National PFM project was relatively successful in supporting and defining a national PFM strategy towards national PFM legislation in 2018 with good complementarity from the IMF FAD project addressing more specific needs in MoEF. Thus, the second phase might pick up, if the organisation remains stable and the vice-minister continues.

The issues arising in problematic projects are discussed further in section 7.6 below.

EQ7: Contribution to SDG Agenda

To what extent has the provided support contributed to reach or implement their SDG agenda (e.g. data collection)?

The portfolio is addressing the 2030 Agenda and several of the 17 Sustainable Development goals (SDGs) in an overall manner by (a) strengthening Ministries of Finance, other central institutions for PFM and SAIs addressing efficient management

¹⁰ The evaluation found that 9 of the 12 sub-projects implemented performed well.

¹¹ SECO provided approximately one quarter of the total budget of EUR 4.25 million to the EU for the implementation of this project to support the State Audit Institution in Vietnam (SAV). The selection of implementing agency took two years and selected implementing agent was unable to provide acceptable proposals to address the institutional structure and challenges in SAV, which was further complicated by management changes in the SAV during the procurement process.

¹² [Twinning | European Neighbourhood Policy and Enlargement Negotiations \(europa.eu\)](https://european-council.europa.eu/media/en/press-areas/pages/press-release-2018-04-11-01-01.aspx)

of public finances and (b) strengthening the framework for expenditure management in subnational governments and municipalities, which are directly involved in the delivery of the services most critical to SDG agenda achievements.

Strengthened PFM systems improve the link between countries' prioritised SDGs and the allocation and availability of finance in national and subnational budgets. Most developing countries¹³ work actively with SDGs in their national development strategies in cooperation with the relevant UN organisations and other DPs. Many countries prioritise specific SDGs in national policies and strategies, such as health (SDG #3), education (SDG #4) and clean energy (SDG #7) or more long-term SDGs such as: *no poverty* (SDG #1) and *zero hunger* (SDG #2).

Figure 1: 17 SDGs



The Swiss Dispatch 2017-2020 mentions that the Swiss Development Policy has a new frame of reference including the 2030 Agenda and the 17 SDGs, but there is no information as to how the SDGs are related to the Dispatch's five credit frameworks, common or strategic objectives etc.

As stated under relevance, SECO projects tend to be strongly linked to national strategies. To the extent that these strategies are targeting SDGs, SECO PFM projects also make their contribution to national SDG agendas. However, only a few of the 19 project CPs refer to how the project will contribute to the 2030 Agenda and the SDGs and very few projects make explicit reference to the SDGs (e.g. the Tunisia PFM project includes a specific component oriented to achievement of SDG objectives¹⁴).

The implicit contribution from SECO PFM projects towards the SDGs is based on the strengthening of the overall fiscal position of the central government, creating additional resources available for activities targeted at the SDGs, and strengthening the framework for expenditure management in subnational governments and municipalities, which are directly involved in the delivery of the services most critical to SDG agenda achievements. The

¹³ See e.g. [Tunisia and the 2030 Sustainable Development Goals \(SDGs 2030\) \(diplomatie.gov.tn\)](https://diplomatie.gov.tn) or [Sustainable Development Goals | UNDP in Indonesia](https://www.un.org/sustainabledevelopment/indonesia/).

¹⁴ In the Tunisia PFM project sub-projects developed and presented by the Government to the WB managed MDTF include which SDGs they address.

relevant government's prioritisation of different SDGs e.g. within health, education, water and sanitation etc. can then be strengthened in the budget preparation process.



All the reviewed projects address strengthening either SAIs or Ministries of Finance and other central institutions for PFM, and thus address SDG 16: "Peace, Justice and Strong Institutions"¹⁵ and its sub-target 16.6: "Develop effective, accountable and transparent institutions at all levels". The indicator for SDG 16.6 is indicator 91: "Revenues, expenditures, and financing of all central government entities are presented on a gross basis in public budget documentation and authorised by the legislature". This could be mentioned more specifically in the CPs. WEMU's outcome target: "Effective institutions and services" is aligned with SDG 16.6.



Subnational projects address SDG 11: "Sustainable Cities and Communities"¹⁶. Under this SDG there are 11 indicators, all relating to making cities and communities inclusive, safe, resilient and sustainable.

With the 2030 Agenda as a central part of most countries and DP's preparation and implementation of projects and programmes, SDGs should be explicitly mentioned in future SECO PFM CPs and project monitoring and reporting systems. This is starting to happen such as for the CP for the Peru National PFM project (2018-2022), which identifies those SDGs which the project will address and SDG indicators for monitoring.

5.1.4 Impact

The evaluation has scored the impact criterion at an average of 2.4 (satisfactory) across 14 projects. Given that the majority of the projects reviewed are still under implementation this assessment has some limitations as the future performance of some projects is difficult to assess. For five projects it was too early to provide a score under impact

The projects' scores against this DAC criterion have in many cases been based on a projection of impact given what has been observed to date in terms of the relevance and effectiveness. With typically highly satisfactory scores assessed for relevance and satisfactory scores for effectiveness, the prospects for impact are also satisfactory.

In some of the more advanced projects it is possible to be more confident in the positive assessment of impact. These projects include the support to the PEFA Secretariat, which has had a demonstrable impact as evidenced by the increasing number of PEFAs now being undertaken at national and subnational levels without reference to the PEFA Secretariat. The PEFA framework has gained a high degree of international traction and recognition. In Tajikistan, the completed support for the establishment of the SAI has delivered a functioning new institution, even if further capacity developed may be required, and this has also contributed to impact.

The majority of projects the evaluation has observed a good level of beneficiary buy-in, which has reflected the sound processes used in project preparation and design, thus justifying the overall satisfactory assessment.

¹⁵ <https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-16-peace-justice-and-strong-institutions.html>

¹⁶ <https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-11-sustainable-cities-and-communities.html>

EQ8: Contribution to High-Level Objectives

Did the projects reach their high-level objectives?

The limitations noted above on the evaluation in terms of assessing the prospects for effectiveness apply with even greater strength to achievement of high-level objectives.

The evaluation observes that the 19 projects' main objectives are mostly related to the achievement of specific PFM reforms, rather than the achievement of very high level results at the outcome level, such as advancement of the SDG agenda or improved service delivery. The examples below demonstrate this point:

- Albania Subnational PFM: to contribute to the improvement of the subnational PFM environment to enable financial discipline, and client use of public resources
- IMF FAD Colombia: *i) improved coverage and quality of fiscal reporting; ii) strengthened identification, monitoring, and management of fiscal risks; and iii) improved integration of the asset and liability management framework*
- Tajikistan SAI: *(i) an independent, professional external audit body established and fully operational, and (ii) an improved monitoring and evaluation of state budget spending and (iii) greater clarity in the relations between the SAI and other bodies involved in financial oversight and control*

The specific PFM reform objectives can be seen as 'intermediate objectives' on the road towards results which contribute towards high-level objectives. The projects are rarely addressing high level objectives, such as *no poverty* (SDG #1) and *zero hunger* (SDG #2) or improved service delivery.

The evaluation supports the focus on these intermediate objectives. Successful PFM reforms are typically seen as one of the principle means by which higher level objectives such as poverty reduction or progress against SDGs within service delivery will be achieved. As such, PFM reforms are not high-level ends in themselves. PFM reforms are regarded as necessary but not sufficient conditions to the achievement of these higher-level objectives. The impact of PFM reform on the achievement of a higher-level objective usually takes time and relies on the fulfilment of other conditions, i.e. appropriately targeted policies related to SDGs, successful programming in other sectors, civil service capacity, etc. International evidence indicates that transformational PFM reforms are rare, with slow and incremental improvements being the norm. In this context, clearly identifying priority functional gaps is important, as is being realistic about what projects are likely to deliver which kind of improvements.¹⁷ The statements of objectives in the CPs for the projects under review are consistent with this position.

The evaluation finds that several projects are contributing to significant PFM reforms. In Peru the National PFM project (including phase one) is supporting the implementation of the PFM legislation approved in 2018 as a results of, inter alia, SECO support, while the parallel IMF FAD project is supporting more technical aspects, which are also critical for the reform. As a result of the Peru Subnational project, SNGs have started to develop better budgets and management of expenses is improved as a result of the creation of more local cost centres, which has taken the reform further.

Other examples include in Albania, where the subnational project is contributing to a substantial PFM reform at the subnational level following substantial decentralisation reforms,

¹⁷ Fritz, V., Verhoeven, M., Avenia, A. (2017). Political Economy of PFM Reforms: Experiences and Implications for Dialogue and Operational Engagement, World Bank, Washington DC

and in Tunisia where the MDTF is instrumental in supporting large PFM reforms covering the national and subnational level.

EQ9: Efficiency, Transparency and Accountability

To what extent has the provided support enabled more efficient, transparent and accountable processes and institutions?

The projects falling under the evaluation have made an important contribution to increased efficiency, transparent and accountable processes and institutions. This has occurred or is expected to occur through in particular three mechanisms: SAIs, PFM Reform, PEFA.

- **SAIs.** The selection of projects includes four projects which are directly addressing the strengthening of SAIs. These include the set of 43 projects under implementation under the global SAI SPMR in collaboration with the regional SAI organisations, and the 12 beneficiary audit institutions falling under the SAI CDF project implemented by the World Bank. Increasing the capability of the SAIs to undertake and report to the legislature on public expenditure is one of the essential features of an effective PFM system.
- **PFM Reform.** More generally, SECO's contribution to efficiency, transparency and accountability stems from the successful achievement of specific PFM reforms which form the core outputs of each and every PFM project. Several projects, such as Indonesia MDTF, Vietnam AAA and Ghana DRM, have already recorded a high degree of completion of key PFM reforms which are central to their objectives.
- **PEFA.** The SECO involvement with PEFA, both as a major contributor to the PEFA Secretariat and through the pervasive use of PEFA's to assess the actual state of PFM systems and their reliability, and through related consultative exercises at national and subnational level, has also contributed to open debate and understanding of the status of PFM systems.

EQ10: Improved Allocation and Application of Public Funds

Is there evidence that PFM reforms supported or initiated by the division have enabled more aggregate fiscal discipline, strategic allocation of public funds, and/or efficient service delivery at national or subnational level? Did the evaluation observe any other positive or negative, intended or unintended, higher-level effects linked with SECO's interventions, such as better inter-institutional coordination for instance?

Some good examples exist of emerging results for better allocation of public funds. As a general rule, PFM projects are oriented to reforming specific aspects of the PFM system and should not be expected to have an immediate measurable impact at the level of fiscal management.

The reason for this is that the level of overall fiscal management is largely determined by the aggregates of government revenues and expenditures, which are determined to a high degree by political decisions of the ruling government rather than by technical aspects of the PFM system. Fiscal reforms are indeed expected to contribute to fiscal discipline, but this impact will cover a longer period of sustained reform efforts. Nevertheless, the projects reviewed include some projects, which are expected to have had such effect.

- The Peru and Colombia IMF FAD projects, for example, address high level policy issues directly related to fiscal management, even if it is difficult to separate out their specific impact from the wider range of issues which have a bearing on fiscal discipline.

- In addition, the Ghana DRM project is strongly oriented towards important improvements to the revenue side of the national budget, to date concentrating on the national level through support for the strengthening of the Ghana Revenue Authority and reforms in the areas of non-tax revenue.
- At the subnational level, the Serbia and Albania subnational projects are supporting a more coherent approach to municipal budgeting, including through the development of medium- term expenditure frameworks, which in turn are supportive for better national fiscal control, given the significant role of the municipal budgets in the overall budgeting system.
- Better allocation of resources has also been supported by the South Africa PINK project, which has a component related to infrastructure management at the subnational level. However, it is too early to identify measurable impact in terms of more efficient public investment. In a similar view, the subnational projects in Albania, Peru and Serbia are aiming to reduce wasteful spending to create space in the budget for expenditures, which impact more directly on service delivery at subnational level.

An interesting example of better than expected results was observed on the Peru Subnational project, where, according to the implementing companies, relations between the 11 participating SNGs and central entities improved across agencies for audit, national strategic planning and the public prosecutor. This happened because the project brought expertise from the central institutions to the SNGs for seminars etc. Although some performance improvement was foreseen, the results were much better than expected, with the project functioning as an intermediary between the SNGs and the central level. This helped in the recovery of some misappropriated assets at the SNG level by the public prosecutor.

5.1.5 Efficiency

The evaluation has scored the efficiency criterion across the 19 projects as satisfactory (2.3). This assessment is based on the main finding that the majority of the projects are proceeding to be implemented and to achieve or make progress towards the delivery of their outputs within the originally defined budgets with pervasive use of international or national competitive bidding for consultancy services and other inputs.

Against this, it is recognised that many projects have been the subject of delays in start-up or implementation leading to the delays in the achievement of results and implied slow delivery of benefits of PFM reform. In particular, for the World Bank implemented MDTFs, delays have occurred in the implementation of project work plans where the project design has included provision for Recipient-Executed Trust Fund (RETF) as a mode of financial management of the project. These delays have typically resulted from inadequate capacity in the beneficiary institutions and a lack of familiarity with the technical requirements for procurement using World Bank procedures. This problem has been noted in the Vietnam AAA, the Indonesia MDTF II, the SAI CDF and the Kyrgyz Republic MDTF II. On these projects, the World Bank has taken corrective action by reducing the share of budget spending falling under the RETF to avoid adverse impact on the overall project performance.

EQ11: Different Implementation Modalities

Have the different implementation modalities and partnerships proven efficient in terms of cost and time to reach the planned objectives? Are there indications that one or more implementation modalities have produced superior results compared to others?

Analysis of the assessed scores on the DAC criteria across different modalities of implementation have not revealed any clear indications of the superiority of one or more modalities of implementation over the others.

The modalities assessed included the financing of bilateral, multi-bi, or global projects, the level of project activities (national, subnational or combined) and the category of the implementing agency (IFI, bilateral development cooperation or private contractor). The scores are presented in the table below to illustrative the findings of the evaluation.¹⁸

Table 3: Scores of the 19 projects in relation to project modalities

	No.	REL*	COH*	EFFECT*	IMP*	EFFIC*	SUST*
Financing							
Bilateral projects	7	1.1	2.1	2.0	2.2	2.0	2.1
Multi-bi projects	10	1.4	1.9	2.7	2.6	2.6	2.4
Global projects	2	1.0	1.5	2.0	2.0	1.5	2.0
National or subnational level							
National level	10	1.3	2.3	2.4	2.6	2.3	2.3
National and subnational level	7	1.1	1.4	2.4	2.2	2.3	2.3
Subnational level	2	1.5	2.0	1.5	2.0	2.0	2.0
Implementation modality							
Bilaterally implemented	1	1.0	3.0	1.0	2.0	1.0	2.0
IFI implemented	12	1.1	1.4	2.4	2.2	2.3	2.3
Private sector implemented	6	1.2	2.0	2.0	2.3	2.2	2.2

* REL=relevance; COH=coherence; EFFECT=effectiveness; IMP=impact; EFFIC=efficiency; SUST=sustainability

The results are remarkable mainly for the evenness of performance across different project modalities. The only outlier is multi-bi projects where performance on effectiveness, impact, efficiency and sustainability are scored lower, from 2.4 to 2.7, while bilateral and global have a better performance scoring just around two.

There is no indication that implementation by IFI works better than bilaterally with the private sector, although the evaluation observes that where an IFI is the implementing agency it can be more difficult for SECO to initiate corrective actions in the event that the project runs into problems. A clear case of this is the Ghana RESTRAP project, where it took many months for SECO to extract accurate reports from the World Bank on the status of the project and the impediments to the release of project funds contributed by SECO.

Another example is the Vietnam SAI project implemented in an EU twinning modality. This project was not managed properly by the EU with long delays in the selection of the implementing agent, a delayed inception phase and diminishing interest from the Vietnam SAI due to changes in strategy and management staff. Although SECO management intervened and tried to facilitate solutions, it proved difficult for SECO to have any influence towards the responsible EU agency and in the end SECO withdrew from the project.

¹⁸ The projects for the evaluation were selected by SECO. The figures in tables 3, 4 and 5 provide information on the projects evaluated and it is not known to what extent they are representative of the whole SECO PFM portfolio. The limited number of projects in the evaluation sample and the low variance between the different categories means that strong conclusions cannot be drawn from Table 4 alone.

Still, it should also be noted that implementation by IFIs like the World Bank and the IMF can also leverage at project level and increase the access to the policy dialogue in the partner country with key national stakeholders (e.g. in the Tunisia MDTF and the Colombia PFM project). Thus, on the basis of the evaluated projects, no implementation modality can be said to be clearly better than the other.

Table 4 indicates that projects at subnational level are performing better than projects at national or combined projects, with the two subnational projects (Peru and Albania) scoring respectively on average 1.5 on effectiveness and 2.0 on effectiveness, impact, efficiency and sustainability. With only two subnational projects, this is not a strong conclusion in the evaluation, only an indication of some progress in this relatively new area for SECO.

5.1.6 Sustainability

The evaluation has assessed the score against the sustainability criterion at 2.3 (satisfactory). The assessment is largely a matter of judgement of the likelihood of sustainability, given the early stage of many of the projects.

Among the selected projects, the main drivers for sustainability are the following: introduction of relevant and needed PFM budget processes, relevant and adequate capacity building and, for the subnational projects, a good interface between the national and the subnational level.

EQ12: Lasting effects of Reforms and Why?

To what extent were the PFM reforms, processes and procedures supported by SECO implemented with a lasting effect? What were the influencing factors (e.g. institutional capacities, financial capacities, implementation modalities, level of ownership etc.)? Are differences observed between interventions at national and subnational levels? To what extent is the sustainability of the PFM Interventions influenced by the relevance, coherence, effectiveness and efficiency of the intervention?

The evaluation has assessed the performance against sustainability as satisfactory. As noted above, this assessment is largely a matter of judgement of the likelihood of sustainability, given the early stage of many of the projects.

Across the selected projects several drivers for sustainability have been noted. These include the following:

The reform of PFM processes across a wide range of PFM institutions. Successful reform of budget processes is an important mechanism for achieving sustainable change, so long as the reformed processes are fully implemented, documented and staff are trained in their application. The major MDTFs in Vietnam, Indonesia and other countries all have an important focus on budget process reform. Similarly, the projects supporting or establishing SAIs under the SAI SPMR and the SAI CDF programme (which involve sub-projects in almost 60 countries) and the long-running but essentially successful support for establishment of the SAI in Tajikistan, are all expected to have a lasting effect through process reform.

Capacity development. Capacity development in PFM systems and processes is a feature of every project under review. A fuller assessment of the effectiveness of SECO's capacity development approaches is provided in section 6.1 below. The instruments used to support capacity development have been manifold, including topic-based training linked to process reforms, training of trainers, P2P learning (especially at the subnational level between municipalities as in Albania, Peru and Serbia), development of an integrated knowledge management system and training software products (i.e. in South Africa under the PINK

programme) and, more ambitiously, the institutionalisation of PFM training capacity in institutional link to or separate from the government.

However, it is not to be expected that all these approaches will have a comparable impact in terms of sustainability. Specifically, topic-based training, which is not related to the development of institutionalised training capacity, is likely to be least effective in having a sustainable impact. The initial benefits arising from individual-oriented topic-based training is likely to be eroded over time, especially in a context of significant staff turnover. The implication is that institutional capacity development in the form of establishment of well-defined PFM capacity-building strategies, which provide for sustained and systematic training of staff, will be important in enhancing the effectiveness and sustainability of capacity development activities. Within the set of projects reviewed it is observed that some countries, such as South Africa, Indonesia and Peru have established such PFM capacity building strategies, while in other countries such strategies are either absent or weak.

While P2P seems to be sustainable if conducted by capable and relevant peers, it needs to be monitored by the implementing agency as seen in the SAI SPRN and the subnational PFM project in Peru. In the Albania Subnational project, a significant emphasis is being placed on the development of P2P at the municipality level as it is the principal vehicle for progressing from the pilot municipalities to the wider set of municipalities. However, interviews conducted with stakeholders under the Albania country study indicated that most interviewees were sceptical if this would prove workable at scale. The reasons cited included the great disparity in technical capability between the more advanced and less advanced municipalities, the lack of sufficient incentives for the leading municipalities to play a leading role in P2P and the lack of confidence in the sustainability of the support required from the central bodies to make P2P a success.

Coordination between stakeholders. A further contribution to sustainability arises from project activities which impact on the coordination between stakeholders, both within individual beneficiary institutions and between beneficiary stakeholder institutions. In the projects which are combining activities at national and subnational level, a factor contributing to sustainability may be the creating of fora for cooperation between officials at the different levels of the public sector. This is believed to be occurring in Serbia, Albania, Tunisia and South Africa, while this is an ongoing challenge in Peru, where the beneficiary of the two PFM projects at national level, the MoEF and the implementing agency for one of the projects, IMF FAD, demonstrate limited interest for the subnational level.

Correlation between DAC criteria. The analysis of the correlation between the average scores for different DAC criteria indicates that the likelihood of sustainability being correlated with relevance, effectiveness and impact is high, while the relationship between sustainability and coherence appears to be much weaker (see table 5 below).

Tentatively, and based on the 19 projects for the evaluation, it seems like relevance is the most important factor for a project's results, i.e. the project's effectiveness, impact and sustainability. While coherence does not have the same importance as the existence of a strong government or leading DP (e.g. SECO in Peru), it can pave the way as different DPs can align their programmes, gradually following the lead.

With several ongoing projects among the 19 projects, it is too early to conclude on this, but the high level of relevance in the portfolio (scoring 1.3) points to probable achievement of results.

EQ13: Identification of Risks and Mitigation

Were the major sustainability risks adequately identified during project preparation and implementation? Were the appropriate mitigation measures implemented?

The CPs always contain an analysis of the risks as perceived at project design stage and the identification of appropriate mitigation actions. The major risks typically identified include the risk of lack of buy-in on behalf of beneficiaries for the reform progressed by the project and the risk that the capacities of the beneficiary institutions will not be adequate to carry the project forward.

Some of the projects are actively working with mitigation, i.e. by adjusting project outcomes in relation to adjusted government strategy, as was done in Peru for the National PFM project, when a legal PFM framework emerged in 2018. Another mitigation is that when key staff change, the projects repeat capacity development activities for the benefit of the new staff, which was the case in the Albania Subnational PFM project and also in the National PFM project in Peru.

The evaluation notes that SECO is willing to take risks. In the case of the SAI project in Tajikistan, this has paid off:

‘SECO did what every other DP seemed to shy away from at the time [2005] and went for the design and development of a SAI in a post-Soviet country. And while there certainly still are limits to the SAI in Tajikistan when it comes to its mandate, it is highly connected within the SAI regional and international landscape and it does work comparatively well’ (SECO’s Programme Manager).

In one case (Ghana RESTRAP) the CP risk matrix failed to identify what turned out to be the major realised risk confronting the project, namely a failure on the part of the World Bank to provide competent, quality and transparent project management. As with other projects implemented by IFIs, such as the World Bank managed MDTFs in Tajikistan and in Tunisia, SECO can, by playing a more active role in all phases of project implementation, provide mitigation at all stages of the project.

5.2 Project scoring against the OECD/DAC evaluation criteria

The table below sets out the scoring against the six OECD/DAC evaluation criteria. More details on the individual scoring of each of the 19 projects are provided in Annex 5.

Table 4: Average scoring of all projects following OECD/DAC criteria

	REL*	COH*	EFFECT*	IMP*	EFFIC*	SUST*	Average
Average	1.3	1.9	2.3	2.4	2.3	2.3	2.1
Standard Deviation	0.55	0.76	0.86	0.61	0.78	0.55	0.52

* REL=relevance; COH=coherence; EFFECT=effectiveness; IMP=impact; EFFIC=efficiency; SUST=sustainability

The following conclusions are drawn from the above summary table of the OECD/DAC evaluation criteria scores:

- The overall performance of the 19 assessed projects (with the evaluation combined for the two PEFA phases that were reviewed), based on the OECD/DAC criteria scores is 2.1 which is classified as satisfactory.
- The performance against each of the OECD/DAC criteria indicates a very even level of performance across the six DAC evaluation criteria with the best score for the relevance criterion with an average of 1.3, highly satisfactory and indeed close to a perfect score of 1.0. The remaining five OECD/DAC criteria all represent satisfactory scores, ranging from 1.9 for coherence to 2.4 for impact. The relatively low score for impact is influenced mainly on the poor score assessed for two rather problematic

projects: the Vietnam SAI, from which SECO withdrew in the face of lack of consistent buy-in from the beneficiary stakeholders, and the Kyrgyz Republic MDTF project, which encountered substantial delays in start-up and implementation as a result of factors outside the immediate control of SECO.

- The calculated Standard Deviation in the table provides an indicator of the degree of variability in the performance score across the 19 projects. A figure close to one indicates that the scoring is very different between each project's score, while a scoring close to zero indicates that the scores are almost the same. In absolute terms, the degree of variability is rather low, representing a rather even level of performance across the six OECD/DAC criteria. Thus, relatively high variability is recorded for coherence, effectiveness, impact and efficiency, whereas relatively low variability is recorded for relevance and sustainability.

Table 5 below provides statistics on the degree of correlation between the performance against the six OECD/DAC criteria. The purpose of this information is to provide an indication of the significance in the performance against individual OECD/DAC criteria in terms of the effect of that performance on the other indicators and the overall performance of projects. For example, the low level of correlation recorded between coherence and all other DAC scores indicates that performance on coherence has little or no influence on the other DAC criteria results. By contrast, the correlations noted for the other indicators (relevance, effectiveness, impact, efficiency, and sustainability) are all closely associated with overall project performance (as measured by the average score).

Table 5: Matrix of calculation of correlations between OECD/DAC evaluation criteria scores

	REL*	COH*	EFFECT*	IMP*	EFFIC*	SUST*	Average
Relevance		0.2	0.6	0.5	0.7	0.5	0.8
Coherence			0.0	0.1	0.1	0.0	0.4
Effectiveness				0.8	0.9	0.6	0.9
Impact					0.8	0.8	0.9
Efficiency						0.7	0.8
Sustainability							0.8

* REL=relevance; COH=coherence; EFFECT=effectiveness; IMP=impact; EFFIC=efficiency; SUST=sustainability

6 Learning questions: capacity development, PEFA, transversal themes and change management

6.1 Capacity development

EQ14. How can capacities be built in a sustainable way in a context of high level of job rotation in partner governments/agencies? What are good practices in this regard?

SECOs PFM projects have adopted a range of approaches to capacity development linked to the specific country contexts within which projects are conducted. One of the obstacles to sustained individual capacity development lies in the frequent staff turnover of specialised PFM staff, with an implied loss of acquired institutional capacity over time. In some projects systems of institutionalised capacity development are already in place or under development. In other cases, there is a potential for SECO to play a more catalytic role in supporting such strategic and institutionalised approaches to PFM capacity development.

The evaluation finds that a longer-term solution to the frequent transfer problem lies in a more comprehensive approach to the training of PFM staff, through the establishment of a national PFM training and competency system. The impact and sustainability of the training provided will continue to be partial, and in some cases fall short of expectations, unless the beneficiary governments and institutions adopt a comprehensive approach to PFM capacity development within national systems. The evaluation notes that SECO can only contribute to such schemes where they are established in the wider context of government PFM capability development.

Capacity development is a very broad concept which can be applied at different levels – the individual, the organisational level, or in a system-wide context, such as the PFM system. The evaluation has found it useful to distinguish three main drivers for capacity development:

- (i) Development of individual capacities,
- (ii) strengthening of institutions, including the processes used by institutions, and
- (iii) strengthening of better coordinated working relations both within and between the key beneficiary stakeholder institutions.

6.1.1 Development of individual capacities

The evaluation has encountered a wide range of approaches to the development of individual capacities to undertake PFM functions. These include:

- **Familiarisation workshops** are used in all projects to ensure that the beneficiary organisations are on board with the objectives and planned activities of the project. In some cases, this involves familiarising beneficiary staff with the evidence and methodologies underlying the project design, for example the initial workshops undertaken in the Serbia RELOF2 and the Albania Subnational projects to broaden the understanding of the PEFA methodology, which were used to identify focal themes in the project design.
- **Topic-based training workshops** are widely used throughout the implementation stage. SECO CPs typically define the areas to be covered by topic-based workshops, although it may be expanded during implementation as needs arise.

- **‘Handholding’ of officials by project experts** in the development of new PFM processes and procedures. A good example is the support provided to municipalities in the Albania Subnational project. The approach has the advantage that the content of the support can be tailored to the specific requirements of an individual institution. In Albania, stakeholders interviewed indicated that this was the most effective mechanism for knowledge transfer and the approach was employed on topics selected by the individual municipality, including procurement processes, development of internally generated revenue and strengthening of procurement systems.
- **Study tours** have been deployed in some projects reviewed, including the projects in support of SAIs.
- **P2P learning** has been widely applied, especially in the context of the increasing role of support to SNGs. This approach has been used in particular in the subnational projects in Albania and Serbia, which are engaged with several entities simultaneously with ambitions to roll-out across complete populations of municipalities or regions. However, the viability of P2P, and its ability to build and sustain capacities at the subnational entities, is currently being tested in the subnational projects in Serbia and Albania, and to some extent Peru. One problem faced is the often very different levels of existing competence across the subnational entities, which may lead to a limited ability to communicate between entities with different levels of staff understanding of PFM issues. One approach which has been adopted to address this problem is exemplified in the Serbia RELOF2 project, which distinguishes between the stronger municipalities, which are defined as hubs, and the weaker municipalities designated as satellites. The hubs are supported to play a proactive role in bringing their peers in weaker municipalities up to speed. The same approach is used in the Peru Subnational project with SNGs from the pilot phases as peers for the additional SNGs included in the project’s first phase. In the SAI SPMR project, P2P between SAIs is the main capacity development approach, and it is accompanied with parallel capacity development activities, including some handholding and support to the regional SAI organisations. The evaluation finds that the approach is working, and capacities are also sustained in the regional SAI organisations, which can gradually play a more important role in regional capacity development activities. The Vietnam SAI project experienced some difficulty in finding a suitable EU partner for P2P for transfer of knowledge to the Vietnamese State Audit Institution within an EU Twinning modality. Expertise France¹⁹ was selected, but the agency did not have specific expertise in supporting SAIs and therefore was not the right partner for a P2P learning modality.
- **Support for research activities**, while not a major type of capacity-building in the projects reviewed, has played a role, for example in the development of policy directions for non-tax revenue in the Ghana DRM project.
- **Learning by doing** is an integrated part of many projects. Examples are the Tunisia MDTF and the Peru National PFM, where the government partners prepare and implement sub-projects to be approved by a project committee.

With this wealth of methods for supporting individual capacity development, the question arises whether there is an appropriate sequencing of the various techniques. The appropriate starting point and sequencing depend on the specific country and institutional context of the beneficiary institutions, which should be taken into account at the project design stage. Most projects would need to start with some familiarisation for the beneficiaries to understand the projects. Study tours can also be a good starting point to understand technical areas and best practices, e.g. for a P2P project, if relevant countries can be applied as partners. P2P will be

¹⁹ Expertise France is the French public agency for international technical assistance

relevant, if suitable partners are available in the technical areas the project works in. The other forms of CD listed depend in the initial capacities of the beneficiaries and the context.

The Indonesia MDTF project provides an example of a conscious attempt to sequence individual capacity development activities appropriately. This approach starts from generic technical familiarisation through workshops, leading to more technically defined activities involving handholding by project experts, to review workshops aimed at consolidating understanding of the developments undertaken by the project. The SAI SPMR goes through similar capacity development phases in parallel with P2P activities once the initial workshop activities are performed.

6.1.2 Strengthening of institutions including their PFM processes

The effectiveness of an institution involved in PFM depends not only on the individual capabilities of its staff, but also on the PFM processes and procedures which it has established. The reform of PFM processes and procedures is at the heart of all projects. Specific examples of the successful support for PFM process developments have been set out in the assessment against EQ6 on effectiveness.

6.1.3 Better coordination between PFM-related institutions

The PFM system is not managed by a single institution but rather by a cluster of institutions. These include the ministries of finance and planning, the office of the accountant general, civil service and the SAI, as well as the equivalent institutions and departments to be found in subnational entities. Line ministries and departments also play an important role in the budgetary process. Often various institutions operate as independent silos with a minimum of interaction, which is not conducive to effective PFM. Projects supported by DPs can help to build effective communication between the various PFM-related institutions. Some of the mechanisms encountered in the course of the evaluation were:

- The holding of joint project planning meetings with participation of a range of institutions. In the case of projects addressing subnational PFM, such meetings and workshops included participation from both the national level of government and the SNGs.
- The adoption of P2P learning has noted to have a beneficial impact on the relations between different municipalities and SAIs. This has been seen to foster a community of purpose in terms of PFM reforms' needs and objectives. It also provides for the sharing of experience with different reform efforts.
- The systematic and repetitive institutionalisation of PFM capacity training, with a view to achieving a situation, where all public officials are required to acquire appropriate levels of competence in PFM systems and processes. In the projects reviewed, this approach is most evident in the South Africa PINK project and the Peru Subnational project, which is developing a diploma curriculum. It has been capacitating a large group of subnational PFM experts in a strong network and might be used one day also by public universities. However, it is notable that this approach, which to some extent also addresses the frequent changes in staff, is not evident in the majority of the projects reviewed, which tend to adopt a relatively targeted approach to capacity development.
- Support for the development of IT-based knowledge management software with specific application to PFM systems and processes. This approach, which is also present in the South Africa PINK project, has the advantage of establishing uniformity of content on PFM technical topics, and could be used to develop online examined courses accessible not only to selected officials but also to all interested parties in the

public domain. Such IT-based knowledge management programmes are particularly useful in the context of COVID-19.

- **Support for the holding of webinars** to widen the understanding of technical topics in PFM reforms and the introduction of assessment systems and their underlying methodology. The PEFA project has supported the PEFA Secretariat in the design and implementation of webinars especially on the modifications to the PEFA methodology, which was introduced in 2016.
- **Involvement of national actors in PFM training including workshops at subnational level** can also create stronger coordination between the stakeholders. This was done (or intended) in the subnational projects such as the Subnational projects in Peru and Albania.

Coping with PFM staff turnover

One of the important obstacles to sustained individual capacity development lies in the frequent staff turnover of specialised PFM staff, with implied loss of acquired capacity over time. The seriousness of this problem varies between countries, institutions and staff positions and as already noted above, the evaluation has encountered situations where SECO projects have managed to cope well with situations of exceptionally rapid staff turnovers, albeit with some delays. In the subnational projects in Albania and Peru, for example, the SECO projects are taking place in a context where substantial changes in staffing take place at both the national level and in subnational entities. However, the projects report that this flux probably had only a slightly negative impact on implementation. In contrast, the staff turnover in the MoEF in Peru delayed implementation of the National PFM project. Changes in the Colombian government implementing the Colombia PFM project between phase 1 and phase 2, also called for a prolonged and finally delayed inception period of phase 2.

The evaluation finds the longer-term solution to the frequent transfer problem lies in the more comprehensive approach to the training of PFM staff in the establishment of a national PFM training and competency system. In several projects such systems are already in place or under development. These countries include South Africa, to some extent Peru (under SERVIR, The Civil Service Authority) and Indonesia. Under such a system, even where transfers occur frequently, they are likely to be between comparable positions in different institutions, so that the trainees continue to exercise their acquired capability. However, SECO can only contribute to such schemes where they are established in the wider context of government PFM capability development.

6.2 Using PEFA effectively to support PFM reform

EQ15. In which cases is PEFA (which could be characterised as a more top-down approach) an adequate tool to promote effective PFM reform and what are the necessary conditions for PEFA to be useful? Are there good vs bad practices in the portfolio under evaluation? How could different approaches (e.g. solution-driven and problem-driven iterative adaptation (PDIA)) be combined to achieve better results?

The PEFA PFM assessment framework has played an important role in the design of most of the SECO projects falling under the evaluation. PEFA is an important tool to help identify functional gaps for PFM projects to concentrate on, but it does not provide guidance on either the prioritisation or the sequencing of specific reforms. These aspects need to be determined on the basis of the local context and the willingness of key stakeholders and institutions to advance specific initiatives.

The evaluation finds that SECO understands the importance of combining the top-down elements of the PEFA process (i.e. external assessment and benchmarking) with the in-country consultation and dialogue with local stakeholders (i.e. institutional context and stakeholder interests). The evaluation found strong evidence of SECO's effective use of the PEFA tool to promote reform dialogue – for example in the two case study countries, Albania and Peru, among others. This is consistent with good practice.²⁰

The evaluation found that many of SECO's PFM projects use adaptive approaches during implementation. This is consistent with recent thinking on PFM reform, which emphasizes that reform efforts need to adapt changes in context, leadership and policy. These issues can be difficult to predict *ex ante*. Different operational frameworks exist for achieving flexibility in PFM reform programmes. For SECO, the important issue is to determine the degree of flexibility required, which is likely to be project specific, and then determine the appropriate management mechanism for achieving that flexibility.

For the most part, both national and subnational PEFA's have been conducted by consultants reporting at least in the first instance to DPs. Thereafter the results are discussed with the beneficiary governments. This consultation process, which usually precedes the final setting of the PEFA scores, turns an initial top-down exercise into a more collaborative process. An example is the Indonesia MDTF, where the consultative approach was followed, and the Ministry of Finance played an important role in the actual PEFA assessment. This includes the appointment of the teams to assess each PEFA cluster of indicators and the preparation of the initial draft assessment report.

In several cases, notably at subnational level, PEFA's have been used as a major tool for familiarising the beneficiaries both at national level and at subnational with the concepts underlying sound PFM, obtaining buy-in and agreement on the specific areas of concern which should be given priority in project design. This has usually been undertaken through extensive workshops on the PEFA results, as occurred in the Albania and Serbia projects, thus mitigating the potential shortcomings of a purely top-down approach. This was also the case for the Peru subnational project, where PEFA's in 2019 were testing the adjustments to the PEFA methodology introduced in 2016. This approach corresponds to one of the objectives of the support for the PEFA Secretariat, which is to use the PEFA process as a tool for promulgation of understanding of PFM as well as a tool to identify appropriate areas of concentration for PFM reform strategies and projects.

The evaluation notes a difference in attitude to PEFA between the lower income or less experienced countries and the relatively advanced middle-income countries, with the latter placing more emphasis on more technically advanced and specific tools such as the FTE conducted and used by IMF. Interviews in Peru indicated that they had grown out of use of national PEFA's and preferred the FTE and the high-level technical support from IMF FAD.

PEFA's have been used in most of the projects reviewed, both at national level, but also importantly at the subnational level. In the majority of cases, PEFA's have been conducted as

²⁰ International evidence indicates that "identifying stakeholder interests related to PFM strengthening can be challenging and attention to this aspect is still limited". World Bank (2017) op cit

top-down exercises, but the results have been used to support dialogue, communications with beneficiary institutions and to build ownership to the reform process. The key requirements for PEFA to be used successfully can be summarised as:

- Extensive communication between the DPs involved and the government stakeholders prior to undertaking the assessment.
- Direct involvement of government officials in the assessment process, where the capacity exists in the government institutions to carry out the demanding requirements of PEFA assessment. This condition was met, for example, in the Indonesia MDTF.
- Involvement of the government stakeholders in the initial review of the emerging results in terms of the proposed scoring for each PEFA indicator.
- A coordinated approach between DPs and the government stakeholders on the implications of the completed PEFA for the appropriate selection of PFM reform priorities to be address in the proposed project.

Approaches to project flexibility

The evaluation has reviewed the scope of flexibility in project design and implementation and the potential use of PDIA (Problem Driven Iterative Adaptation), which advocates a problem-oriented and adaptive approach during implementation. The evaluation notes that PEFA and PDIA are not comparable tools. PEFA is primarily a diagnostic tool typically contributing to a common understanding of system performance. PDIA is a specific approach to adaptive management, which emphasizes problem solution, rapid stakeholder-led feedback loops and adaptation of project design during implementation.²¹

The evaluation finds that SECO already applies flexibility in the implementation of projects although none of the projects explicitly bases its approach and design on the PDIA methodology. In its purest form, the flexibility implied by the PDIA approach is likely to come into conflict with the need for the project design to provide clarity on how project funds will be spent for accountability and transparency purposes. The important issue for SECO is to determine the degree of flexibility in project design and then determine the management mechanisms for achieving that flexibility. See Box 6 below.

Text Box 6: PFM Reform Design and Flexibility

While most PFM experts in the field are willing to accept the PEFA framework as a method of assessing effectiveness in PFM reform programs, the literature unfortunately provides very little practical guidance on how a government should decide which areas of PFM it should prioritize and how PFM reforms should be sequenced. This lack of consensus is most evident in the various interpretations on what constitute PFM 'basics'. There seems, however, a general consensus that there can be no universal reform sequence, since reforms should be geared to specific country circumstances.²²

However, donor assistance to PFM remains rather homogenous despite efforts to tailor reforms to country circumstances. One explanation put forward for this finding is that countries may be biased towards agreeing with donor proposals when political benefits (and resources) come up front and costs (if any) come much later, while donors are under pressure to demonstrate that PFM reforms are targeting good practice outputs and outcomes within the relatively short timeframe of a typical 3-4 year donor programme.

²¹ See e.g. [PDIA Toolkit | Building State Capability \(harvard.edu\)](#).

²² Diamond, J. (2013). Sequencing PFM Reforms. Background Paper. Washington DC: PEFA Secretariat

A review of the literature suggests some dissatisfaction with how the PFM reform design process has worked in the past. What is agreed is that what happens once a set of issues have been identified (for example, on the basis of a PEFA report) will depend on country circumstances. In some cases, it will make sense to develop a comprehensive programme of reform initiatives that is formalised into a PFM reform strategy or action plan. This is most appropriate in circumstances where the government has previous experience developing and implementing PFM reforms, where existing capacities are good, and where an established PFM capacity development programme is in place. In other cases, a more flexible, less structured and open-ended approach to reform may be more suitable. This approach is most appropriate where reform plans have been developed in the past without any impact, where commitment to reform is questionable, or where the causes of unsatisfactory performance and progress are poorly understood. In such cases, smaller less ambitious reforms with quick feedback loops and learning may be more effective.

*Andrews, Pritchett and Woolcock analysed experiences with public sector reform, including PFM, based on case studies in eight countries in East Asia.²³ These studies focussed on three key areas that affect success or failure of reform: design quality, political environment, and institutional capacity. It is argued that public sector reforms are only adopted when they are **accepted** by institutions responsible for their implementation, formal and informal mechanisms **authorise** these ideas, and organisational units then have the technical **ability** to implement reforms effectively. These three factors intersect to create 'space' for reform and the extent of this space determines the extent of reform that is possible. This approach provides a useful basis for developing PFM reforms following a PEFA assessment. Recent thinking on problem-driven iterative adaptation (PDIA) has emphasized that reform efforts should entail a more iterative and adaptive approach, in order to identify where reform space exists and what actions are required to identify and maintain this space over the medium-long term.*

Choosing reforms on the basis of a government's willingness to lead and own reforms is essential, but it is important to examine how far technical PFM considerations should be compromised to fit a country's political economy context. Even in settings where a flexible approach is more appropriate, there are benefits to setting out initiatives in a structured albeit simplified agenda.

Authors, based on referenced material

Mechanisms for built-in flexibility include the provision for a part of the project funds to be allocated through a mechanism controlled by the beneficiary or major reviews during the implementation. Some good examples are evident in the projects evaluated:

- A strong form of built-in provision for flexibility is the Ghana DRM project under which the total project period is divided into two phases, which has permitted a major review of the direction of the project through an in-depth scoping study prior to the commencement of the second phase.
- An alternative mechanism is found in the Indonesia MDTF, the Peru National PFM and Tunisia PFM projects, which provided for sub-projects to be determined or proposed during implementation by the beneficiaries with submission to a committee with representation of some stakeholders.

²³ Andrews, M., Pritchett, L., Woolcock, M., Building State Capability – Evidence, Analysis, Action (2017). New York. Oxford University Press

- The design and approach in Indonesia permit the Ministry of Finance a major role on a six-monthly basis in prioritising the activities to be undertaken in the next period and indeed the introduction of activities not included in the original design.

Even in cases with implementation by the World Bank following a detailed blueprint, a more flexible approach has been adopted under force of circumstances. An example of such belated flexibility is the troubled Kyrgyz Republic MDTF, which was initially tightly blueprinted, but has made changes during implementation when faced with changing priorities of the beneficiary government.

6.3 Transversal themes

EQ16. To what extent shall transversal themes (such as gender, climate change, digitalisation, or anti-corruption) be integrated in PFM reforms? Are there emerging evidence or best practices (e.g. with regard to sequencing)? How can SECO position itself with respect to these transversal themes?

SECO PFM projects are typically not designed with the specific intention of forwarding transversal themes such as gender mainstreaming, climate change, digitalisation or anti-corruption, but are oriented to supporting PFM laws and regulations, institutions, systems, procedures and processes at national or subnational levels. In general, the contribution towards advancing transversal themes only arises where such actions fit organically into the PFM reform processes at the core of all the projects.

Although not explicitly mentioned in the CP, the evaluation has encountered a range of specific instances where SECO PFM projects have, in fact contributed to transversal themes, as illustrated below. For climate change the evaluation did not find any examples.²⁴

6.3.1 Gender mainstreaming

On gender, the Ghana DRM III (and its preceding phases) have been strongly instrumental in encouraging the Ghana Revenue Authority to include a gender strategy in its overall second Strategic Plan. In the National PFM project in Peru a budget was identified for a specific programme against gender-based violence. Gender statistics are provided for the teams that implement the sub-projects under the SAI SPMR projects and the teams must be gender balanced. SECO could make greater efforts to apply a gender equity lens to PFM analysis and reforms. For example, a considerable literature in gender-responsive budgeting has developed over the last 15 years which looks at issues related to gender equality that are often overlooked or obscured in conventional budget and public expenditure analysis.²⁵ A recent contribution is the PEFA diagnostic module for assessing gender responsive PFM (GRPFM) which uses nine indicators that measure the degree to which a country's PFM systems address the government's goals with regard to acknowledging different needs of men and women, and different subgroups of these categories, and promoting gender equality. The GRPFM can be applied at both national and subnational levels.²⁶

²⁴ Specific analysis of the extent to which PFM systems overlook or obscure issues related to climate change is a relatively new field. The PEFA Climate module, which can be used to assess whether a PFM system is responsive to climate change and able to support its mitigation and adaptation activities, was released in July 2020 and is still under development.

²⁵ See for example, (1) Budlender, D. & Hewitt, D. (2003). *Engendering budgets: A practitioner's guide to understanding and implementing gender-responsive budgets*. London: The Commonwealth Secretariat. And (2) Sharp, R. & Elson, D. (2012). *Improving budgets: A framework for assessing gender responsive budget initiatives*. Adelaide: University of South Australia

²⁶ PEFA (2020). *Supplementary framework for assessing gender*. Washington DC, PEFA.

6.3.2 Digitalisation

Several projects have contributed to digitalisation. This has occurred in the projects supporting the revenue function and budget control, i.e. the Ghana DRM, which supported the roll-out of software to extend taxpayer e-filing of tax returns, and the Vietnam AAA which supported the strengthening of the application of commitment control in expenditure control. In the municipal context, the Albania project is supporting development for enhanced distance-based capacity development building on a software application originally developed by the Ministry of Finance and Economy. The South Africa PINK project is building on existing knowledge management software developed by the National Treasury to extend the coverage to include Infrastructure Management. The Peru National PFM is planning a dashboard for the development of the PFM reform.

6.3.3 Anti-Corruption

With respect to the transversal theme of anti-corruption, while none of the projects is primarily or specifically oriented to combat corruption, it should be borne in mind that a wider purpose of PFM reform is to limit the scope for corruption by reducing the sphere of expenditure management which is subject to discretionary behaviour by officials. In this context, all the projects selected for the evaluation should be seen as contributing to control corruption. In some specific areas the expected impact is clear. These include the projects with objectives relating to the strengthening of system on public procurement, such as the South Africa PINK project.

A significant element of the SECO PFM portfolio, which is concerned with the establishment or strengthening of SAIs, has a strong bearing on the fight against corruption, since it is the audit reporting to Parliament and the Executive, which provides the most fundamental route for strengthening the controls on corrupt behaviour. In the Subnational PFM project in Peru, the project signed agreements with (i) the National Audit Institution (La Contraloría General de la República – CGR) for the development of joint activities on internal control matters, and (ii) with the Public Prosecutor on strengthening the misappropriated asset recovery process after several corruption cases. This has brought the subnational level closer to these national institutions and also contributed to the recovery of several assets.

6.3.4 Incorporating Transversal Themes in projects

As mentioned above, with the 2030 Agenda as a central overarching objective of most countries and DP's international cooperation dialogue, SDGs should be explicitly mentioned in future SECO PFM CPs and project monitoring and reporting systems (see EQ 7 above). This is starting to happen such as for the CP for the Peru National PFM project (2018-2022), which identifies those SDGs which the project will address and SDG indicators for monitoring. Transversal themes are represented strongly in the 2030 Agenda (e.g. with SDGs #5 *gender equality* and #13 *climate action*).

The present approach to incorporate transversal themes should still be followed, as the middle-income countries SECO is supporting, in general have reached at least if not more than basic PFM standards. Thus, the transversal agenda could be pushed a bit further in the bilateral projects. Of particular interest here is strengthening gender equality as it is one of the *seven common objectives* in the Swiss Dispatch 2017-2020 and remains key for the new Dispatch 2021-2024. This means that for gender equality SECO should be more active and promote gender-sensitive PFM programming. Approaches to this could include a focus on gender-sensitive topics, such as incorporation of gender-based budgeting and developing gender-sensitive PFM strategies (as has been done in Ghana DRM). SECO can draw on experiences from other DPs, such as UN WOMEN on gender-based budgeting and NORAD (Norway) that is already supporting IDIs work with SAIs' in gender equality.

6.4 Change management

EQ17. With regard to change management, what approaches have proven most successful to build institutional capacities in the field of PFM beyond individual training or coaching?

The application of a formal approach to change management as a tool to enhance impact and sustainability of PFM reforms has not yet been widely adopted by SECO. Nevertheless, most if not all projects exhibit a range of approaches which would normally be spelled out in a formal change management strategy. SECO's approach involves a strong emphasis on engagement with government agencies based on research and evidence and active coordination with other DPs involved in particular PFM reforms.

The explicit commitment to or adoption of a change management strategy is only found in three of the 19 projects reviewed: Colombia PFM, where change management is one of the five pillars of the project; Serbia RELOF2, for which the CP indicates adoption of the ADKAR approach to change management (awareness, desire, knowledge, ability and reinforcement); and Ghana DRM III, for which a change management strategy is anticipated in the CP. However, while the formal adoption of a strategy for change management remains the exception rather than the rule in the SECO projects reviewed, most if not all projects contain elements which would normally play a large part in a formal change management strategy for the project. These elements vary according to the nature of the project, as the examples below illustrate.

- The Colombia PFM project (2019-24) is at a relatively early stage of implementation and it is too early to assess the effectiveness of the change management strategy. However, the project has recently completed an inception process which was able to successfully reflect the change in Government (six months before the start of the project) as well as staff changes in the implementation agency (World Bank). This should facilitate the successful implementation of the project on the basis of good collaboration between the stakeholders observed to date as well as clear signs of ownership within the implementing institutions.
- The Serbia RELOF 2 project (2018-22) approach to change management benefitted very substantially from SECOs involvement under the previous phase of the project, which allowed a realistic assessment to be made of the capacities in the municipalities involved to benefit from the reforms supported under the project. Close involvement of pilot municipalities in the PEFA diagnostics has provided the basis for refining the design of the project. While it is too early to assess the effectiveness of the change management approach, these factors will facilitate its effective implementation.
- The Ghana DRM project change management strategy involves extensive direct engagement with the individual beneficiary institutions (GRA, NTU, MOF, NTPU) prior to and during implementation of activities, a systematic approach to capacity development and, to a lesser extent, the institutionalisation of capacity development under each component of the project. The progress already made to date in terms of delivery at the output level is good and there is a strong institutional implementation capability. The approach to change management benefits from SECOs long history of support to the key institutions involved – notably the Ghana Revenue Authority and Ministry of Finance - which facilitates an informed approach to the progression of the focus of reform support, in this case from support to the national government to support to the subnational level. It is also seen in SECO's ability to operate effectively in a complicated and crowded donor context with competing support for PFM, which derives from its long-standing relations with the Government in the revenue sector and its participation in the wider GIZ Good Financial Governance.

- The Albania Subnational project does not have an explicit change management strategy. Implicitly, an approach based on participating municipalities being involved in PEFA assessments has been adopted, on the assumption that this will lead to an understanding and acceptance of the need for specific reforms. This, in turn, allows capacity development to be effectively organised in 18 pilot municipalities, from which P2P learning can be rolled out and their knowledge spread to other municipalities through a regional approach supported by national actors (MoEF, Albanian School of Public Administration) and project staff. In projects operating at subnational level, the use of P2P learning (Serbia, Albania and Peru) for capacity development is a prominent approach adopted.
- In the case of the Indonesia PFM II project, although the CP makes no explicit mention of a change management strategy, the design illustrates clearly that careful thought went into the identification and sequencing of activities within each component of the project. This was purposely done to achieve a high level of government buy-in, the institutionalisation of continued annual guidance from the Government, and the involvement of government in specific activities to generate ownership and understanding of the reforms. The establishment of a formal reporting system at a high level through the Project Advisory Committee and the Working Committee, all of which were chaired by very senior government representatives, also helped ensure key stakeholders understood the need for change and were motivated to take action.

Common elements of the approach to change management in these projects include: a strong understanding of the institutional context, which is often the result of long term engagement in the PFM reform process; close involvement of key stakeholders in the PFM diagnostic process; significant attention to securing and maintaining government buy-in; a focus on institutional capacity-building, and; coordination with other DPs operating the PFM reform space. The projects mentioned above all score relatively highly against OECD/DAC evaluation criteria, compared to the average for the portfolio of assessed projects, which is indicative of a strong approach to change management on these projects, even in the absence of explicit change management strategies (e.g. the average DAC score for the Colombia project was 1.6, for Peru and Ghana it was 1.7, and for Indonesia and Serbia it was 1.8 – compared to a portfolio average of 2.1. See Annex 5).

The question of interest is, accordingly, whether the development of formal change management strategies built on explicit theories of change (TOC) for the country and institutions in question would make a positive contribution to the performance of SECO projects. The box below presents current guidance on PFM reforms and change management. There is no internationally established best practice in the design and application of TOC approaches. Actual DP practices vary greatly, for example, in some cases (e.g UK FCDO projects) the TOC is a graphical illustration of the main relationships between project inputs, outputs, outcomes and results. In other cases, such as some projects funded by the EU, the role of the TOC is to address explicitly how the political and institutional challenges and risks facing the project will be addressed on a pro-active basis. The evaluation finds that this more developed EU approach is more likely to prove useful in guiding project implementation.²⁷ The experience gained from the small number of ongoing projects which have adopted a more formal approach to use of change management will, accordingly, be of particular importance in guiding future project design and management procedures.

²⁷ [EU Evaluation Sourcebook](#), (pp 54-55) sets out 5 steps to elicit the theory of change underlying a planned programme. A pre-condition is that the evaluator works collaboratively with a wide range of stakeholders.

Text Box 7: Change Management and PFM reforms

The expectations and objectives of public sector reforms have tended to be ambitious and global, reflecting a list of things that need fixing, rather than a list of the things that the reforming government is ready to do. This is especially true in the case of PFM reforms, which at its most ambitious often involves multiple initiatives across various institutions and levels of government.²⁸ Two common findings emerge from reviews of PFM reforms in developing countries: first, contextual factors play a significant role in shaping PFM reforms. Second, the focus of reform discussions between governments and their development partners is often based on an implicit model of best practice, which targets the external legitimacy of PFM systems, rather than the central role of PFM reforms in delivering domestic priorities and addressing immediate problems while recognising the constraints that apply.²⁹

These two issues often come into conflict during discussions about the design and implementation of PFM reforms. Guidance has recently been issued by the PEFA Secretariat which should go a long way to improving the design of PFM reforms.³⁰ This emphasizes the importance of PFM reforms being based not only on technically sound interventions (e.g. broad PFM diagnostic tools such as a PEFA assessment, or analysis of individual elements of PFM, such as tax administration) but also on PFM outcomes which have the commitment and ownership of government, reflect government priorities and capacities, and consider and address potential constraints. However, there is relatively little guidance on how to manage these challenges during implementation.

*The response, increasingly, is to draw on change management and organisational development literature, which emphasize **the importance of coalition-building and leadership, as well as specific technical measures**.³¹ In this context, change management refers to the process of 'helping people understand the need for change and to motivate them to take actions, which results in sustained changes in behaviours'.³² It involves deliberate efforts to communicate effectively with the key stakeholders and institutions involved in PFM reforms, in order to develop an underlying theory about how certain reforms will, subject to stated assumptions, deliver the higher level results of the reform programme. This is known as the project's theory of change (TOC) which will be specific to that project.*

In some cases, the TOC will be based on a comprehensive programme of reform initiatives. In other cases, it may reflect a more iterative approach focused on specific high-priority problems or issues (as in situations where reform commitment is uncertain, or where the causes of poor PFM performance are not well understood – see Box 6). In these cases, smaller less ambitious and iterative reform initiatives with a focus on continuous feedback and learning may be more effective. A change management strategy operates within the framework provided by the TOC and sets out how the capacities and behaviours of stakeholders identified in the TOC are to be influenced.

Authors, based on referenced material

²⁸ World Bank (2008). Public Sector Reform: What works and why? IEG Evaluation of World Bank Support. Washington DC: World Bank.

²⁹ World Bank (2017), op cit

³⁰ PEFA (2020) Using PEFA to Support PFM Improvement, PEFA Handbook Volume IV (2020). Washington DC: PEFA

³¹ Porter, D. Andrews, M. Turkewitz, J. and Wescott, C. (2010) Managing Public Finance and Procurement in Fragile and Conflict Affected Settings, WDR 2011 Background Paper. Washington DC, World Bank

³² Kostenbaum, S. and Dener, C. World (2015). Managing Change in PFM Reforms: A Guide for Practitioners. Washington DC World Bank

7 Conclusions

The previous chapters of this report have set out the findings of the evaluation with respect to specific aspects falling under the ToR, including the performance of projects against the OECD/DAC evaluation criteria and the specific EQs. This chapter draws some more general conclusions about the nature, strengths and weaknesses of SECO's performance, observed across the 19 projects reviewed. Sections 7.1 and 7.2 provide the evaluation's findings with respect to the two fundamental questions addressed by the evaluation. The remaining sections provide the evaluation's findings relating to some specific aspects of SECO's PFM portfolio.

7.1 Have SECO's PFM interventions contributed to successful reforms in PFM?

The overall finding of the evaluation is that, with few exceptions, the projects under review have, indeed, contributed to successful reforms in PFM. The nature of this success has differed to a degree between the various categories of project.

In addressing this fundamental question, the evaluation has sought to clarify what the appropriate defining elements of "successful reform in PFM" are. It is proposed that successful reform should:

- Address important areas for reform in PFM systems as identified by the beneficiary governments and as identified in PFM diagnostic assessments;
- Support the formulation and adoption of the PFM reforms targeted; and
- Provide a basis for sustainability of the reforms targeted and adopted. The basis for sustainability typically requires some combination of (i) the embedding of the reforms in actual practices, preferably supported by legal or regulatory backing, and (ii) the development of institutional capacities, including the capacities of individuals in those institutions, to maintain and sustain the adopted reforms.

It is noted that 'successful PFM reforms' (i.e. the outcome targeted by PFM projects) are in the wider context the means to higher level objectives such as poverty reduction or progress against other SDGs. In other words, PFM reforms are not high-level ends in themselves. PFM reforms are regarded as necessary but not sufficient conditions to the achievement of the high-level objectives. The impact of PFM reform on the achievement of these higher-level objectives usually takes time and the fulfilment of other conditions, i.e. successful programming in other sectors. The important corollary of this is that the success of PFM projects should not be assessed on the basis of progress in the achievement of the higher-level objectives. It is observed that the statements of objectives in the CPs for the projects under review are consistent with this position.

The bilateral and multilateral (multi-bi and global) projects in the portfolio reviewed have in the majority of cases successfully addressed, or, in the case of ongoing projects, are showing promise of success in addressing, the three criteria of successful reform set out above. The generally very high scores recorded against the OECD/DAC *relevance* criterion point to success in the targeting of appropriate areas for PFM reform and the use of evidence-based diagnostic to targeting reform areas included in project design.

- **In terms of the first criterion for successful PFM reform**, important progress has been achieved as a result of the impact of the global projects (support for PEFA and for SAs). The support for PEFA has been successful through the complementary initiatives undertaken in support of the PEFA Secretariat, and of the inclusion and

utilisation of actual PEFA assessments in many of the country projects. The evaluation has found compelling evidence that SECO has played a strong role in the development of the PEFA assessment as a widely used PFM diagnostic tool, and in particular, the development of the application of the PEFA methodology at the SNG level. The most striking evidence for this conclusion is the steady rise in the number of PFM assessments using the methodology around the world, many of which are now undertaken purely on the initiative of the governments concerned without any reference to the PEFA Secretariat. The success of the support for SAIs is different in nature and has depended less on methodological improvements, and more on the provision of support for the application of established good practices in the audit function across a wide range of beneficiary countries.

- **In terms of the second criterion**, the actual adoption of the targeted PFM reforms, the fact that many of the reforms under review are ongoing and in some cases at quite an early stage of implementation, means that the evaluation cannot reach categorical conclusions across all the projects. However, several large projects, both multi-lateral and bilateral are already making progress in the adoption of reforms. Examples are the Vietnam AAA, Indonesia MDTF II and Colombia National PFM.
- **In relation to the third criterion**, namely the building of institutional capacity as a basis for sustainability of PFM reforms, the conclusions of the evaluation are slightly more cautious. First it must be recognised that all the projects reviewed place a strong emphasis on capacity development in the project design. The approaches to CD are carefully designed and appropriate for the baseline and institutional context in which the projects take place. The evaluation recognises that the context varies substantially across countries.

In some cases, often in the more advanced countries, such as South Africa or Colombia, there is already a strong strategy and institutional framework for PFM CD. In these cases, the support to PFM CD can be and has been tailored to fit in with the wider institutional delivery programme for PFM CD already in place. In other countries, such as Kyrgyz Republic, Serbia and Albania, such an overall framework for PFM capacity development is either not in place or is in the process of being established. In these cases, SECO has to design its capacity development support activities based on first principles and the avenues which appear most likely to success in the context. In these latter cases, where capacity development is not strongly institutionalised, there is a danger that SECO support for PFM capacity development may have only a partial success or prove ephemeral in the face of frequent staff transfers and changing priorities in the beneficiary governments.

A particular area of consideration for the evaluation relates to the use of P2P learning, which may only prove effective where there is a strong institutional support capacity in place to ensure the availability of learning materials and to address the requirement for appropriate incentives for institutions expected to lead P2P processes. The SAI SPMR project has some promising features in this regard with accompanying CD and follow-up by the regional SAI organisations, as well as additional technical support if the P2P runs into challenges.

7.2 What role did the evidence-based approach play in these processes?

The evaluation has assessed the application of this evidence-based approach in terms of the practice adopted with respect to each stage of the intended logical progress in the use of evidence.

SECO's evidence-based approach to PFM is outlined in the ToR as:

If interventions in partner countries are based on diagnostic assessments and aim at strengthening institutional capacities,

↳ **Then** these institutions will be better able to design more effective reforms in the field of Public Financial Management (which enable aggregate fiscal discipline, strategic allocation of public funds, and/or efficient service delivery),

↳ **Because** diagnostics can identify the key strengths, weaknesses and challenges, they constitute a useful source of data which can contribute to monitoring, steering, benchmarking and peer-learning purposes. They also contribute to increase ownership, coordination and political dialogue amongst stakeholders within and across institutions, which allows institutions to be more efficient, accountable and transparent.

The evaluation finds that SECO PFM interventions in partner countries are indeed based on diagnostic assessments and are aimed at strengthening institutional capacities. Evidence for this conclusion is based on:

- The pervasive use of the PEFA methodology in providing the initial diagnostic of PFM strengths and weaknesses and the targeting of specific concentration areas for targeted PFM reforms. Of course, given the time and resources for undertaking PEFA, it is not possible in all cases to draw on the results of the assessments in project design. However, this problem has been met in some multi-stage projects through the support for actual implementation of PEFA in the initial stage, i.e. in the first phase of the Tunisia PFM, which are then used to drive or modify the targeted reforms in subsequent project stages.
- SECO's role in the development of the PEFA assessment instrument, which was particularly important in respect of the procedure development for application of PEFA at the subnational level has been important (see also under EQ5 and learning EQ15 for more on the global support to PEFA and the interaction with the PEFA Secretariat).
- The support provided through the global projects, and in particular the support for the PEFA Secretariat, which is specifically oriented to strengthening the evidence base for the definition of PFM reform priorities and the gaps and weaknesses in existing country PFM systems.
- In the case of projects implemented by MDTFs, SECO has participated in the very extensive diagnostic work during project preparation. In the case of the WB, preparation from Project Concept Note to the final Project Appraisal Document includes several analytical steps and interactions with the beneficiary authorities at various stages. In such projects, there is typically a strong alignment of the project targets with the strategic objectives set out in key country strategy documents. The routine six-monthly implementation support missions led by the WB provide an important mechanism for bringing the latest evidence to bear on the progress and prospects for specific PFM reform initiative. SECO's role in the preparation and missions could be strengthened.
- In the projects which constitute second or later phases of previous SECO engagements, extensive use has been made of the experiences and challenges faced in the earlier phases.

In terms of the use of evidence in building beneficiary institution buy-in to reforms and contributing to the design of more effective reforms, SECO's role has varied to a degree across the different types of project. Where SECO is contributing to an MDTF, in most cases the

direct engagement with the beneficiary institutions is typically led by the institution in overall implementation management control of the MDTF. This is in many cases the WB or in the case of the IMF FAD projects in Peru and Colombia, the IMF. In these instances, SECO's role in propagating the use of evidence in cooperation with the beneficiary is usually channelled through the engagements of these multi-lateral agencies with the governments concerned. In the bilateral projects, SECO plays a more direct role in engaging with the beneficiary institutions, as for example in Peru, where SECO has established a longstanding working relationship with the MoEF. In the projects with a subnational emphasis, the evaluation finds that SECO is contributing to improving the quality and accessibility of fiscal and budgetary information for the benefit of both the subnational entities concerned and the central authorities.

7.3 SECO's strategic approach to support for PFM

The evaluation has observed 3 key aspects of SECO support to PFM in the selected portfolio of 19 projects which are interlinked and constitute defining characteristics of the portfolio. These key aspects serve to differentiate SECO from the other bilateral DPs:

- The combination of complementary areas of support to the global initiatives, especially PEFA and IDI, with in-country projects which provide case material and evidence for those global initiatives.
- The concentration on the specific technical areas of public sector accounting and audit for increased transparency of government.
- Long-term engagement with multiple project phases or multiple projects in a country provides SECO with stronger relation to the government and trust and knowledge to support PFM strategy development further.

The reviews undertaken at the project level have for the most part confirmed the incremental value-added, which has derived from the combination of support to the PEFA Secretariat in the promotion of the assessment procedures and guidance relating to the use of PEFA methodology at the subnational level. This has benefitted both the PEFA Secretariat and the countries where subnational PEFAs have played a large part in the definition of donor programmes for SECO and other donors alike.

SECO's support for the INTOSAI and for IDI has promoted support to SAIs worldwide as an important supplement to PFM projects, which according to the same PEFAs and other assessments often score low and are left out in PFM projects due to their constitutional status. The SAI SPMR project has been conducive in implementing a new and more effective approach to support SAIs with the application of P2P learning and support from the regional SAI organisations. Thus, the SAI SPMR project is both supporting the assessment tool (performance framework management) and its applications.

A substantial proportion of the selected projects constitute either follow-up on projects or subsequent phases of previous donor projects. This has been an important source of strength for the SECO PFM portfolio. This strength derives from several sources: familiarity with the country context, access to documented evidence for the sector, established relationships with beneficiary stakeholders in government and relations with non-governmental institutions in-country.

This even holds true when the implementation modality changes, such as with the Colombia PFM project, where Phase I was implemented by a private company and the now ongoing Phase II by the WB. Whilst this change was followed by an intensive inception period, SECO's familiarity with the stakeholders in-country and its consistent engagement ensured consistency and efficiency even in a changing political and partner context.

Incorporation of SDGs have not yet been a high priority for SECO, and transversal themes are only covered partially by the projects i.e. anti-corruption is well covered, gender equality and digitalisation have some presence, while climate changes is not present. Because the SDG agenda, including transversal themes, is prominent with most other DPs, projects implemented by IFIs are normally mentioning the relevant SDGs, while SECO needs to do more for their incorporation in the bilateral projects in particular gender equality, which is a high priority in the Dispatch 2017-2020 and remains a priority in the new Dispatch from 2021-2024.

7.4 Participation in Multi-Donor Trust Funds

A substantial part of the selected portfolio of projects takes the form of SECO acting as contributor to multi-donor initiatives. This approach has obvious advantages for SECO as a relatively small PFM donor compared to i.e. the WB. It allows for SECO's financial contribution to be concentrated on financing of project activities without the direct management costs of project management procurement and oversight, though there is, of course, a management fee payable to the MDTF managing agent. In the majority of cases reviewed by the evaluation, this system has operated well. However, the following less positive aspects are noted:

- In most such projects SECO has only a limited role in project design, with the IFI taking the lead in design based on its own standard project preparation procedures.
- Although World Bank MDTFs typically provide for six-monthly implementation support missions, SECO is not usually a full member of these missions, and the mission reports are not always made available promptly or at all to SECO.
- In some cases, the World Bank Team Leader has not been readily available (e.g. stationed in the headquarter or another country) and lacked the necessary understanding of the context and relevant language skills. This was an issue in the Kyrgyz MDTF and Ghana RESTRAP projects, while it worked well in the Indonesia MDTF.
- A common feature of the WB led MDTFs is the use, following WB standard procedures, of the financial management of the project being divided into two components, a Bank Executed Trust Fund (BETF), in which the WB manages expenditure and the project activities, and a Recipient Executed Trust Fund (RETF), in which the beneficiary institution, usually the Ministry of Finance, is entrusted to undertake the financial management of a part of the overall project budget. A common feature noted is that the RETF, while offering benefits in terms of increased buy-in on the part of the beneficiary, is also liable to incur implementation delays, largely arising from a lack of familiarity with the application of World Bank procurement procedures, which are typically mandatory in such projects.
- While the quality of WB management is generally of a high standard, SECO has experienced the need to be active in pressing for an appropriate quality and timelines of reporting on the project.
- In one case (Ghana RESTRAP) the management function performed by the WB was of low quality, including the concealment of information vital to SECO's interests, and the delivery of poor quality, unreliable reports late of schedule.

7.5 SECO's appetite for risk

SECO has demonstrated a willingness to take risks in its selection of projects to be supported. In two cases, SECO has provided support for projects with little support from other DPs. The

two cases reviewed are the Ghana RESTRAP project and the longstanding support for the establishment of the Tajikistan SAI. It is noted that in both cases SECO was pursuing a technical area in which it already had previous experience and access to specialised Swiss expertise within audit and accrual accounting, including both public and academic institutions such as ZHAW (Zurich University of Applied Science).

In the event, the outcome in Tajikistan proved to be satisfactory and an operating SAI has been successfully established. In the Ghana RESTRAP it is still unclear whether the objectives of the project will be achieved. In the case of the Kyrgyz MDTF, SECO continued to support the project even in the face of very serious problems, stemming from lack of clarity of government support, when there was a real possibility that the project would fail. Following the change of government, agreement has been reached with modifications which offer the possibility of the project getting back on track, supported by a substantial time extension. The Vietnam SAI project was also risky from the beginning as it was set in a complex context and with a modality (EU twinning), that SECO had not used before. It then turned out to be indeed a rather problematic project.

Risks are mitigated by implementing projects in more advanced, middle-income countries, as well as through spreading investment over different implementation modalities and countries. The evaluation does not find that risk would be lower with more implementation by IFIs, as bilaterally implemented projects with a private company are performing at least as well (as indicated in section 5.1.5). Overall, the combination of several modalities ensures that SECO has a broad understanding of the ongoing agenda, specific issues and spreads risk(s).

7.6 Management of failing or problematic projects

The portfolio of selected projects includes three projects which are judged as failures or highly problematic:

- (i) The Vietnam SAI project implemented by the EU in an EU twinning modality from which SECO withdrew support prior to project completion.
- (ii) The Ghana RESTRAP project in which SECO is the sole bilateral contributor to an add-on to the major (USD 45 million) PFM MDTF, aimed at introducing accrual accounting to the public sector accounting system to achieve compliance with the IPSAS Accrual Accounting Standards.
- (iii) The Kyrgyz MDTF project which has been subject to extreme delays.

The evaluation has reviewed the circumstances leading to the problems encountered in each of these problematic projects and the response exercised by SECO. In each case, the evaluation has assessed that the origin of the problems experienced fell outside SECO's control and that the responses of SECO's country officers and programme managers have been persistent efforts to put the project back on course. In the case of the Ghana RESTRAP project, at one stage there appeared to be a possibility of realised fiduciary risk, as SECO had already contributed funds to the MDTF, but there were unexplained reasons for the non-utilisation of the funds provided to the World Bank. It can be argued that SECO managers could have responded earlier and more vigorously to these problems, for example, through insisting earlier on access to higher level managers within the World Bank. In general, SECO has managed to perform a key role to follow projects' implementation closely and provide relevant guidance and react if the implementing agencies are not fulfilling their obligations. This is for example the case in Peru, where SECO has taken a leading role in the coordination of the national PFM agenda in cooperation with the IMF FAD. In the case of the Ghana DRM III project, serious problems were encountered in the initial phase of the two-phased project. SECO's response to these problems was to undertake a serious stock-taking exercise, which led to the reformulation of the second phase of the project.

8 Recommendations

The evaluation has identified the following recommendations aimed at further strengthening SECO's performance and effectiveness in the PFM thematic areas, based on the findings and conclusions set out in previous chapters and discussions held with SECO at capitalisation workshop on 19 January 2021. For each recommendation, the evidential basis and rationale are set out, followed by specific implementable steps, which can be taken.

Recommendation No. 1: SECO should continue to maximise policy engagement - especially when engaging jointly with other donors in MDTF

Rationale: SECO has positioned itself as one of the leading development partners in PFM support in its priority countries and in two global initiatives. For implementation through MDTF by IFIs, the evaluation recognises that SECO already places importance on active participation in the formation of such DP consortia. However, the level of engagement has, in some cases, not been satisfactory due to the IFIs' own constraints and ways of working. In some cases, the evaluation found that SECO could have played a stronger role as a partner in PFM reform policy dialogue and during project implementation.

This recommendation could be implemented by:

- Playing a more active role in the project formulation and preparation phase; be an active partner in the project steering and ensure to be part of implementation missions from an early stage, lead coordination with relevant partners.
- Using SECO's existing knowledge for synergies and coordination with other DPs from existing engagements.
- Continuing support to global initiatives and harvest synergies to bilateral projects.
- Being ready to take corrective actions at an early stage.
- Developing strategic cooperation with other Swiss institutions e.g. Swiss Federal Audit Office and Swiss Federal Tax Authority.

Recommendation No. 2. SECO should continue to maintain a balance between the bilateral and MDTF/IFI project implementation modalities

Rationale: The bilateral and MDTF/IFI project modalities have different strengths and weaknesses. The MDTF/IFI modality has the benefits of close coordination in the design of the programme and the ability to leverage the institutional weight of the implementing MDTF-IFI's in policy dialogue etc. This can be particularly beneficial in difficult country contexts and can help mitigate project risks. It requires only limited SECO engagement during implementation. The management cost is defined in advance, typically in the form of a management charge paid to the implementing IFI. However, this modality sometimes provides limited opportunity for SECO to make its mark on programme design and for innovation. The bilateral mode is more complex for SECO, requiring extensive involvement in project identification, tendering, supervision and reporting. However, the bilateral modality offers greater scope for experimentation, learning and risk-taking. The evaluation supports the present practice of aiming for a mix of bilateral and MDTF/IFI implementation modalities to balance the benefits and risks of the two modalities.

This recommendation could be implemented by:

- Undertaking a review of a small number of bilateral projects to estimate more accurately the total real costs of project design and management, both financially and in terms of SECO staff-time required at headquarters and in-country, and making a comparison with the costs associated with projects implemented under the MDTF/IFI modality.
- Identifying in advance specific thematic areas where there may be special value in adopting the bilateral modality. This could arise, for example, where SECO wishes to develop an experimental new approach to a PFM problem area, or alternatively where a project deemed to be very promising is unlikely to receive support through a collaborative MDTF/IFI modality.

Recommendation No 3: SECO should continue to develop approaches to project design, which permit flexibility in the project implementation

Rationale: The context on which a project is implemented can change during implementation in ways, which call for modification of the project design. Such changes could arise from, for example, developments at the political level which affect the priorities and needs of the government, natural disasters or the current COVID-19 pandemic. At the same time, the original project design must give sufficient guidance on how project funds will be spent to satisfy the requirements of the sources of finance (parliament and taxpayers). Approaches to build in flexibility include elements of project design and adoption of elements of approaches such as the PDIA methodology.

This recommendation could be implemented by:

- For larger projects and projects with a long duration, provide for a breakpoint at which the project design can be reassessed.
- Allocating a portion of the total budget to a fund, the utilisation of which will be determined during the course of the project and may well involve a substantial role for the beneficiary (MoF or other). This provision also will increase beneficiary buy-in to the project.
- Continuing and expanding the modality with presentation of sub-projects by the government partner (MoF) with approval of a committee with representation of SECO (or delegation).
- SECO staff to keep abreast of the development of more flexible development approaches by other development partners and research institutions³³.
- Assessing the application of the recent experiences with online tools during the pandemic in projects and provide more systematic guidance to projects on how the tools can be best used including assess if activities can be performed online without loss of effectiveness.

Recommendation No. 4: SECO should continue to support the strengthening of National/Subnational PFM linkages

Rationale: SECO has played a pro-active role in promoting the progression in project activity in the PFM thematic area to include support at the sub-national level. This has included

³³ The evaluation notes that the PEFA Programme itself is an active sponsor of research and operational thinking in this area, and actively publicizes the results of this work

support to PEFA in the development of the subnational guidance on the PEFA assessment tool, and the inclusion of subnational PFM reforms. This is an important development as most spending directly affecting service delivery and advancement of the SDG agenda often takes place at the subnational level. An important observation of the evaluation is that the effectiveness of support at subnational level is strongly influenced by the relations between the central and the subnational layers of government. SECO can play an important role in strengthening these relations through simultaneous engagement at both levels and the programming of joint activities in project design.

This recommendation could be implemented by:

- Including in projects supporting sub-national entities provision for project activity at the central level.
- Continuing to advocate and, where appropriate, support the undertaking of subnational PEFA assessments to provide baseline thematic guidance in project design.
- Engaging with the central agencies as a core component of projects which are primarily supporting subnational governments.
- Close cooperation and coordination with other agencies working in the PFM thematic area at subnational level in the country concerned.
- Including output(s) in national PFM projects that relate to results in subnational projects, if projects are executed at both levels.

Recommendation No. 5: SECO should more clearly to reference the coherence and synergies of its projects with those of SDC, where both are present at country level.

Rationale: The evaluation notes that particular attention is given to WEMU, WEIN and SDC activities during project design. However, in some projects, implementation relationships with other Swiss development interventions are not clearly referenced, although it is expected that coherence and synergies will be achieved.

This recommendation can be implemented by:

- SECO programme designers ensuring at the time of CP preparation that due attention is given where relevant to implementation relationships with SDC initiatives identified in a given project, particularly where the implementing arrangement is through an IFI where the specifically Swiss aspect of the project is of less central concern.
- Closer coordination between SECO and SDC to ensure complementarity and mutual support for all Swiss projects addressing the project's thematic area.
- Conducting early conversation with implementers of other relevant ongoing projects with tentative agreements on cooperation.
- Strengthening coordination with other development partners (DP) by taking or resuming leadership in DP coordination groups/round tables.

Recommendation No. 6: SECO should develop a more coherent approach to Theory of Change and Change Management across its PFM portfolio

Rationale: The application of a Theory of Change and Change Management approaches are increasingly being adopted by development agencies. However, there is no common accepted

methodological approach. Some donors use a TOC which is essentially only a diagrammatic rendering of the logframe. A more structured approach uses the TOC as an instrument for digging beneath the surface of the logframe and the project's risk matrix to identify the likely challenges which may arise in the postulated progression from inputs to outputs to outcomes. Examples include challenges arising from obstruction to reform in the civil service or at political level. Based on the issues identified in the TOC, the role of the Change Management Strategy is to set out the specific measures or approaches to be adopted to ensure the beneficiary institutions have strong buy-in to the project objectives and the capacity to deliver the outputs. SECO has started to include TOC and CM approaches in some projects. The evaluation believes that SECO should continue to develop this element of its project management methodology.

This recommendation could be implemented by

- Formulating an approach to TOC and CM based on experience to date in projects that have introduced these approaches, reviewing the comparative experience of other donor agencies, and development of TOC and CM approaches and methodologies to be applied to all new SECO projects.
- Preparing a SECO conceptual paper and guidance instructions for use by all SECO staff and internal training in the application of the adopted approaches.

Recommendation No. 7: SECO should further strengthen its approach to sustainable capacity development, building on the experience of projects within the evaluated portfolio where the approach has been successful.

Rationale: The SECO projects include different approaches to individual and institutional capacity development (CD) but not all are succeeding to the same degree in the typical context with shifting government officials at all levels. In some cases, the CD activities are relevant but often need to be repeated several times at the individual level by the project.

This recommendation could be implemented by:

- Anchoring systematic long-term CD initiatives to national institutions (e.g. as in the Peru SNG project) and including the MoF as supervisor for subnational PFM training wherever possible.
- Ensuring that P2P is implemented in modalities with capable partners and with proper monitoring of the implementer and enough budget to follow up.
- Applying CD approaches that also includes the management level, so all staff are familiar or informed about new approaches (e.g. as in the Albania SNG project).

Recommendation No. 8: SECO should strengthen the approach to inclusion of transversal themes – climate change, gender, anti-corruption, digitalisation – in project design, where local opportunities and partner strategies permit

Rationale: Transversal themes (gender mainstreaming, climate change, digitalization, anti-corruption) are included at a general level in credit proposals, but not with details on implementation in projects. Anti-corruption is in general covered well, while for gender mainstreaming, which is one of seven common objectives in the Dispatch 2017-2020, project activities are limited. The opportunities for addressing transversal themes are typically highly project-specific so it is not appropriate for SECO to make across-the-board prescriptions on the inclusion of these themes in all projects. The approach should rather be to ensure that all SECO programming staff are well-versed in the existing approaches to inclusion of transversal

themes in PFM projects and are familiar with the work being undertaken by other DPs, which have dedicated approaches to particular transversal themes such as gender and climate change.

This recommendation could be implemented by:

- Credit proposals should more explicitly identify whether transversal themes are being pursued and the relevant coordination and synergies with other DPs and government partners.
- Implementing a cooperation with other development partners (e.g. UN Women, IDI and NORAD (Norway) on how to build gender mainstreaming into PFM projects.
- Following government partners' lead where appropriate, by supporting inclusion of transversal themes in national strategies (e.g. the Ghana DRM project played an important role in supporting the inclusion of a Gender Strategy as part of the overall development strategy of Ghana Revenue Authority).

Recommendation No. 9: SECO should make more visible the link between objectives relating to SDGs and PFM project objectives, to better communicate the link between its PFM portfolio and the Swiss Dispatch on International Cooperation

Rationale: The Dispatch 2017-2020 states that the 2030 Agenda is the reference for Swiss International Cooperation. All the projects reviewed are clearly following the 2030 Agenda and can be linked up to certain SDGs or SDG targets, but only in a few cases is this clearly visible in the CPs and other project documents. The SDGs and the 2030 Agenda are more clearly referenced in the projects of other development partners.

The recommendation could be implemented by:

- SECO should develop guidelines or a conceptual paper on the 2030 Agenda and on how PFM projects are linked to this generally and to specific relevant SDG targets and their indicators.
- The linkage between project and SDGs should be elaborated in all CPs and incorporated as far as possible into project's objectives and indicators.

Annexes

Annex 1: Terms of reference

Annex 2: SECO context of the evaluation

Annex 3: Evaluation matrix

Annex 4: List of stakeholders consulted

Annex 5: Project scores

Annex 6: Documents reviewed

Annex 7: Work plan

Annex 8: Desk reviews for evaluated projects

Annex 9: Country studies Peru and Albania

Annex 1: Terms of reference

1. Background and Rationale of the Evaluation

The Economic Cooperation and Development division (thereafter *the division* or *procuring entity*) is part of the State Secretariat for Economic Affairs (SECO). It contributes to achieving the strategic objectives of Switzerland's foreign economic policy as well as the government's strategy on International Cooperation³⁴. In order to ensure an impartial assessment of its interventions, the *division* mandates independent thematic evaluations of its priority themes as set in its strategy. These evaluations are initiated and overseen by the External Evaluation Committee, an independent body of representatives from academia, politics, civil society, international cooperation and the private sector. The committee selects, approves and analyses the themes to be evaluated in complete independence.

In this respect, the *division* is seeking an experienced team of evaluators (thereafter *the evaluator* or *service provider*) to conduct an independent evaluation in the area of Public Financial Management (PFM). These terms of reference outline the goals, scope and timeline of the independent evaluation.

2. Activities regarding Public Financial Management

The *division's* general approach to Public Financial Management reforms in partner countries can be described with the following intervention logic:

If interventions in partner countries are based on diagnostic assessments and aim at strengthening institutional capacities,

Then these institutions will be better able to design more effective reforms in the field of Public Financial Management (which enable aggregate fiscal discipline, strategic allocation of public funds, and/or efficient service delivery),

Because diagnostics can identify the key strengths, weaknesses and challenges, they constitute a useful source of data which can contribute to monitoring, steering, benchmarking and peer-learning purposes. They also contribute to increase ownership, coordination and political dialogue amongst stakeholders within and across institutions, which allows institutions to be more efficient, accountable and transparent.

The *division* has identified about 20 projects to be considered for the evaluation which cover contributions to governments at national and/or subnational levels in Albania, Serbia, Kyrgyz Republic, Tajikistan, Colombia, Peru, Indonesia, Vietnam, Ghana, South Africa, Tunisia, as well as global initiatives such as the PEFA initiative³⁵ (Public Expenditure and Financial Accountability), the TADAT initiative³⁶ (Tax Administration Diagnostic Assessment Tool) or initiatives with the International Organization of Supreme Audit Institutions (INTOSAI). Further information on the projects will be shared during the inception phase, e.g. related PEFA and/or TADAT assessments, CPs and log-frames, project budget, available internal reviews or project evaluations, as well as recent progress reports.

A case study covering 2 countries (including a field mission to both countries if relevant) is highly suggested. Projects in other countries should be assessed on a desk review basis.

³⁴ Switzerland's strategy on International Cooperation is developed over a four-year period and defined in a so-called Dispatch ("Botschaft" in German or "Message" in French). The current dispatch covers the period 2017-2020. <https://link.seco-cooperation.org/strat17-20>

³⁵ Public Expenditure and Financial Accountability (PEFA) program: <http://www.pefa.org/>

³⁶ Tax Administration Diagnostic Assessment Tool (TADAT): <https://www.tadat.org>

3. Objectives of the Evaluation

The *division* sees an independent evaluation as a) an instrument of accountability, addressed to the Swiss Parliament and the interested broader public and b) an important opportunity for institutional learning. In this respect the following objectives have been defined.

a) Accountability-objectives

Test the suggested impact hypothesis and provide an overview of the results achieved with PFM projects against the evaluation criteria of the Development Assistance Committee (DAC) of the OECD:

- | | |
|-----------------------------|--------------------|
| a1) relevance | a4) impact |
| a2) coherence ³⁷ | a5) efficiency |
| a3) effectiveness | a6) sustainability |

b) Learning-objectives

Identify lessons learned from the portfolio of activities in the field of Public Financial Management. Particular emphasis should be placed on the institutionalisation of learning within government structures and/or the instruments of monitoring in place to assist decision-making. The evaluation should provide conceptual inputs for the further development of the division's approach in Public Investment Management. This includes:

- a7) good practices from the assessed portfolio for the design of PFM projects;
- a8) success factors to perform well against the above-mentioned DAC criteria, in particular sustainability and the institutionalisation of reforms;
- a9) past and current challenges – how have they been overcome and how can they be better overcome?

4. Scope of the Independent Evaluation

4.1 Reference

The evaluation must assess *the division's* performance under the target outcome I “Effective institutions and services” of the government's strategy on International Cooperation for the period 2017–2020 (the so-called “federal dispatch”), particularly the business line 1.1 “Transparent resource mobilisation and reliable public financial management”. For objectives, approach and instruments, this evaluation takes as a starting point above mentioned Federal Dispatch, the division's concept paper on PFM engagement at subnational level, the portfolio of the division (especially the portfolio of the section in charge of macroeconomic support) and publicly available literature³⁸. The interviews with *the division's* staff during inception phase will also provide further information on the portfolio to be evaluated. The financial volume of the proposed portfolio under evaluation is approximately CHF 80 million and includes about 20 projects.

4.2 Thematic focus

The evaluation shall clearly set its focus on *the division's* public financial management activities. It shall carry out an in-depth assessment of the logic and concept behind *the division's* approach and its implementation modalities.

³⁷ The coherence criterion is the new DAC criterion approved by the DAC in December 2019. This evaluation is the first opportunity to test this new criterion within the division.

³⁸ Few recent examples: IMF working paper, October 2019, ‘Do Financial Markets Value Quality of Fiscal Governance?’ https://link.seco-cooperation.org/imf_wp19218 Blog on PFM for the SDGs https://link.seco-cooperation.org/imf_blogPFM-SDG

In assessing the activities, the evaluation shall take into account international discussions in International Finance Institutions (e.g. World Bank and International Monetary Fund), in other organisations (e.g. Gates Foundation, New York University) or from other donors. The following additional areas should be assessed in the course of the evaluation:

- linkages and potential synergies with other SECO activities in this area, such as financial management for infrastructure financing at subnational level
- integration of the cross-cutting issues gender equality and climate, as well as links with migration issues if observable

4.3 Institutional focus

The evaluation focuses on *the division's* macroeconomic support section (the evaluated section) and the partner organisations of the selected projects. It includes bilateral projects and co-financed projects and Funds/Facilities.

4.4 Geographical focus

In the past years, a large portion of PFM activities have been directed to Eastern Europe and Central Asia, Latin America and South East Asia. *The division* is involved in a number of global initiatives, such as the PEFA initiative (Public Expenditure and Financial Accountability) or initiatives with the International Organization of Supreme Audit Institutions (INTOSAI).

In order to provide a fair sample of projects covering the relevant areas of activity in PFM, two case study countries shall be selected, and an in-depth assessment of the concrete implementation of relevant approaches and achievements/results made.

4.5 Observation period

The observation period for this independent portfolio evaluation shall mainly cover projects which ended recently (after 2016) or are well-advanced in their implementation.

4.6 Limitations

The evaluation may face the following limitations:

Effectiveness/Impact/Sustainability: Certain projects/programs are not completed at the time of review and have delivered only partial results (or in some cases no result at this stage). The empiric observation of before mentioned DAC criteria will be rather difficult. In such cases, the likelihood of reaching the results within the planned timeframe (effectiveness) and beyond (sustainability) while avoiding negative unintended effects (impact) shall be discussed. Interview data and field visits may be needed to further complement existing data.

Quality of Data: Availability and quality of data of projects initiated a long time ago (more than 5 years) may be difficult to access, respective incomplete and/or fragmented.

5. Indicative Key Evaluation Questions

Based on the above objectives, the *division* is looking for answers to the questions, as formulated below. However, the catalogue of questions is to be understood as a proposal.

The evaluator shall clarify the feasibility of the proposed key question(s), reformulate, if proven necessary, and specify further questions, if pertinent, during the inception phase of this evaluation. Further questions shall be based on objectives formulated above.

At portfolio level, the independent evaluation shall focus on results (with an emphasis on the outcomes and as far as possible on the impact) and their sustainability or likelihood of sustainability. The portfolio assessment should also have an emphasis on conceptual as

well as content – and process-related conclusions and recommendations. They shall be further specified by *the evaluator* during the inception phase.

a) Questions related to the “accountability-objectives”

RELEVANCE – are we doing the right things?

DAC Definition Relevance: The extent to which the intervention objectives and design respond to beneficiaries’, country, and partner/institution needs and priorities, and remain suited to the context if circumstances change.³⁹

Note: Retrospectively, the question of relevance often becomes a question as to whether the objectives of an intervention or its design are still appropriate given changed circumstances.

The following **key evaluation questions** shall fall under this category:

- | | |
|---|--|
| <p>[1] To what extent has the evidence-based approach, based on assessments such as PEFA and TADAT contributed to promote dialogue, coordination and ownership from the key stakeholders, identified the relevant weaknesses and priority reforms in SECO’s priority countries and contributed to their needs?</p> <p>[2] To what extent have the interventions led to more efficient and accountable institutions?</p> | <p>Related to Objective
A1</p> <p>A1</p> |
|---|--|

COHERENCE – does our intervention fit?

DAC Definition Coherence: The compatibility of the intervention with other interventions in an institution, sector or government.

The following **key evaluation questions** shall fall under this category:

- | | |
|--|--|
| <p>[3] How is the provided assistance aligned with priorities of the government in partner countries (i.e. beneficiaries of assistance)?</p> <p>[4] How does the evaluated portfolio fit with other related interventions of the Swiss international cooperation as stipulated in the strategic objective 1 ‘Effective institutions and services’⁴⁰ for the period 2017-2020, in particular with interventions from the SECO infrastructure financing which is active at subnational and municipal levels, and the Swiss Agency for Development and Cooperation (SDC) which is also sometimes active in the same countries (e.g. Albania, Serbia, Kyrgyz Republic)?</p> <p>[5] To what extent are the interventions complementary and coordinated with other donors? Where has SECO proven its added value?</p> <p>[6] To what extent does the support to the PEFA global program and its bilateral support for PEFA assessments complement each other?</p> | <p>Related to Objective
A2</p> <p>A2</p> <p>A2</p> <p>A2</p> |
|--|--|

³⁹ The evaluation function suggests to use the revised definitions of the DAC criteria, which were formally approved in December 2019. The description of the revised DAC criteria are available under <http://www.oecd.org/dac/evaluation/revised-evaluation-criteria-dec-2019.pdf> .

⁴⁰ See **Error! Reference source not found.** and web page on public institutions and services <https://link.seco-cooperation.org/pis>

EFFECTIVENESS – are we achieving our objectives?

DAC Definition Effectiveness: The extent to which the intervention achieved, or is expected to achieve its intended objectives, and its immediate results.

The following **key evaluation questions** shall fall under this category:

[7] To what extent has the provided support to PFM reforms, processes and procedures contributed to achieve its intended objectives in its partner countries?

Related to
Objective
A3

[8] To what extent has the provided support contributed to reach or implement their SDG agenda (e.g. data collection)?⁴¹

A3

IMPACT – is the intervention making a difference?

DAC Definition Impact: The extent to which the intervention realised positive or negative, intended or unintended, higher-level effects.

The following **key evaluation questions** shall fall under this category:

[9] To what extent has the provided support enabled more efficient, transparent and accountable processes and institutions?

Related to
Objective
A4

[10] Is there evidence that PFM reforms supported or initiated by the division have enabled more aggregate fiscal discipline, strategic allocation of public funds, and/or efficient service delivery at national or subnational level? Did the evaluation observe any other positive or negative, intended or unintended, higher-level effects linked with SECO's interventions, such as better inter-institutional coordination for instance?

A4

EFFICIENCY – are we doing things well?

DAC Definition Efficiency: The extent to which the intervention delivers outputs and outcomes in an economic and timely way.

The following **key evaluation question** shall fall under this category:

[11] Have the different implementation modalities⁴² and partnerships proven efficient in terms of cost and time to reach the planned objectives? Are there indications that one or more implementation modalities have produced superior results compared to others?

Related to
Objective
A5

⁴¹ NB: The portfolio was originally not designed with a specific SDG angle.

⁴² Among the different implementation modalities can be considered the financing source (e.g. bilateral, multi-donor), the level of implementation (e.g. national, subnational), the implementing partner type (e.g. IFI, private consultancy), and the scope of the intervention (e.g. large program, targeted interventions)

SUSTAINABILITY: WILL THE BENEFITS LAST?

DAC Definition Sustainability: The extent to which the net benefits of the intervention continue or are likely to continue.

The following **key evaluation questions** shall fall under this category:

- [12] To what extent were the PFM reforms, processes and procedures supported by SECO implemented with a lasting effect? What were the influencing factors (e.g. institutional capacities, financial capacities, implementation modalities, level of ownership etc.)? To what extent is the sustainability of the PFM interventions influenced by the relevance, coherence, effectiveness and efficiency of the intervention? Are differences observed between interventions at national and subnational levels, or between different implementing modalities?
- [13] Were the major sustainability risks adequately identified during project preparation and implementation? Were the appropriate mitigation measures implemented?

Related to
Objective
A6

A6

b) Questions related to the “learning-objectives”

Conceptual, content- and process-related improvements to the division’s delivery mode

The following **key evaluation questions** shall fall under this category:

- [14] How can capacities be built in a sustainable way in a context of high level of job rotation in partner governments/agencies? What are good practices in this regard?
- [15] In which cases is PEFA (which could be characterised as a more top-down solution driven approach) an adequate tool to promote effective PFM reforms and what are the necessary conditions for PEFA to be useful? Are there good vs bad practices in the portfolio under evaluation? How could different approaches (e.g. solution-driven and problem-driven iterative adaptation approaches (PDIA)⁴³) be combined to achieve better results?
- [16] To what extent shall transversal themes (such as gender, climate, digitalisation, or corruption) be integrated in PFM reforms? Are there emerging evidence or best practices (e.g. with regard to sequencing)? How can SECO position itself with respect to these transversal themes?
- [17]C With regard to change management, what approaches have proven most successful to build institutional capacities in the field of PFM beyond individual training or coaching?

Related to
Objective

B

B

B

B

6. Process and Methodology

6.1 Methodological elements

General requirements: For the evaluation methodology, the evaluation methods mentioned below shall be considered. Additional innovative methods complementing the evaluation design are welcome. *The evaluator* should adhere to the evaluation standards of the Swiss Evaluation Society (SEVAL)⁴⁴, the General Terms and Conditions for Service Contracts of the Swiss Confederation and the Specific Suitability Criteria for Evaluations of SECO’s Economic Cooperation and Development.

⁴³ <https://bsc.cid.harvard.edu/about>

⁴⁴ See https://www.seval.ch/app/uploads/2018/08/SEVAL-Standards-2016_e.pdf

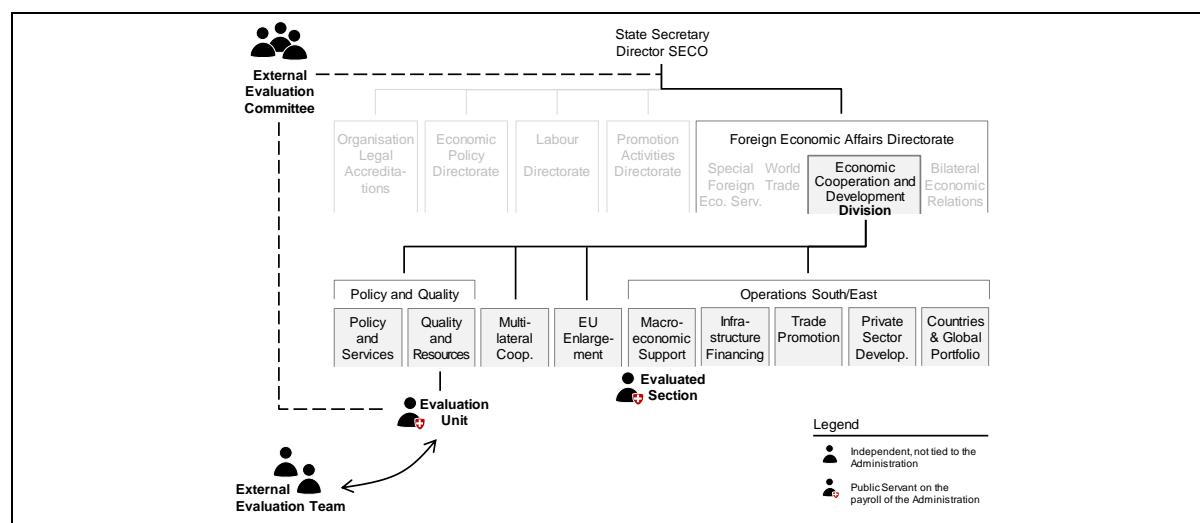
Desk Study: (i) Qualitative Analysis, the evaluation shall review relevant literature (including articles stemming from the PEFA competition), project documents, reports, reviews, evaluations of projects, and perform interviews with representatives at *the division* headquarters and in field offices (e.g. programme managers), with implementing partners, stakeholders (including beneficiaries i.e. responsible persons in the Ministries), some evaluators from PFM project evaluations, and selected experts in the area of PFM, including from the PEFA secretariat. The possibility of a survey shall be discussed at the kick-off meeting. (ii) The possibility of quantitative analysis – performance score shall be discussed. A possible methodology could be: Each project could be rated with a performance score. The performance score assesses the degree of target achievement against set project objectives. Performance is rated on a four or six-point scale that ranges from very good (1) to ineffective (6). The performance score can be coded from the project documents and evaluations, typically by comparing planned values of indicators (target) versus actual realisations of indicators. In a next step, the score could be cross-verified by *the evaluator* on the basis of the project factsheets, and also – if applicable – on the basis of the field visits.

Field visits: During the field visits, an in-depth assessment of selected interventions will complement the qualitative and quantitative analysis. The selection of interventions for the in-depth assessment within the selected countries / global initiatives should be carried out through a robust sampling process on the basis of the desk study.

The engagement of local experts/evaluators shall be included in the financial offer for field visits to 2 countries.

The proposed methodology shall be further refined by *the evaluator*.

6.2 Governance of the evaluation and organisational aspects



The governance of the evaluation is organised along the following roles and responsibilities: **External Evaluation Committee⁴⁵ (the Principal):** It mandates independent evaluations. The independent evaluation on strengthening public financial management will be addressed to this committee.

In 2020 the External Evaluation Committee is chaired by Ms. Tiana Angelina MOSER, member of the National Council (lower house of the Swiss Parliament).

Evaluation Unit (the procuring entity): It manages and supervises the preparation and

⁴⁵ The External Evaluations Committee is an independent body of representatives from academia, politics, civil society, international cooperation and the private sector, who proposes, approves and analysis the themes to be evaluated in complete independence. It comments on the results of independent evaluations, oversees the implementation of its recommendations. This committee, which began its work in 2009, reports directly to SECO's Director.

implementation of independent evaluations. It does this upon mandate and on behalf of the External Evaluation Committee. The evaluation unit also acts as the secretariat of the Committee. Concerning the evaluation, which is the subject of these terms of reference, the evaluation unit assures the following tasks:

- Prepare the terms of reference and contract the external evaluators (the evaluation team);
- Ensure that the evaluation team has access to all necessary information; it will also ensure consultation with the field offices in the concerned countries during the assessment of the mentioned deliverables;
- Involve the operational sections to ensure consideration of relevant thematic aspects and for position taking at various moment (inception report, draft final technical report, planning of field visits, gathering documentations, etc.);
- Involve other internal resource persons upon demand on specific issues;
- With the assistance of the in-house PFM experts (the evaluated section), facilitate the contacts with the relevant field offices and partner organisations for field visits and interviews;
- Sign off on the final report, including analysis and communication parts;
- Gatekeeper of adherence to the guidelines set in these terms of reference throughout the evaluation.

For issues related to the conduct, scope, organisation, logistic and reporting, the evaluators will interact with the evaluation unit. The staff of the evaluation unit consists of Mr. Johannes SCHNEIDER (Lead Evaluation Officer) and Ms. Valérie STURM (Evaluation Officer).

Evaluated Section (*the division's PFM Experts*): The macro-economic support section is the primary provider of public financial management expertise and will be responsible for the delivery of full information and documentation. The evaluated section will also review intermediate results and provide critical feedback (e.g. inception report) and, along with the evaluation unit, the evaluated section will facilitate the contacts with the relevant field offices and partner organisations. The section is led by Ms. Rosmarie SCHLUP. The primary contact person for the evaluation within this section will be indicated when the mandate is awarded.

External Evaluation Team (*the evaluator or service provider*) (see also chapter **Error! Reference source not found.**, on page **Error! Bookmark not defined.**): The evaluation team will submit all the deliverables to the evaluation unit, who is responsible for organizing the appropriate consultation processes. The evaluation unit will send a consolidated feedback on the deliverables to the evaluation team.

6.3 Responsibilities and Course of Events

Under the Responsibility of the lead evaluator (the service provider):

Inception report: based on their initial bidding proposal and a kick-off discussion with *the division*, *the evaluator* will prepare a draft inception report. This report shall on the one hand develop a mutual understanding of the evaluation process, scope and objectives and on the other hand present a detailed methodology for this evaluation (including detailed description of the evaluation design, data collection instruments, the analytical framework as well as the evaluation questions). It shall also include suggestions for the country case studies. The key questions and methods presented in this paper shall be reviewed by *the evaluator* and thereafter be discussed with the steering group and adjusted where necessary.

Draft evaluation report: in a draft evaluation report, *the evaluator* will present his findings. Recommendations which will be considered by *the evaluator* at this stage shall not be released before the capitalization workshop.

Capitalization workshop: a synthesis/capitalization workshop will present the draft evaluation report for feedback and validation on the conclusions. The section in charge (macroeconomic support) and the head of operations of *the division*, as well as the evaluation unit will participate in the workshop and will have an opportunity to comment the draft evaluation report.

Final draft evaluation report: the final draft evaluation report (including recommendations, annexes) shall be prepared by *the evaluator* taking into account the outcome of the capitalization workshop and *the division* comments on the draft evaluation report.

Under the Responsibility of the division (the procuring entity):

Management response: the management response is the response by the Management of *the division* to the key recommendations of the evaluation.

Presentation of the final draft evaluation report and the management response to the External Evaluation Committee: together with the management response, the final draft evaluation report will be submitted to the independent External Evaluation Committee for discussion and comments. The committee's comment will be published together with the final evaluation report.

7. Deliverables

The evaluator shall provide the following documents, according to an agreed schedule:

Evaluation work plan with the main milestones and deliverables. An adapted version is to be produced following any significant change occurring during the assignment.

Inception Report (based on the initial proposal in the offer of the bidder). This report shall on the one hand develop a mutual understanding of the evaluation process, scope and objectives and on the other hand present a detailed methodology for this evaluation (including description of the evaluation design, data collection instruments, the analytical framework as well as the catalogue of evaluation questions). The key questions and methods presented in this report shall be reviewed by *the evaluator* and thereafter be discussed with the evaluation unit and the evaluated section and eventually other stakeholders where deemed necessary.

Draft Evaluation Report presenting findings, conclusions, lessons learnt and recommendations⁴⁶. The report shall not exceed 50 pages (excluding annexes) and shall include an executive summary. For each project evaluated in the field, a case study report, not exceeding 10 pages shall be part of the annexes. → Please note that two versions will be requested, one full draft evaluation report for the evaluation unit and one version without the recommendations. The latter will be shared with the evaluated section before the Capitalisation Workshop.

Capitalisation Workshop: A synthesis / capitalisation workshop will present the draft evaluation report for feedback and validation on the conclusions. Presentation of findings and conclusions only (not yet mentioning *the evaluator's* recommendations) in order to allow an open discussion and validation of recommendations and lessons learnt. The evaluated section and the Head of operations of *the division* are expected to participate in the workshop and will have the opportunity to comment the draft evaluation report.

Final Evaluation Report: The final report shall take into account the outcome of the Capitalization Workshop and the comments provided by the division on the draft evaluation report. If deemed necessary, a public report may be required, which shall summarize⁴⁷ the final report for a broader public and formulate findings and recommendations in an attractive, transparent and accessible manner.

⁴⁶ Produce lessons learned and good practices from the portfolio assessed for the design, implementation and management of activities in PFM.

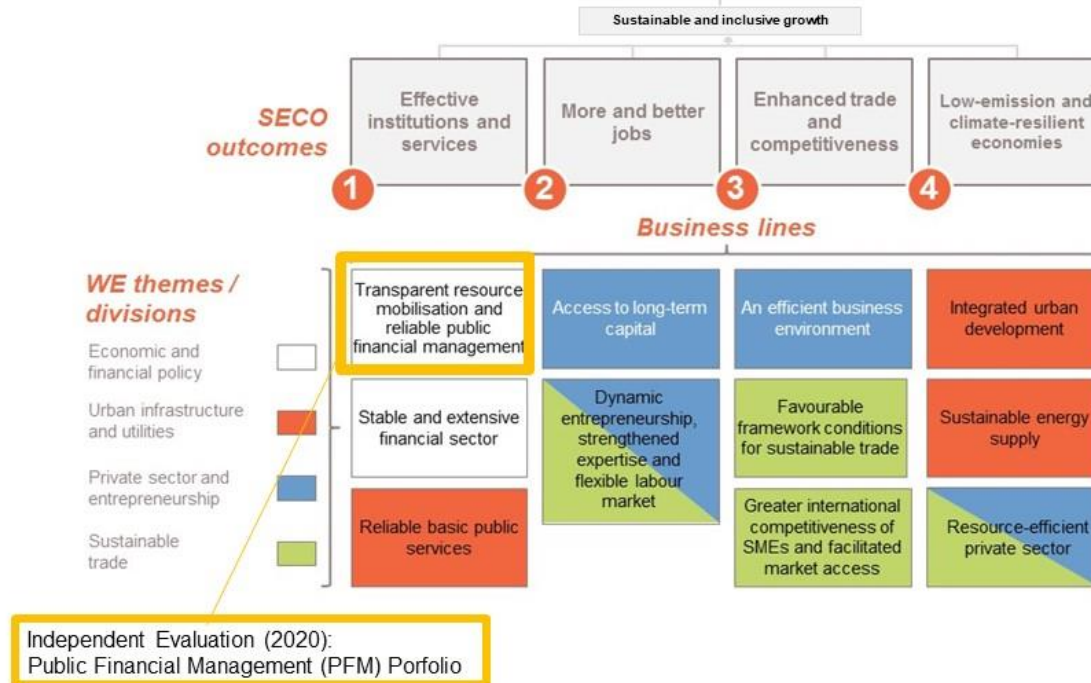
⁴⁷ It can be based on the Executive Summary of the final report but be prepared for dissemination.

Annex 2: SECO context of the evaluation



Context of evaluation

SECO outcomes and business lines for dispatch to parliament 2017 - 2020



Annex 3: Evaluation matrix

No.	Evaluation Question	Indicators	Data Sources	Data Collection and Analytical Methods
Accountability Objectives				
RELEVANCE				
1 (a2)	How is the provided assistance aligned with priorities of the government in partner countries (i.e. beneficiaries of assistance)?	1.1 Alignment of assistance to Gov/sector strategy 1.2 Relation to the PFM Strategy 1.3 Conformity with beneficiary priorities and planned reform sequencing	<ul style="list-style-type: none"> - Credit proposals, final and progress reports - SECO field staff and project managers - Beneficiary institutions - Government strategy documents - Project managers/officials from implementing partners in case countries - Context analysis of a Government strategy in relation to the project 	<ul style="list-style-type: none"> Document review Interviews Interviews during field visits
2 (a1)	To what extent has the evidence-based approach, based on assessments such as PEFA and TADAT contributed to promote dialogue, coordination and ownership from the key stakeholders, identified the relevant weaknesses and priority reforms in SECO's priority countries and contributed to their needs?	2.1 Existence of formal PFM assessments such as PEFA or TADAT 2.2 Evidence of dialogue with stakeholders in countries 2.3 Stakeholders Knowledge about the assessments 2.4 Projects relevance relative to country strategies	<ul style="list-style-type: none"> - Credit proposals, final and progress reports - Relevant formal assessments (PEFA) - SECO project managers (head office) and field officers - Project managers from implementing DPs in case countries - Beneficiary Government Partners - Government strategy documents - PEFA.org 	<ul style="list-style-type: none"> Document reviews Interviews Interviews during field visits
COHERENCE				
3. (a2)	How does the evaluated portfolio fit with other related interventions of the Swiss international cooperation as stipulated in the strategic objective 1 'Effective institutions and services' ⁴⁸ for the period 2017-2020, in particular with interventions from the SECO infrastructure financing which is active at sub-national and	3.1 Projects coordinated with SECO infrastructure financing (same countries) 3.2 Examples of reallocation of funding to infrastructure financing 3.4 Project coordinated with SDC interventions in SECO countries 3.5 Synergies identified with SDC projects	<ul style="list-style-type: none"> - Credit proposals, final and progress reports - SECO project managers for Infrastructure Financing (WEIN) - SDC project and officers in joint SDC/SECO countries and head office - SECO: Strategic objective 1 	<ul style="list-style-type: none"> Document review Interviews Interviews during field visits

⁴⁸ <https://link.seco-cooperation.org/pis>

	municipal levels, and the Swiss Agency for Development and Cooperation (SDC) which is also sometimes active in the same countries (e.g. Albania, Serbia, Kyrgyz Republic)?	3.6 Engagement with other Swiss Government partners, e.g. EStV and SIF e.g. in relations with international bodies (e.g. OECD Global Fund on international tax policy, ATAF etc.)		
4. (a2)	To what extent are the interventions complementary and coordinated with other donors? Where has SECO proven its added value?	<p>4.1 Explicit collaboration with other donors in collaborative programs (e.g., Multi-Donor Trust Funds, projects with GIZ, WB, EU etc.</p> <p>4.2 Existence of effective donor coordination mechanism for PFM (group or other forum) at country level</p> <p>4.3 Existence of overlaps with other support programmes</p> <p>4.4 Complementarity of SECO projects to other activities</p> <p>4.5 Special SECO approaches e.g. synergies with infrastructure financing (WEIN) and SDC</p>	<ul style="list-style-type: none"> - Credit proposals, final and progress reports - SECO project managers and field officers - Major donor involved in PFM (e.g. WB (PEFA), IMF, GIZ, DFID) etc. - PFM donor coordination group 	<p>Document review</p> <p>Interviews</p> <p>Interviews during field visits</p>
5. (a2)	To what extent does the support to the PEFA global program and its bilateral support for PEFA assessments complement each other?	<p>5.1 Results of existing PEFA reviews and evaluations</p> <p>5.2 Application of PEFA assessments for SECO project preparation</p> <p>5.3 Relative share of PEFA assessment in SECO Countries</p> <p>5.4 SECO support to specific PEFAs in priority countries</p>	<ul style="list-style-type: none"> - SECO global initiative for PEFA (two projects) - www.pefa.org - Existing overall PEFA evaluations etc. - Interview with PEFA Secretariat 	<p>Document review</p> <p>Interviews with PEFA Secretariat</p>
	EFFECTIVENESS			
6. (a3)	To what extent has the provided support to PFM reforms, processes and procedures contributed to achieve its intended objectives in its partner countries?	<p>6.1 Performance (where relevant, to date) against Outputs/results of projects as stated in the Credit Proposal and project log frame</p> <p>6.2 Importance of results achieved so far relative to main objective</p> <p>6.3 Unintended results (positive and negative)</p>	<ul style="list-style-type: none"> - Credit proposals, final and progress reports - Log frame, KPIs, baseline and targets and achievement of each project - Project monitoring system - Project managers/officials from implementing partners in case countries - Project evaluations 	<p>Document review</p> <p>Interviews</p> <p>Findings from existing external evaluation exists</p>

7. (a3)	To what extent has the provided support contributed to reach or implement their SDG agenda (e.g. data collection)? ⁴⁹	7.1 Identification of actions in support of SDG objectives in credit proposals 7.2 identification of actions in support of SDG objectives not explicitly mentioned in the Credit Proposal e.g. data collection and Statistic	- Credit proposals, final and progress reports - SECO project managers and field officers - Government officials	Document reviews Interviews
IMPACT				
8 New	Did the project reach its high-level objective?	9.1 Achievement against the high-level objectives of the project	- Credit proposals, final and progress reports - Evaluations - Log-frame - Monitoring system - Project evaluations	Document review Interviews Studies of external project evaluation
9 (a3)	To what extent has the provided support enabled more efficient, transparent and accountable processes and institutions?	10.1 Evidence of more transparent and efficient budgeting process 10.2 Evidence of better accountability to stakeholders	- Credit proposals, final and progress reports - Evaluation reports - Interviews SECO project managers and field officers - Government officials in countries - Other DPs and their assessments	Document review Interviews
10 (a4)	Is there evidence that PFM reforms supported or initiated by the division have enabled more aggregate fiscal discipline, strategic allocation of public funds, and/or efficient service delivery at national or sub-national level? Did the evaluation observe any other positive or negative, intended or unintended, higher-level effects linked with SECO's interventions, such as better inter-institutional coordination for instance?	11.1 Evidence of where a project can be credited with better fiscal discipline 11.2 Evidence of where a project can be credited with resulting for better allocation of public funds 11.3 Evidence of a project can be credited to better public service due to better PFM 11.4 Evidence of more funding to sub national level for service provision 11.5 Better inter institutional coordination	- Credit proposals, final and progress reports - Evaluations - SECO managers and Field Officers - Macro-fiscal data in case countries level MoF in case countries on fiscal discipline and strategic allocation of resources - Sector projects in case countries - SDC field officers in joint (SDC/SECO countries - Relevant ministry for sub-provincial entities - Local and regional government associations in case countries	Document review Interviews EQ 8, 9

⁴⁹ NB: The portfolio was originally not designed with a specific SDG angle.

		11.6 Other major results (negative/positive)		
	EFFICIENCY			
11 (a5)	Have the different implementation modalities and partnerships proven efficient in terms of cost and time to reach the planned objectives? Are there indications that one or more implementation modalities have produced superior results compared to others?	12.1 Achievements of results within the planned budget 12.2 Evidence of high transaction costs 12.3 Evidence on efficient management and reporting system 12.4 Evidence of other more efficient modalities	<ul style="list-style-type: none"> - Credit proposals, final and progress reports - SECO project managers and field staff - EQs on effectiveness (6) and impact (8,9) to compare - Partners in case countries 	The evaluation will classify modalities and partnerships in categories and compare with effectiveness (EQ7) and results (EQ 8). A table format will be applied. This is a core DAC question. Correlation between Implementation modality (e.g. bilateral, multi), national, subnational), partner (e.g. IFI, private consultancy)
	SUSTAINABILITY			
12 (a6)	To what extent were the PFM reforms, processes and procedures supported by SECO implemented with a lasting effect? What were the influencing factors (e.g. institutional capacities, financial capacities, implementation modalities, level of ownership etc.)? Are differences observed between interventions at national and subnational levels? To what extent is the sustainability of the PFM Interventions influenced by the relevance, coherence, effectiveness and efficiency of the intervention?	13.1 Degree of sustainability indicated as achievable in the credit proposal 13.2 Evidence of integration of project results in into national PFM set up 13.3 Additional resource allocated nationally to PFM system 13.4 Evidence of capacitated institutions with ownership of results 13.5 Correlation of results of EQ 12 and (scoring) of EQ 1-11 per DAC criteria 13.6 Evidence of better results at national relative to subnational level	<ul style="list-style-type: none"> - Credit proposals, final and progress reports - Project managers and field officers - DAC scores (1-4) for all projects - Project and completion reports - Interview with MoF in case countries - SECO staff in joint countries - Interviews with relevant ministry for sub-provincial entities - Sustainability review of SECO WE (2019) and summary of discussion with WEMU on success factors and risks to the sustainability of projects (June 2019) 	Interviews Desk analysis of sustainability related to relevance, coherence, effectiveness and efficiency Desk analysis of sustainability relative to implementation modality Desk analyses of sustainability results relative to national/subnational level

13 (a6)	Were the major sustainability risks adequately identified during project preparation and implementation? Were the appropriate mitigation measures implemented?	14.1 Quality of risk and assumptions assessments for sustainability 14.2 Evidence of implementation of mitigating actions to sustain project results	<ul style="list-style-type: none"> - Credit proposal's risk assessments and mitigation measures for sustainability - Final and progress reports on active mitigation to sustain results - Monitoring of risk and assumptions for sustainability - SECO project managers and field officers - Sustainability review of SECO WE (2019) and summary of discussion with WEMU on success factors and risks to the sustainability of projects (June 2019) 	Document reviews and analysis Interviews
LEARNING OBJECTIVES				
14 (b)	How can capacities be built in a sustainable way in a context of high level of job rotation in partner governments/agencies? What are good practices in this regard?	15.1 Existence of adequate CD project strategies 15.2 Relevant CD implemented 15.3 Actual job rotation in partner institutions	<ul style="list-style-type: none"> - Information on frequency of rotation in the specific area of the project intervention - Credit proposals, final and progress reports <p>on capacity development</p> <ul style="list-style-type: none"> - SECO Project managers and field officers - Beneficiary Government Institutions - Other development partners (e.g. WB (PEFA), IMF, GIZ, DFID) - General literature and expertise - PEFA projects - SECO managers and field officers - Consecutive PEFA scores (PEFA.org) - Interview with PEFA secretariat - Findings on EQ 5 	Document review Interviews Findings from existing external evaluation exists
15 (b)	In which cases is PEFA (which could be characterised as a more top-down solution driven approach) an adequate tool to promote effective PFM reforms and what are the necessary conditions for PEFA to be useful? Are there good vs bad practices in the portfolio under evaluation? How could different approaches (e.g. solution-driven and problem-driven iterative adaptation approaches (PDIA) ⁵⁰) be combined to achieve better results?	16.1 Examples of bottom up PEFAs 16.2 Government ownership (buy in) to PEFA assessments 16.3 Government involvement in PEFA assessments 16.4 PEFA scoring (upgrading/downgrading) 16.5 Connection between PEFA assessment and reform solution 16.6 Examples of PDIA's 16.7 Examples other adaptive approaches	<ul style="list-style-type: none"> - PEFA projects - SECO managers and field officers - Consecutive PEFA scores (PEFA.org) - Interview with PEFA secretariat - Findings on EQ 5 	Document reviews Interviews Analysis of results under accountability Listing of good and bad practices

⁵⁰ <https://bsc.cid.harvard.edu/about>

16(b)	To what extent shall transversal themes (such as gender, climate, digitalisation, or corruption) be integrated in PFM reforms? Are there emerging evidence or best practices (e.g. with regard to sequencing)? How can SECO position itself with respect to these transversal themes?	17.1 Evidence of incorporation of the four transversal themes (EQ 3,7,8) 17.2 Sequences of interventions within the four areas 17.3 Digitalisation of PFM processes (for accurate and timely reporting) 17.4 Examples of SECO value added	<ul style="list-style-type: none"> - Project credit proposals, completion reports, evaluations - SECO project managers and field officers - Results from EQ 3, 6 and 8, 9 on transversal 	Document review Interviews Analysis of results in four transversal areas in EQ 3,7,8 Findings from existing external evaluation exists
17 (b)	With regard to change management, what approaches have proven most successful to build institutional capacities in the field of PFM beyond individual training or coaching?	18.1 Existence of change management strategy in project	<ul style="list-style-type: none"> - Project credit proposals - SECO Project managers and field officers - SECO Change management handbook 	Document review Interviews Analysis of application of change Management in relation to change Management handbook

Annex 4: List of stakeholders consulted

1) SECO staff interviewed for desk reviews

Sector/ Role	Project	Name
WEQA		Johannes Schneider, Nora Julien
WEMU Head of Section		Martin Saladdin
WEMU/ Deputy Head of Section		Jürg Vollenweider
SECO South Africa	South Africa, PEFA Phase IV, PEFA Phase V	Franziska Spörri
WEMU / PM	Ghana (two projects)	Chantal Bratschi-Kaye, Lukas Schmid, Jürg Vollenweider
WEMU / PM	Albania, Serbia	Thomas Stauffer
WEMU / PM	Colombia PFM, Colombia IMF FAD	Juan Pedro Schmid
WEMU / PM	SAI CDF, SAI SPMR	Natalie Bertsch
WEMU / PM	Indonesia	Jennifer Anthamatten and Natalie Bertsch
WEMU / PM	Kyrgyz Republic	Reto Weyermann
WEMU / PM	Tajikistan	Reto Weyermann and Rosmarie Schlup
WEMU / PM	Peru (three projects)	Carlos Orjales
WEMU / PM	Tunisia	Stephan Eggli
WEMU / PM	Vietnam (two projects)	Steffen Millner
Swiss Embassy Colombia, Head of Economic Cooperation and Development	Colombia	Christian Brändli
Swiss Embassy Colombia National Programme Officer	Colombia	Luisa-Fernanda Cardozo-Romero
Swiss Embassy Tunisia, National Programme Officer	Tunisia	Said Zekri
Swiss Embassy Tunisia, Deputy Head	Tunisia	Patrik Zimmerli
INTOSAI Development Initiative/ Senior Manager	SAI CDF, SAI SPMR	Dafina Dimitrova
PEFA Secretariat/ Senior Public Finance Specialist	PEFA IV, PEFA V	Holy-Tiana Rame
Norwegian Agency for Development Cooperation, Senior Adviser	PEFA IV, PEFA V	Haakon Mundal

2) Stakeholders interviewed for Peru country studies

Project	Name	Position
Swiss Embassy	Alain Bühlmann	Head of Economic Cooperation and Development
	Jenny Valencia	National Programme Officer – SECO
Ministry of Economy and Finance	Jessica Camacho	Principal advisor to the Vice-minister of Finance – MoEF
	Carlos Oliva	Former Minister MoEF (08/2018 – 09/2019).

Project	Name	Position
		Director Subnational PFM project (phase 1)
	Zoila Llempén	Director of the General Directorate of Public Budget
	Lucia Brizio	Advisor to the General Directorate of Public Budget
	Ana Sofía Aron	Sub-Director of the General Directorate of Public Budget
	Julio Cordova	Sub-Director of the General Directorate of Public Treasury
	Oscar Nuñez del Arco	Director of the General Directorate of Public Accounting
	Juan Díaz	Advisor to the General Directorate of Public Accounting
	Ricardo Montero de la Piedra	Director of the General Directorate of Fiscal Management of Human Resources
	Adriana Mindreau	Advisor to the General Directorate of Fiscal Management of Human Resources
	Rosa Alegría	Director of the General Directorate of Public Supply
	Ursula Díaz	Advisor to the General Directorate of Public Supply
CEPLAN	Javier Abugattás	President – CEPLAN
	Bruno Barletti	Executive Director – CEPLAN
San Martin	Isabel Cumpa	Unit of Planning – Local Government of San Martín
Lambayeque	Mary Castro Grosso	General Manager - Regional Government of Lambayeque
Projects Implementors	Andrew Lawson	Director – FISCUS
	Binolia Porcel	Director – HELVETAS
	Mario Bazán	Operative Coordinator – HELVETAS
	Carlos Vargas	Director BIG - Subnational PFM project (phase 2)
		Consultant BIG - Subnational PFM project (phase 1)
	Limberg Chero	Lead of Sustainability Component - BIG
Xiomara Carbajal Pezo	Resident Adviser – Apurímac	
IMF	Virginia Alonso.	Project Manager IMF FAD
World Bank	Karina Olivas	Senior Country Officer
	Daniel Francisco Barco	National Country economist

3) Stakeholders interviewed for Albania country study

Name	Position
Thomas Stauffer	SECO Programme Manager, Albania SNPFM
Sigita Stafa	National Programme Officer for Economic Development, Embassy of Switzerland
Artiste Koka	Director of Budget and Finance - Municipality Gjirokaster
Dritan Fino	Head of Directorate of Harmonisation of Financial Management and Control - MFE

Name	Position
Sotiraq Guga	Project Director, Albania SNPFM
Emilia Koliq	Deputy Mayor - Municipality Shkoder
Fran Brahimi	Head of Directorate on Local Finances
Nina Korte	Project Lead, GFA
Stefan Bruni	Lucerne University
Etleva Kreci	Director of Budget and Finance - Municipality of Permet

Annex 5: Project scores

The table below sets out the scoring against the six OECD/DAC evaluation criteria (1 = Highly Satisfactory, HS; 2 = Satisfactory, S; 3 = Unsatisfactory, US; and 4 = Highly Unsatisfactory, HU).

Summary scoring OECD/DAC criteria for 19 projects

Country	Project name	REL*	COH*	EFFECT*	IMP*	EFFIC*	SUST*	Average
Global	Contribution to PEFA Phases IV and V	1	1	2	2	2	3	1.8
Global	Supreme Audit Institutions Capacity Development Fund (SAI CDF) ⁵¹	1	3	3	3	3	3	2.7
Global	Strategy, Performance Measurement and Reporting (SAI SPMR)	1	2	2	NA	1	1	1.4
Albania	Strengthening Subnational PFM	1	2	3	NA	3	2	2.2
Colombia	TA Activities Improving Fiscal Transparency	1	3	2	2	2	2	2.0
Colombia	Support to the PFM Reform Process Phase II	1	1	2	NA	2	2	1.6
Ghana	PFM Reform Strategy Accounting Project (PFM RESTRAP)	3	3	4	3	4	3	3.3
Ghana	Domestic Revenue Mobilisation (DRM) Phase III	1	3	1	2	1	2	1.7
Indonesia	PFM Multi Donor Trust Fund Phase II	1	2	2	2	2	2	1.8
Kyrgyz Republic	Capacity Building in PFM Multi-Donor Trust Fund Phase II	2	1	4	3	3	3	2.7
Peru	Public Financial Management (IMF FAD)	1	1	2	2	2	2	1.7
Peru	Subnational PFM Strengthening Program Phase I	2	2	1	2	2	2	1.8
Peru	Support to the National PFM Reform Phase II	1	2	2	3	2	3	2.2

⁵¹ The project failed as only 20

Serbia	Local Government Finance Reforms Phase II (RELOF2)	1	2	2	2	2	2	1.8
South Africa	Procurement, Infrastructure, and Knowledge Management Capacity Development (PINK CD) Programme	1	1	2	NA	2	2	1.6
Tajikistan	Ex-Post Evaluation of the Tajikistan Supreme Audit Institution (SAI)	1	3	2	2	2	2	2.0
Tunisia	PFM and Local Governments Phase II	1	1	2	2	2	2	1.7
Vietnam	PFM Analytical and Advisory Assistance (PFM AAA)	1	2	2	2	2	2	1.8
Vietnam	State Audit	2	2	4	4	4	3	3.2
Average		1.3	1.9	2.3	2.4	2.3	2.3	2.1
Standard Deviation		0.55	0.76	0.86	0.61	0.78	0.55	0.52

* REL=relevance; COH=coherence; EFFECT=effectiveness; IMP=impact; EFFIC=efficiency; SUST=sustainability

Annex 6: Documents reviewed

Country	Project name	Document
Albania	Strengthening Subnational PFM	SECO (2018): Credit Proposal, Strengthening Subnational Public Financial Management in Albania
		SECO (2017): Email on dissemination workshop subnational PEFA Fier Municipality, including PEFA draft assessment Fier Municipality
		SECO (2017): Email on dissemination workshop subnational PEFA Albania
		SECO (2017): Email on dissemination workshop subnational PEFA, including SECO Comments on draft Summary Report PEFA Assessment of Five Municipalities in Albania of 27th February 2017 - Ecorys responses
		SECO (2017): Email on dissemination workshop subnational PEFA, including PEFA assessment of Five Municipalities in Albania, Summary Report by Ecorys, Version March 2017
		SECO (2017): Email on PEFA reports and response matrices
		SECO (2017): Email on final report PEFA assessment, Subnational PEFA Tirana Municipality
		SECO (2017): Email on final report PEFA assessment, Subnational PEFA Tirana Municipality, including PEFA draft assessment Tirana Municipality, Version, January 2017
		GFA/ EPOC/ HSLU (2019): Progress Report, Inception Phase, Albania, Implementation of SECO Strengthening Subnational PFM in Albania, Final Version, May 2019
		GFA/ EPOC/ HSLU (2019): Progress Report No. 2, Albania, Implementation of SECO Strengthening Subnational PFM in Albania, Final Version, May 2020
Colombia	IMF Swiss subaccount	International Monetary Fund Fiscal Affairs Department (FAD) (2016): Project Proposal for External Financing of TA Activities Improving Fiscal Transparency in Colombia Project (SECO), FAD_COL_2017_04
		IMF (2020): Project Assessment, Colombia: Improving Fiscal Transparency Project, May 1, 2019-April 30, 2020, Interim Report, May 2020
Colombia	Support to the PFM Reform Process (Phase 2)	Rojas, F./ Gonzalo Zapata, J./ Camilo Medellín, J. (2018): Proyecto para el Fortalecimiento de la Gestión Financiera Pública en Colombia: Evaluación Externa, Entregable 3: Informe Final, septiembre 2018
		SECO (2019): Plan de trabajo, Fase inicial PFM II en Colombia
		World Bank/ SECO/ EU/ IDB (2016): Republic of Colombia, 2015 Colombia Public Expenditure and Financial Accountability (PEFA), Colombia's Public Financial Management Systems, Report No ACS20350, Version October 2016
		World Bank/ SECO/ Minhacienda (2018): Colombia, Diálogo Gestión Financiera Pública, Post PEFA 2015, Análisis de estudios analíticos recientes de Gestión Financiera Pública e Iniciativas de reforma de la GFP, Informe, Versión Julio 2018
		AECOM/ SECO/ World Bank (2019): Proyecto Fortalecimiento de la Gestión de las Finanzas Públicas en Colombia, Comité Asesor, Presentación Version Mayo de 2019
		SECO (2019): Credit Proposal, Support to the PFM Reform Process in Colombia Phase II (2019-2024)
SECO (2019): Credit Proposal, Support to the PFM Reform Process in Colombia Phase II (2019-2024), final version before signature		

Ghana	PFM RESTRAP	World Bank (2019): Progress Report to the State Secretariat for Economic Affairs, Public Financial Management Reform Project (P151447), International Public Sector Accounting Standards (IPSAS) Support, June to December 2019
		World Bank (2018): Government of Ghana, Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, Based on the PEFA 2016 Framework, September 25 2018, Final Report
		Bergmann, A. (2016): Report, Scoping Mission PFM, Ghana RESTRAP, 27 June - 1 July 2016, on behalf of ZHAW School of Management and Law, Version 1, July 2016
		World Bank (2018): Aide Mémoire, Republic of Ghana, Public Financial Management Reform Project (P151447), Eighth Implementation Status and Results Mission, September 10-13, 2018
		World Bank (2019): Aide Mémoire, Republic of Ghana, Public Financial Management Reform Project (P151447), Eighth Implementation Status and Results Mission, May 20-24, 2019
		World Bank (2018): Progress Report to the State Secretariat for Economic Affairs, Public Financial Management Reform Project (P151447/P162886), Subcomponent 2.6-Improving Financial Reporting and Asset Management, Version December 2018, First IPSAS Progress Report, June - December 2018
		SECO (2020): Internal Memo, Issues affecting RESTRAP, version March 10, 2020
		SECO (2018): Credit Proposal, PFM Reform Strategy Accounting Project (PFM RESTRAP) in Ghana
Ghana	Support to DRM (Phase 3)	GIZ (2019): Progress Report, SECO Domestic Revenue Mobilisation III, January to December 2018
		WINS Global Consult (2019): Report on behalf of SECO, Scoping Domestic Revenue Mobilization III, First Version July 2019
		GIZ (2018): Progress Report, SECO Domestic Revenue Mobilization III, January to December 2017
		GIZ (2020): Progress Report, SECO Domestic Revenue Mobilization III, January to December 2019
		GIZ (2019): Annex I, Log Frame, Domestic Revenue Mobilization Project III, June 2016 to September 2019
		SECO (2016): Credit Proposal, Support to Domestic Revenue Mobilisation in Ghana, Phase III
Global	Contribution PEFA: Phase IV	PEFA Secretariat: Program Results Framework, PEFA Phase IV
		PEFA Secretariat: Question Guide for Country Visits - PEFA Evaluation
		PEFA Secretariat: Budget PEFA, Phase IV
		PEFA Secretariat (2016): Comments addressed on the Inception Report for the Evaluation of the PEFA Program
		SECO (2012): Credit Request, Public Expenditure and Financial Accountability (PEFA), Phase IV
		PEFA Secretariat: Detailed Links between Activities and Results, PEFA Phase IV
		Swedish Development Advisers (2016): Evaluation of the PEFA Program, May 2016
		SECO (2012): Notiz Kreditantrag PEFA Phase IV - Januar 2012
		SECO (2011): Operations Committee of December 20, 2011, Decision, Public Expenditure and Financial Accountability (PEFA), Phase IV, PEFA country activities
Swedish Development Advisers (2016): Inception Report, Evaluation of the PEFA Program, Final Version May 2016 with SECO email		

		SECO (2017): Completion Note (Short Version), PEFA Phase IV
		Swedish Development Advisers (2018): Evaluation of the PEFA Program, 2016, Final Report, September 2016
		PEFA Secretariat (2012): The PEFA Program, Phase IV (2012-2017), Program Document, Final Version April 25, 2012
		PEFA Secretariat (2015): Program Progress Report, July-September 2016, First Quarter, Financial Year 2015 (Q1, FY16)
		PEFA Secretariat (2016): Program Progress Report, October-December 2016, 2nd quarter, financial year FY16 (Q2, FY16)
Global	Contribution PEFA: Phase V	SECO (2017): Credit Proposal, PEFA Initiative Phase V (2017-2021)
		PEFA Secretariat (2017): The PEFA Program Phase 5 (2017-2021), Program Document, 31 January 2017
		Reite, T. / Zaitra, S. / Giussani, B. (2019): Study of options and recommendations for a sustainable global public good - Review of the PEFA programme 2018/399050/1, Final Report, FWC SIEA 2018 - Lot 5: Budget Support, on behalf of Ecorys and Mancala Consultants, Version 11 September 2019
		SECO (2017): Concept Paper, WEMU's PFM engagement at subnational level
		PEFA Secretariat (2020): Using PEFA to Support Public Financial Management Improvement, PEFA Handbook, Volume IV, January 2020
Global	SAI CDF	SECO/ World Bank (2018): Annual Report, Supreme Audit Institutions Capacity Development Fund (SAI CDF)
		SECO (2013): Operations Committee of April 23, 2013, Decision on SAI CDF Proposal
Global	SAI SPMR	IDI/ SECO (2019): Strategy, Performance Measurement and Reporting Programme, Implementation Report July - December 2019
		IDI/ SECO (2019): Strategy, Performance Measurement and Reporting Programme, Implementation Report June - December 2018
		SECO (2018): Credit Proposal, Supreme Audit Institutions, Strategy, Performance Measurement and Reporting
Indonesia	PFM Multi Donor Trust Fund (phase 2)	World Bank/ EU/ SECO/ CIDA (2020): Indonesia's Public Financial Management Multi-Donor Trust Fund, Phase II, Annual Report 2019
		SECO (2016): Indonesia PEFA Assessment Concept Note
		SECO (2013): Credit Proposal, Indonesia, PFM Multi-Donor Trust Fund Phase II, ID, USD
		Ecorys (2017): Joint Mid-Term Evaluation of the MDTF PFM II Indonesia, Final report, revised, Version September 2017
Kyrgyz Republic	Capacity Building in PFM Multi-Donor Trust Fund (phase 2)	SECO (2015): Credit Proposal, Kyrgyz Republic, Capacity Building in Public Finance Management Multi-Donor Trust Fund, Phase II
		World Bank (2020): Krgyz Republic, Second Multi-Donor Trust Fund on Capacity Building in Public Financial Management (TF072607), Implementation Report #7, Reporting period July 2019 - January 2020
Peru	IMF Swiss subaccount	International Monetary Fund Fiscal Affairs Department (FAD) (2016): Project Proposal for External Financing of TA Activities Improving Fiscal Transparency in Peru Project (SECO), FAD_COL_2017_04
		IMF (2020): Project Assessment, Peru: Public Financial Management Project, May 1, 2019-April 30, 2020, Interim Report, May 2020
Peru		SECO (2015): Credit Proposal, Peru, Subnational Public Finance Management Strengthening Program, Phase 1

Subnational PFM Strengthening Program (phase 1)	SECO (2019): Credit Proposal, Peru, Subnational Public Finance Management Strengthening Program, Phase 2
	Consulting Base Ltd (2019): External Evaluation of SECO Subnational Public Finance Management Strengthening Program in Peru 2015-2019, Revised draft March 2019
	Basel Institute on Governance (2019): Programa de Fortalecimiento de la Gestión de las Finanzas Públicas a Nivel Subnacional para el Desarrollo de una Gestión Descentralizada, Cooperación Suiza - SECO 2015-2019, Informe Semestral de Actividades, enero a junio de 2019
	Oliva Neyra, C.A. (2018): Gestión de las Finanzas Públicas en el Perú, Informe de sistematización de las evaluaciones bajo metodología PEFA realizadas a 10 gobiernos subnacionales, Publicación del Programa GFP Subnacional de la Cooperación Suiza - SECO, implementado por el Basel Institute on Governance, I era edición de Enero 2018
	SECO (2019): Management response to the external evaluation of SECO Subnational PFM Strengthening Program in Peru, conducted by Consulting Base AG, May 2019
	Basel Institute on Governance (2015): Strengthening Public Financial Management at subnational level in Peru, Operational manual, version 0.1, 22 September 2015
	Basel Institute on Governance (2017): Evaluación PEFA de la Gestión de las Finanzas Públicas en el Gobierno Regional de Apurímac, Informe Preliminar, version 31 Marzo 2017
	Basel Institute on Governance (2017): Evaluación PEFA de la Gestión de las Finanzas Públicas en el Gobierno Regional de Cusco, Informe Preliminar, version 31 Marzo 2017
	Basel Institute on Governance (2017): Evaluación PEFA de la Gestión de las Finanzas Públicas en el Gobierno Regional de Lambayeque, Informe Preliminar, version 31 Marzo 2017
	Basel Institute on Governance (2017): Evaluación PEFA de la Gestión de las Finanzas Públicas en el Gobierno Regional de La Libertad, Informe Preliminar, version 31 Marzo 2017
	Basel Institute on Governance (2017): Evaluación PEFA de la Gestión de las Finanzas Públicas en el Gobierno Regional de San Martín, Informe Preliminar, version 31 Marzo 2017
	Basel Institute on Governance (2017): Evaluación PEFA de la Gestión de las Finanzas Públicas en la Municipalidad Provincial de Abancay, Informe Preliminar, version 31 Marzo 2017
	Basel Institute on Governance (2017): Evaluación PEFA de la Gestión de las Finanzas Públicas en la Municipalidad Provincial del Cusco, Informe Preliminar, version 31 Marzo 2017
	Basel Institute on Governance (2017): Evaluación PEFA de la Gestión de las Finanzas Públicas en la Municipalidad Provincial de Chiclayo, Informe Preliminar, version 31 Marzo 2017
Basel Institute on Governance (2017): Evaluación PEFA de la Gestión de las Finanzas Públicas en la Municipalidad Provincial de San Martín, Informe Preliminar, version 31 Marzo 2017	
Basel Institute on Governance (2017): Evaluación PEFA de la Gestión de las Finanzas Públicas en la Municipalidad Provincial de Trujillo, Informe Preliminar, version 31 Marzo 2017	

		Basel Institute on Governance (2018): Evaluación PEFA de la Gestión de las Finanzas Públicas en el Gobierno Regional de Piura, I era edición de Enero 2018
		Basel Institute on Governance (2020): Programa GFP Subnacional (2015-2019), Informe de cierre, version Febrero 2020
Peru	Support to the National PFM Reform (2nd phase)	SECO (2018): Fondo de Reformas de Mediano Plazo (FREM), Propuesta de Proyecto, version 01
		SECO (2018): Convocatoria instalación de Comité de Coordinación Estratégica del Programa de Reforma de Gestión de Finanzas Públicas con SECO, email
		SECO (2016): Credit proposal, Support to the National PFM Reform in Peru, Phase 2
		Giussani, B. (2016): Informe Final, Evaluación externa, Apoyo al programa de mejoramiento continuo de la Gestión de las Finanzas Públicas en Perú (2011-2015), version 15 de junio de 2016
		Helvetas/ Fiscus (2018): Programa financiero de asistencia técnica de apoyo al mejoramiento continuo de las Finanzas Públicas del Perú, Fase 2, version del 5 de diciembre de 2018
		SECO (2016): Comentarios a la evaluación externa del Acuerdo Bilateral en Apoyo al PMC, 6 de junio de 2016
		Helvetas/ Fiscus (2018): Programa financiero de asistencia técnica de apoyo al mejoramiento continuo de las Finanzas Públicas del Perú, Fase 2, Manual operativo para la implementación, gestión y administración de recursos financieros, version Mayo 2018
		AECOM/ ACE (2015): Public Finance Management in Peru, Performance Report using the PEFA Methodology, Repeat Assessment 2015, Final Report, August 2015
		Helvetas/ Fiscus (2018): Programa financiero de asistencia técnica de apoyo al mejoramiento continuo de las Finanzas Públicas del Perú, Fase 2, version del 5 de diciembre de 2018, revised version
		Helvetas/ Fiscus (2020): Programa financiero de asistencia técnica de apoyo al mejoramiento continuo de las Finanzas Públicas del Perú, Fase 2, Reporte Segundo Año (Enero - Diciembre 2019)
		Helvetas/ Fiscus (2018): Respuesta Comentarios Informe Arranque
Serbia	RELOF 2	GDSI Ltd (2019): Annex 2: One-pager August 2019, RELOF 2 Progress Report 1, Inception Report, 1 February - 31 July 2019, Draft Version 2.0, 1 October 2019
		GDSI Ltd (2019): Annex 3: List of events per each MLF outcome (1 February 2019 - 1 August 2019), RELOF 2 Progress Report 1, Inception Report, 1 February - 31 July 2019, Draft Version 2.0, 1 October 2019
		GDSI Ltd (2019): Annex 6: Media coverage, RELOF 2 Progress Report 1, Inception Report, 1 February - 31 July 2019, Draft Version 2.0, 1 October 2019
		GDSI Ltd (2019): Annex 7: List of Acronyms, RELOF 2 Progress Report 1, Inception Report, 1 February - 31 July 2019, Draft Version 2.0, 1 October 2019
		SECO (2019): Verpflichtungsformular/ Formulaire d'engagement, Local Government Finance Reforms Phase II (RELOF 2), Serbia
		REPIM Ltd (2015): Public Financial Management Performance Measurement Report Serbia Municipalities, Municipality of Knjazevac, REPIM Ltd for SECO, May 2015
		REPIM Ltd (2015): Public Financial Management Performance Measurement Report Serbia Municipalities, Municipality of Paracin, REPIM Ltd for SECO, May 2015

		REPIM Ltd (2015): Public Financial Management Performance Measurement Report Serbia Municipalities, Municipality of Sremska Mitrovica, REPIM Ltd for SECO, May 2015
		REPIM Ltd (2015): Public Financial Management Performance Measurement Report Serbia Municipalities, Municipality of Uzice, REPIM Ltd for SECO, May 2015
		REPIM Ltd (2015): Public Financial Management Performance Measurement Report Serbia Municipalities, Municipality of Vranje, REPIM Ltd for SECO, May 2015
		Dokic, S. (2018): Internal Evaluation Report, RELOF Programme, for SECO, by GDSI and Maxima Consulting
		SECO (2019): Local Government Finance Reforms II in Serbia (RELOF 2), Meta Log-frame Report, September 1, 2019
		GDSI/ Maxima Consulting (2020): Osecina, Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, RELOF 2, February 2020
		SECO (2018): Republic of Serbia, Public Financial Management at Subnational Level, Repeat Public Expenditure and Financial Accountability (PEFA) Assessment of Six Local Governments, Terms of Reference
		REPIM Ltd (2015): Public Financial Management Performance Measurement Report Serbia Municipalities, REPIM Ltd for SECO, May 2015
		GDSI Ltd (2019): RELOF 2 Progress Report 1, Inception Report, 1 February - 31 July 2019, Draft Version 2.0, 1 October 2019
		SECO (2019): RELOF 2 Overview: Inception Phase February - July 2019
South Africa	PINK CD Program	SECO (2017): Credit Proposal, Procurement, Infrastructure & Knowledge Management Capacity Development Program
		Ecorys/ SECO (2019): Procurement, Infrastructure and Knowledge Management Capacity Development Programme in South Africa, Inception Report, April 2019, revised version
		Ecorys/ SECO (2019): Procurement, Infrastructure and Knowledge Management Capacity Development Programme in South Africa, Inception Report, April 2019
Tajikistan	Ex-Post Evaluation of the Tajikistan SAI	ZHAW/ HSLU (2018): Evaluation Report, Ex-Post Evaluation of the Tajikistan Supreme Audit Institution (SAI) Project, Conducted under SECO WEMU's project support partnerships (PSP), December 2018
		SECO (2009): Credit Proposal to Ambassador Beatrice Maser Mallor, Supreme Audit Institution (SAI) Development Project, Phase 2 in Tajikistan
		SECO (2013): Credit Proposal, Supreme Audit Institution (SAI) Development in Tajikistan, follow-up activities
		SECO (2007): Operations Committee of 25 September 2007, Decision (non-objection), TJ: Support for independent external audit USD
		SECO (2018): Terms of Reference, Ex-Post Evaluation of the Tajikistan Supreme Audit Institution (SAI) Project, Conducted under WEMU's project support partnerships (PSP)
Tunisia	PFM and Local Governments (phase 2)	SECO (2016): Credit Proposal, Public Financial Management and Local Government (second phase)
		SECO (2019): Credit Proposal, Strengthening Public Financial Management and Public Investment Management (top up)
		UNIVERSALIA (2019): Revue à Mi-Parcours du Fonds Multi Bailleurs Moussanada, Rapport d'évaluation, Version Finale, Juin 2019
		The World Bank (2019): Terms of Reference, Mid-Term Review (MTR) of the MOUSSANADA Multi-Donors Trust Fund, Corporate Procurement, January 2019

Vietnam	PFM AAA	SECO/ GAC/ World Bank (2020): Vietnam: Public Financial Management (PFM) Analytical and Advisory Assistance (AAA) Program, Annual Progress Report 2019 and Workplan 2020
		SECO/ GAC/ World Bank (2019): Vietnam: Public Financial Management (PFM) Analytical and Advisory Assistance (AAA) Program, International Consultant - Mid-Term Review, Terms of Reference, March 8, 2019
		SECO (2015): Verpflichtungsformular / Formulaire d'Engagement, Credit Proposal, Vietnam PFM AAA, June 2015
		SECO (2019): Vietnam Public Financial Management (PFM) Analytical and Advisory Assistance (AAA) Program, Mid-Term Review (MTR) Mission - Hanoi, April 1-12,2019, Agenda
		SECO/ GAC/ World Bank (2019): Vietnam: Public Financial Management Analytical and Advisory Assistance (AAA) Program, Progress Report, No. 11 (Quarter I/2019)
		SECO/ GAC/ World Bank (2019): Vietnam: Public Financial Management Analytical and Advisory Assistance (AAA) Program, Progress Report, No. 12 (Quarter II/2019)
		SECO (2020): Memo, Cost extension of the Public Financial Management Analytical and Advisory Assistance Program in Vietnam through 31 December 2021
Vietnam	State Audit	SECO (2014): Credit Proposal, EUR, VN State Audit of Vietnam, revised after OpCom 18.12.2013
		https://www.expertisefrance.fr/en/actualite?id=756091
		SECO (2017): Memo on Proposed Early Exit from a SECO State Audit Vietnam Intervention, 19 December 2017
Other	SECO Documents	SECO (2016): List of Standard Indicators 2017-2020, Version June 2016
		SECO (2016): List of Target Outcomes, Business Lines, Observation Areas and Standard Indicators from the 2017-2020 Message
		WE (2020): Draft Results Framework Dispatch 2021-2024, March 2020 English version
		SECO (2020): List of Standard Indicators (SI) 2021-2024, Version January 2020
		WEQA (2020): Assessment Grid for project/programme evaluations of SDC / SECO interventions, Version 11.06.2020
		SECO: SECO's approach to Gender Equality
	Swiss DC Documents	Federal Department of Foreign Affairs FDFA (2016): Dispatch on Switzerland's International Cooperation 2017-2020
		SEVAL (2017): Evaluation Standards of the Swiss Evaluation Society
	Other	Sida (2009): The Swedish Support to the South African Revenue Service through an Institutional Cooperation with the Swedish Tax Agency, 1998-2008
		Overseas Development Institute (2017): Five steps to smarter multi-bi aid
		ECORYS (2019): Review of PEFA Programme
		Danish Ministry of Foreign Affairs (2020): Evaluation of the Danish Strategic Sector Cooperation
		NORAD (2015): Evaluation of Norwegian support to capacity development
NORAD (2020): Gender responsiveness in public financial management in Norway		

		OECD/DAC (2017): Better Criteria for Better Evaluation Revised Evaluation Criteria Definitions and Principles for Use
	TADAT	Direction Générale des Impôts (2019): Plan d'actions intégrés des réformes de finances publiques, version finale du 06 juin 2019
		Direction Générale des Impôts (2019): Matrice du plan d'actions intégrés des réformes de finances publiques, version du 13 juin 2019
		Direction Générale des Impôts (2019): Projet d'Assistance Technique et Financière de la Coopération Suisse au Profit de la GDI, Phase 2 (2016-2020), Comité de Pilotage, Bilan d'Execution au 30 Juin 2019, COPIL du 02/07/2019
		SECO (2019): Credit Proposal, IMF Tax Administration Diagnostic and Assessment Tool, Phase 2 (TADAT)
		SECO (2015): Independent Evaluation, SECO's Corporate Development on Tax & Development, Quality and Resources Unit, October 2015

Annex 7: Work plan

Evaluation of SECO's PFM activities					2020										
NO	ACTIVITIES	TL	PFM expert	Evaluators	Project support team	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
1 Inception phase															
1.1	Contracting				x										
1.2	Kick-off call	x	x	x	x		29.5.								
1.3	Preliminary literature review - documents from Evaluation Unit	2	2		3										
1.4	Writing and submission of inception report with evaluation matrix and updated evaluation work plan	1	1		1										
1.5	Including feedback of Evaluation Unit into inception report and submission	1			1										
1.6	Organisation of inception meeting (videoconference)				x										
1.7	Inception meeting and presentation of inception report (videoconference) with decision on 2 countries for field visit	1	1		1										
1.8	Submission of final inception report, including feedback from inception meeting														
2 Desk-review															
2.1	Assembling and analysing documents on all projects to be evaluated	2	2												
2.2	Contacting SECO staff at HQ and in countries for KIIs	2	2												
2.3	Analysing projects based on the documentation provided and with the help of the evaluation matrix	8	8		6										
2.4	Writing up desk-based findings (5-6 pages per project)	5	5		4										
3 In-depth country study															
3.1	Recruitment of evaluators				1										

3.2	Organisation of in-country evaluations, including KIIIs with SECO's Implementing Partners and beneficiaries of projects				2									
3.3	Country visit Country 1 (Peru)	14		15	1									
3.4	Country visit Country 2 (Albania)		7	6										
4 Data triangulation and analysis														
4.1	Transcription of interviews, data cleaning	2	2		1									
4.2	Triangulation of desk-review data and in-country research data	1	3											
4.3	Analysis of data	2	2											
4.4	Outline of final report	1	1		1									
5 Report writing and presentation														
5.1	Submission of summary of main findings following all 17 EQs ("Zero Draft")		1		1							30.10.		
5.2	Call on main findings												09.11.	
5.3	Writing and submission of draft evaluation report, excluding recommendations	3	2		1								16.11.	
5.4	First round of feedback on report													08.12.
5.5	Second draft submission of final report	1	1		x									18.12.
5.6	Submission of revised country case studies													22.12.
5.7	Organisation of capitalisation workshop													
5.8	Capitalisation workshop (videoconference)	1	1		2									19.01.
5.9	Including feedback from capitalisation workshop into final report	1	1											26.01.
5.10	Support SECO in publication	1			1									
TOTAL		49	42	21	27									

Annex 8: Desk reviews

- a) Colombia – TA Activities Improving Fiscal Transparency (IMF Subaccount)
- b) Colombia – Support to the PFM Reform Process, Phase II
- c) Ghana – RESTRAP
- d) Ghana – DRM
- e) PEFA, Phase IV and V
- f) SAI CDF
- g) SAI SPMR
- h) Indonesia – PFM MDTF, Phase II
- i) Kyrgyz Republic – Capacity Building in PFM MDTF, Phase II
- j) Serbia – RELOF, Phase II
- k) South Africa – PINK CD
- l) Tajikistan – Ex-Post Evaluation of the Tajikistan SAI Project
- m) Tunisia – PFM and Local Governments, Phase II
- n) Vietnam – PFM AAA
- o) Vietnam – State Audit
- p) Peru – IMF FAD
- q) Peru – PFM National
- r) Peru – PFM Subnational
- s) Albania – Strengthening Subnational PFM

Project Desk Review

Colombia – TA Activities Improving Fiscal Transparency in Colombia (IMF Subaccount)

Title	Improving Fiscal Transparency in Colombia
Project duration	2016 – 2020 (ongoing)
Overall budget	USD 1,400,000
SECO contribution	USD 1,400,000
Contribution of other partners	0
Financing type	Multi-Bi (direct funding from SECO to IMF)
Implementing partner	International Monetary Fund Fiscal Affairs Department (IMF FAD)
Scope of intervention	Targeted project
Level of implementation	National
Main activities	(1) Improved coverage and quality of fiscal reporting; 2) strengthened identification, monitoring, and management of fiscal risks; and 3) improved integration of the asset and liability management framework.

1. Project Context

The technical assistance (TA) project Improving Fiscal Transparency in Colombia funded by SECO and implemented by the International Monetary Fund Fiscal Affairs Department (IMF FAD), is supporting the Colombian Ministry of Finance (Ministerio de Hacienda y Crédito Público - MHCP) in strengthening its PFM systems. Between October 2016 and December 2020, SECO is contributing USD 1.4 million to this end¹. This project is building on previous outcomes of SECO financed projects in Colombia that focused on strengthening treasury and debt management. These included improvements in the National Treasury and Public Credit General Directorate (Dirección General de Crédito Público y Tesoro Nacional – DGCPTN) and technical assistance on business continuity and disaster recovery plans, improvements in fiscal risk management and gradual adoption of international public sector accounting standards.

The current IMF Subaccount project also addresses weaknesses in Colombia's PFM system that were identified by a SECO funded PEFA assessment undertaken by the World Bank in 2016 as well as weaknesses identified by the Fiscal Transparency Evaluation (FTE) conducted in April 2018 by IMF. Colombia was also striving to obtain OECD membership and as such had prepared a strategy to improve its PFM system to bring it closer to the OECD standards², which was also used as a starting point for further programming.

The current IMF FAD TA project will have a wider coverage of issues and institutions. As SECO is particularly active in PFM reform support, the set-up of the project allows for strong coordination between SECO and other TA providers. IMF FAD pledged to keep SECO up to date on project implementation and to contact SECO officials in Colombia prior to monthly field missions. The IMF Subaccount is a global programme and thus the management from

¹ The initial end date was 30/04/2020. The project was extended until the end of December 2020 as it was impacted by civil unrest and COVID19.

² Colombia joined the OECD as a member in April 2020.

SECO side is mostly done through the HQ in Berne, with some support from local staff in Colombia.

2. Project Objectives

The project addresses three strategic objectives, namely:

- (i) improved coverage and quality of fiscal reporting;
- (ii) strengthened identification, monitoring, and management of fiscal risks; and
- (iii) improved integration of the asset and liability management framework.

This should work towards the high-impact goal of strengthening the MHCP's main PFM systems and bring it closer to the OECD standards.

It focuses on strengthening the Colombian PFM systems, strengthening treasury and debt management, fiscal transparency and risks, government accounting and fiscal reporting, and financial management information systems.

3. Evidence

The documentation available for the desk review covers IMF FAD's project proposal for external financing of the project from 2016, as well as a project assessment by IMF covering the period May 2019 to April 2020. No further documents were provided, however interviews with SECO staff both at HQ (Programme Manager) and in Colombia (SCO staff) were carried out to fill in the information gaps. To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The project is highly relevant as it addresses key concerns of the Colombian Government, striving to improve its PFM systems and bring them closer to international standards. One goal of the Government was to become member of the OECD and parts of its strategy to obtain membership were addressing PFM weaknesses. The Ministry of Finance had specifically requested support on PFM reforms. The project programming as well as governmental reform strategies were built on PEFA and IMF FTE assessments.	1	HS
Coherence	Coherence with other donor projects is unsatisfactory. There seems to be a willingness for increased cooperation between the donors, and the local SECO office is playing a leading role in connecting IMF FAD to the donor community, especially during IMF missions to the country. The communication between SECO and IMF is often initiated by SECO's local staff. SECO is also supporting the inclusion of relevant national stakeholders in donor communication. There are still programme overlaps with other projects in spite of some increased donor cooperation and fewer overlaps of activities during the course of the project. The inter-institutional exchange remains a challenge, albeit several joint capacity development workshops.	3	U
Effectiveness	The project seems to be effective , but it took a few set-backs due to civil unrest in 2019 and the COVID19 crisis. Until the initial end date of the project in April 2020, objectives 2 and 3 were largely achieved according to the IMF FAD's own assessment, while objective 1 remained partly achieved. However, most of the milestones have been successfully achieved and there is no evidence of unintended negative results. As an unintended positive result, an informal study group formed itself with	2	S

	representatives of different ministries. It is yet to be seen, whether this group will exist beyond the lifetime of the project.		
Impact	The project seems to be impactful to a satisfactory extent , as it is nearing achievement of high-level impact goal. There is evidence of better management and mapping of fiscal risks. Also, international standards are implemented, i.e. in 2019, the first consolidated balance sheet of the Colombian public-sector according to the International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS) was prepared. Colombia was also accepted as OECD member in April 2020.	2	S
Efficiency	The project is satisfactory. It was so far achieved within its budget. Some missions were delayed, especially due to the COVID-19 crisis. Some efficiency gains were made by saving costs on a long-term local consultant working with one of the four components, who was advising the Government and who took on some coordination for the overall project, especially when it came to the exchange of information.	2	S
Sustainability	The project is still ongoing, but it seems to facilitate satisfactory sustainability. There is an informal study group with representatives from different ministries, which points toward informal ownership created during the project lifetime. Also, a new TA project is being prepared to ensure continuity of some of the current project's objectives, such as accounting, treasury and fiscal risks. This will facilitate sustainable change. There is also evidence on the integration of project outcomes into the national PFM set-up: Development of the conceptual framework for key PFM functions including for managing and monitoring fiscal risks; Integration of debt and cash management at the Treasury and the alignment of the accounting, budgetary and fiscal classification in the IT system; and Guidance on the institutional set up of the FROM (Fiscal Risk Management Office) Risks.	2	S
Overall	The project is overall satisfactory. Challenges to timely project termination (including extension period) as well as to the actual achievement of all objectives remain civil unrest, COVID19 as well as lack in inter-institutional cooperation. The project has improved donor coordination in Colombia, and ownership was created within the different ministries. However, there remains some need for better anchoring of the project within the Government, i.e. through long-term consultants or through the creation of a project management unit or steering committee with representatives from the different national stakeholders. Information exchange between SECO and IMF FAD should also be increased from a structural point of view.	2	S

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning and Lessons Learnt

Good practices in building capacity in high-turnover context: The project has a capacity development strategy with proven flexibility, especially when it comes to sequencing of activities. These capacity development activities included IMF FAD missions in the country, short-term expert visits, national and regional workshops/ seminars and especially one long-term expert, who technically worked only on one component of the overall project, but effectively facilitated learning and exchange across the different components. However, the high staff turnover is hampering the pace of the ongoing reforms and is jeopardising the continuity of the reforms after the end of the project.

PEFA as adequate tool to promote PFM reform: PEFA was conducted by the World Bank with SECO funding prior to the project start (in 2016). It identified key weaknesses and was a stepping stone for the programming. The Colombian Government also wanted to become an OECD member and thus needed to align its standards with the OECD standard. Information from the PEFA was used to develop a strategy to improve the Colombian PFM system and to align it with the OECD standards.

SECO's transversal themes in PFM programming: Digitalisation is part of the project as it advises on the necessary IT structure for the Colombian PFM system. Other transversal themes do not seem to be covered by the project.

Lessons Learnt:

- **Anchoring project in the Government structure is important:** IMF has had a local long-term adviser for the project for two years for one of the four components within the project. This was highly efficient in terms of coordinating with the Government and staying up-to date with donor decisions in the PFM sector. It is however a limitation that the adviser within the Government was not present throughout the project life. At the moment, the SECO staff in Colombia is taking on the role of coordinating with the IMF team, so coordination is weaker. Also, an informal study group with representatives from different ministries has formed within the project, so that informal ownership has increased. Again, it would be interesting to anchor this group, and have it formalised so that it can formally function as a sort of PMU and exchange information beyond the project.
- **Better coordination important for project coherence:** The local SECO staff is playing an important role in the donor coordination on PFM in the country. However, exchange is mostly achieved through SECO staff initiating it or through the field missions by IMF staff, where SECO is also providing support for coordination and organisation. Better communication plans are needed to ensure fruitful collaboration from all sides.
- **Flexibility during the COVID-19 crisis:** The project set-up was flexible enough to adapt to the COVID crisis both in terms of an adapted timeline with an extension until the end of the year as well as in terms of ad-hoc support by the project to Colombia's COVID procurement planning. Whereas some capacity development activities had to be rescheduled for the second quarter of 2020, most were converted to remote delivery. After a few delays due to getting used to the remote work and setting up the necessary software, meetings via video- or teleconferences went smoothly, and the project is expected to finish at the end of the year. This shows how flexibility in activity sequencing as well as a strong coordination office in Colombia can provide real support in times of emergency, such as the COVID-19 crisis.
- **Focussing more on PIM:** PIM is more and more getting into the focus of both IMF and SECO programming in Colombia but should be getting more attention than just being a part of the IMF FAD project. Thus, a new TA project is being prepared to ensure continuity of some of the current project's objectives--accounting, treasury and fiscal risks--and exploring those areas of interest to the authorities and SECO, such as integration of budgeting and PIM.

Project Desk Review

Colombia – Support to the Public Financial Management (PFM) Reform Process Phase II (2019-2024)

Title	Support to the PFM Reform Process Phase II
Project duration	2019 - 2024 (ongoing)
Overall budget	CHF 8,630,000 (+ additional expected financing of approx. USD 20-30 million)
SECO contribution	CHF 8,000,000
Contribution of other partners	CHF 630,000 (approx. staff time in 4 beneficiary institutions + additional co-financing of events, training, workshops); USD 20-30 million for IFMIS system
Financing type	Multi-Bi
Implementing partner	World Bank
Scope of intervention	Targeted project
Level of implementation	National (with an element – pillar 4 – on harmonization from national level to subnational level, and, to a certain extent, training harmonization in the regions)
Main activities	1) Build governance structure for implementation and steering of PFM reform process; 2) Quality and transparency of PFM information; 3) Efficient public expenditure; 4) Institutionalisation of capacity building strategy; 5) Effective change management of the reform

1. Project Context

The project – Phase II of the Support to the PFM Reform Process in Colombia - supports the Colombian government in implementing its public financial management reform plan. A high-level roadmap was defined from the reform with the previous support of the donor community (with SECO as one of the key actors next to the World Bank). The previous project phase (Phase I), running from 2013 to 2019, had achieved improved inter-institutional coordination, the basis for the design and implementation of an integrated PFM system and the basis for a draft policy document, and also strengthened subnational capacities mainly through national government tools and capacity building measures. Phase II is now building upon these achieved results and also includes lessons learnt from a PEFA assessment undertaken in 2015 and a post-PEFA dialogue in 2017. Phase II aims at supporting the development of a detailed roadmap for PFM reform based on the existing high-level report and support its implementation. It also supports the finalisation of the policy document prepared by the National Council of Economic and Social Policy (CONPES) and the design of change management and capacity building strategies for the PFM reform process.

The project is implemented by the World Bank and is funded through a Trust Fund (TF) executed by the Latin America and Caribbean Region's Governance Global Practice, who has the final approval authority over the allocation of the TF. It is funded through a SECO contribution of CHF 8 million. In-kind contributions in the form of staff time in four beneficiary institutions in the amount of approximately CHF 630 000 as well as additional co-financing of events, training courses and workshops are expected to be spent on top by the Government. In addition, it is estimated that an Integrated Financial Management Information System (IFMIS) set-up will cost around USD 20 to 30 million, which will be covered either by the Government or through other donors (SECO will not fund the IFMIS infrastructure costs).

Phase II started in May 2019 and will run until end of May 2024.

2. Project Objectives

The overall objective of the project is to improve public service delivery in Colombia by strengthening quality and transparency of public financial management and public expenditure efficiency through the following five pillars and the related key outputs for this second phase of the reform process support:

1. Governance, strategy, inter-institutional coordination and policy dialogue: Detailed reform roadmap, PFM governance structure, definition of institutional and legal arrangements
2. Quality and transparency of PFM information: Definition of core PFM functions and administrative processes, strategic guidelines, peer-learning exchange, PFM data models and risk-based control tools, partnership agreements with civil society organisations
3. Efficient public expenditure: Harmonisation of budgeting instruments, development of results-based budgeting methodologies, strategic costing models, strategy to reduce budget inflexibilities, share service strategy, strategic supplying analysis, asset management methodologies
4. Coordinated and integrated capacity building: Institutional framework to coordinate capacity building, PFM certification program, strengthened service providers, peer-learning exchange
5. Change management: Design of change management strategy for PFM reform including organisational structure, dissemination workshops

The main or direct beneficiaries are the Ministry of Finance (MHCP) as the lead agency and main beneficiary, the National Planning Department (DNP), the Office of the Accountant General (CGN), the Office of the Controller General (CGR), the Public Administration School (ESAP) and subnational governments.

3. Evidence

The documentation available for the desk review covers the Credit proposal from 2019 and the work plan of the inception phase, the presentation of the project for the SECO Assessment Committee, as well as preparatory documents such as the 2015 PEFA, the post-PEFA exercise from 2018, and the External Evaluation of Phase I. No further documents were provided, however interviews with SECO staff (Programme Manager at HQ and SCO staff in Colombia) were carried out to fill in the information gaps.

To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The project is highly relevant , as Phase II of the PFM Reform Process in Colombia is built upon the learnings and achievements from Phase I of the project, from the 2015 PEFA, as well as the comprehensive 2017 post-PEFA dialogue between the government institutions, led by the MHCP, the donor community, international organisations, as well as regional stakeholders. The high-level roadmap for PFM reform defined by the Government is clearly linked to the above-mentioned learnings as is the high-level draft of the CONPES policy document. The detailed program's road map will be prepared within project implementation in close coordination with all beneficiaries through several consultations and workshops as to continue to create Government ownership.	1	HS

Coherence	The project seems to be built in a very coherent way. Although it might be too early to judge whether this coherence is continuous throughout the lifetime of the project, in its foundation, the cooperation especially with other World Bank PFM projects in Colombia, such as its strengthening of PFM systems at the subnational level, seems to be assured. Through SECO's work with IMF on fiscal transparency, the PFM reform project is further linked to IMF's efforts on disaster risk financing, government debt and risk management, tax administration, fiscal transparency and statistics. The project is also linked to USAID (decentralisation and local development) and EU (smaller interventions are envisaged about public expenditure efficiency, revenue mobilization and decentralization) work. The project is highly coherent with SECO's country strategy, as PFM is at the heart of WEMU's Colombia portfolio. Besides its linkages to another SECO financed PFM project with IMF FAD, there are interlinkages with both WEIN and WEIF projects in the country. Also, WEMU significantly contributed to the project design through identifying collaborative ToC workshops with main beneficiaries as well as additional meetings at technical and political level as the key measure for strengthening sustainability.	1	HS
Effectiveness	A cautious assumption on the basis of the log-frame and first achievements shows that the project is on a good way to be satisfactory in its effectiveness. The project log-frame, which is built on key PFM indicators, including the key indicators from the PEFA framework, as well as on key measures for improving capacity development, is very elaborate. In addition, the inception phase, which took a bit longer than anticipated due to COVID-19 as well as to a new Government and a new implementing agency, was very successful. A detailed roadmap for the implementation of the PFM reform as well as a policy document were finalized and are about to be approved (September 2020).	2	S
Impact	NA. It is too early to evaluate the impact of the project phase, as the project just started a year ago. The project is on track with the inception phase being slightly longer than foreseen, which is however not perceived as being a risk.	0	n/a
Efficiency	As the project just started a year ago, it is extremely difficult to assess its efficiency. A cautious assumption looking at first achievements within the inception phase shows that the project is on a good way to be satisfactory in its efficiency. The inception phase took longer than anticipated, due to a new implementing agency (World Bank) and a new Government, whose limited political capital in the beginning of their term made it necessary to spend more time on getting to know the stakeholders and the project. COVID-19 and civil unrest might also delay implementation and therefore lead to a lesser efficiency, as Government staff's attention is directed elsewhere. However, it seems as if the inception phase was utilized to create ownership at the technical level of national stakeholders and that now, the decision-making level is engaged as well as to have comprehensive ownership at all levels of the national institutions within the PFM realm. This should facilitate the efficient implementation of the PFM reform process. Overall, while there are delays in the timeline, there weren't more costs involved to the inception phase.	2	S
Sustainability	Even though the project is ongoing until 2022, the project set-up is satisfactory in its sustainability. With both change management and capacity building being part of the five pillars of the project, sufficient attention is given to creating capacity in the involved institutions, creating cooperation through joint workshops, and to creating ownership and anchoring the reform process into governmental decision-making. The strong cooperation between the donors and the project beneficiaries during project preparation, design, and set-up will likely enhance the ownership of the institutions and thus sustainability achieved. Also, Phase I results were integrated in the National Development Plan that the new Government has to follow.	2	S

Overall	At this early stage, the project is overall satisfactory. Looking at the set-up of it, including the highly collaborative design process and the interlinkages with governmental reform and development plans, based to some extent on the 2015 PEFA and the 2017 post-PEFA dialogues, as well as the interlinkages with other donors' projects within the country, the evaluation is fairly optimistic about its outcomes. The inception phase has been used to create ownership within all relevant institutions and collaboration between the Government, the PMU and the donors seems to be very strong. Limiting aspects are limited political capital of the MHCP especially after the 2018 elections, civil unrest, and COVID-19.	1.6	S
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Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning and Lessons Learnt

Good practices in building capacities in high-turnover context: The capacity building strategies built one of the five pillars of this project phase. These include the design of an institutional framework to coordinate capacity building, a PFM certification program, as well as strengthened service providers through capacity building and the development of peer-learning exchange programmes. The program will foster knowledge exchange/peer learning with other countries in specific topics, as well as between entities at the subnational level. It will facilitate participation at international events (in particular with other SECO partner countries such as Peru or other relevant countries such as Mexico or Chile).

PEFA as adequate tool to promote PFM reform: The PEFA 2015 results formed the basis for the Colombian PFM reform process through a post-PEFA dialogue in 2017 between government entities, especially the MHCP, stakeholders from the region, international organisations as well as the donor community. The results from this post-PEFA exercise together with the results from Phase I of the project are at the foundation of Phase II. There is a clear connection between the 2015 PEFA and the government reform process and both the roadmap for the PFM reform process as well as the draft policy for PFM reform reflect the learnings from the 2015 PEFA and the 2017 post-PEFA dialogue. The Government decided to move forward on areas with more challenges and lower scoring, such as budget classification, inclusion of performance information in the budget allocated to the direct delivery of public services to the population, strengthening of instruments on payroll controls and procurement, accounting and reporting and external scrutiny and audit.

SECO's transversal themes in PFM programming: Transversal topics, such as climate change, gender and digitalisation are not integrated in the Colombian PFM reforms. During project design, **gender aspects** as a transversal topic identified by SECO as being of importance in all its projects and programmes, were assessed, and it was concluded that there is little room to operationalize them within the project

Change management: Within the project design, change management is one of its five pillars and built into the roadmap and logframe. The goal is to make the PFM reform process more sustainable through a well-defined change management strategy, built through theory of change capacity building workshops and dissemination workshops after design of the strategy.

Lessons learnt:

- **Inclusion of the Government stakeholders and other donors in the PFM reform process through very strong collaboration.** The project is very much grounded in the Government's strategy and vision, with a full-time programme coordinator with working experience in the Ministry of Finance working now exclusively as high-level advisor in the PMU. SECO is at least weekly in touch with the World Bank and the Government for supporting the project and almost daily discussing the project and its

progress with the programme coordinator. Whilst the Phase I of the project was very flexible, there weren't a lot of human resources on the ground and within the set-up of this new Phase II, SECO ensured to anchor the project within the Government and to utilise local expertise.

- **The inception phase was very important for the Phase II, especially with the change in Government (six months before the start of Phase II) as well as the change in the implementation agency.** Whilst COVID-19 delayed the process for a few months, the long inception process was very successful, as all national stakeholders of the four different institutions working within the PFM system, as well as new technical staff from the World Bank were able to take their time to produce a sound, broad and strong PFM strategy and to have both a detailed roadmap for the implementation of the PFM reform process as well as a detailed policy document ready at the end of the inception phase. This will facilitate the successful implementation of a complex and ambitious project and foster collaboration between the stakeholders as well as ownership within the implementing institutions.
- **Different decisions and stakeholder engagement needed at different times in the project phasing as to create comprehensive ownership.** While the inception phase was largely led by a Technical Committee consisting of technical staff from the governmental institutions participating in the PFM system, the plan is to have another Committee of ministers and directors for the next project phase in order to have higher officials have ownership of the reform process.
- **More focus might be needed to work on the subnational level.** WEMU is rather late to start engaging at the subnational level in Colombia. Smaller steps are made here than elsewhere, and a much bigger budget envelope might be needed for the subnational level. The current weaknesses in the PFM system are especially noticeable in the regions rather than at central level, but as Colombia's policy process is quite centralised, the PFM process needs to be solidified at the national level first. This takes longer than in other countries, as the PFM system is very fragmented, with four different institutions in the country dealing with parts of it, which makes it a long process to restructure and/or align the institutions.

Project Desk Review

PFM Reform Strategy Accounting Project (PFM RESTRAP) in Ghana

Title	PFM Reform Strategy Accounting Project (PFM RESTRAP) in Ghana
Project duration	2018-2020 (currently extended to end of 2021)
Overall budget	USD 7,000,000 (additional financing to active program of USD 45 million)
SECO contribution	CHF 3,000,000
Contribution of other partners	WB IDA loan: USD 0.8 million; WB IDA grant: USD 3.2 million; local in-kind contributions (staff time and premises)
Financing type	Multi-bi
Implementing partner	World Bank
Scope of intervention	Large programme
Level of implementation	National
Main activities	Improve quality of government financial reporting and accounting, through IPSAS implementation: 1) Operational processes and financial accounting implementation; 2) Training and capacity building of government staff on IPSAS; 3) Accounting policies; 4) Flexible allocation to cater to new activities arising; 5) Program governance

1. Project Context

This project takes place in a context in which Ghana has made important steps towards strengthening its Public Financial Management (PFM) system. These steps included the passing of a comprehensive PFM Act in 2016 and the establishment of a functioning Ghana Integrated Financial Management System (GIFMIS), after a previous failed attempt a decade earlier. At the same time the need for stronger financial management was evident from the fiscal crisis, which arose in 2015. They demonstrated that the control of public spending in line with the resources available from domestic revenue mobilisation still required further attention. Following the progress made in the approval of the PFM Strategy a major donor effort was mobilised through a World Bank-led Multi-Donor Trust Fund (MDTF) with total pledged financing of USD 45 million. One technical area of PFM reform that was initially not covered under the MDTF was public sector accounting. An opportunity was seen to complement the new software capabilities of the GIFMIS system with strengthened accounting policies and procedures. Ghana operates a basically cash-based public accounting system, with some modest elements relating to the more advanced accrual-based standards. The system aimed to achieve a high degree of compliance with the International Public Sector Accounting Standards (IPSAS). IPSAS has two established standards, the cash-based standards and the accrual accounting standards. There had been some public debate on the desirability of advancing to the accrual-based system as a potential contributor to increasing the transparency and control of public sector spending. However, this debate largely ignored the fact that very few developing and Lower Middle-Income Countries (LMICs) have actually fully implemented the IPSAS accrual based standards.

SECO, based on a request and technical advice from the World Bank, agreed to be the principal financier of a project to support implementation of IPSAS accrual-based accounting standards. The project was essentially an add-on to the major PFM MDTF managed by the World Bank. In support of this decision SECO commissioned a Scoping Study from the Zurich

University of Applied Sciences (ZHAW) which took the decision to proceed to accrual-based accounting as a given, without any serious consideration of the appropriateness of this policy decision in the Ghana context since the progression to accrual-based public sector accounting was included in the PFM Act and Reform Strategy.

The project has been characterised by extreme implementation problems, largely arising from totally deficient responsiveness and transparency on the part of the World Bank management team, specifically concerning constraints to the release of funds contributed by SECO to finance project activities, and by extremely poor reporting by the WB implementation team. Following changes in the management team a more conducive framework for completing the project has been concluded, including an extension of the project implementation period to the end of 2021, greater transparency and better access of SECO/WEMU to senior managers in the World Bank.

2. Project Objective

The PFM Reform Strategy Accounting Project (PFM RESTRAP) supports the Government of Ghana in the implementation of accrual-based International Public Sector Accounting Standards (IPSAS). It is conceptualized as an additional financing to an active World Bank project of USD 45 million. The objective of the project is to improve the quality of government financial reporting and accounting across national and subnational levels of government by contributing to the adoption of accrual-based IPSAS. By adopting IPSAS, the Republic of Ghana will improve the quality of its public sector entities' general-purpose financial reporting, leading to better-informed assessments of their resource allocation decisions.

3. Evidence

This desk review is based on the following documents: The Credit Proposal; the Scoping Report prepared by ZHAW; project progress reports for 2018 and 2019; aide memoires from WB missions in 2018 and 2019; a SECO note on Issues affecting RESTRAP of 10 March 2020. The review also benefitted from an interview with the SECO programme manager for the RESTRAP project. To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The relevance of the project is assessed as unsatisfactory. While the project is in line with basic government policy documents (including the PFM Reform Strategy of 2016) and has the strong backing of the private accounting sector, it remains unclear whether (i) the adoption of accrual accounting should really be a priority for PFM reform (note that few LMICs have actually implemented full accrual accounting), and (ii) there were alternative approaches to addressing the problems in public sector management that the adoption of accrual accounting was intended to resolve (such as full implementation of commitment control through the existing GIFMIS system and the strengthening of medium term budget and public-private partnership (PPP) management to assess the future liabilities being created by approval and spending on government projects, and (iii) the possibility that the introduction of accrual accounting could act negatively on the routine cash-based accounting and reporting, These issues and possibilities were not adequately addressed in the ZHAW 2016 Scoping Report.	3	US
Coherence	The coherence of the project is unsatisfactory. At the time of the preparation of the Credit Proposal the project was seen as having strong coherence both in terms of building on Swiss comparative advantage in the technical area of public sector	3	S

	accounting, and in terms of providing strong complementarity to the progress, which had been made in the roll-out of the GIFMIS system as the basis for preparation of government accounts and achieving transparency in public accounting in Ghana. The project aimed to address an important aspect of PFM (public accounting policy), which was not addressed in the WB managed PFM MDTF. However, these aspirations were undermined in the event by the inadequacies noted above manifest in the ZHAW Scoping Study, by a failure to obtain sound technical guidance on the appropriateness of adopting accrual accounting, and by a lamentable performance by the World Bank, which led to major delays in the project start-up, despite persistent efforts by the SECO management team to obtain correct and reliable information from the WB on the causes of delays in project disbursement and an acceptable standard of routine project reporting.		
Effectiveness	The effectiveness of the project is highly unsatisfactory. The project has experienced delays in start-up and given the poor quality of project reporting it is very difficult to be sure what progress has actually been made against the log-frame objectives. SECO in its comments on the project reports for 2019 cast doubt on the reliability of the reporting leaving a high degree of uncertainty as to what progress has actually been made,	4	HS
Impact	The likely impact of the project is expected to be unsatisfactory. While there is a possibility that the new impetus in the project arising from the change in the WB team implementing the project, it appears unlikely that the main objectives of the project in terms of the adoption and implementation of accrual accounting will have been fully achieved by the end of the project. There is also the possibility that the attention paid to introduction of accrual accounting may have constituted a distraction for the Accountant General from the routine task of preparing the government accounts on the basis of the IPSAS cash-based standards. For some limited optimism point the improved access of SECO to necessary discussions on project progress with the relevance senior managers in the World Bank and the results from the training on the principles and procedures of accrual accounting which are now being provided.	3	
Efficiency	The project is assessed as highly unsatisfactory against the efficiency criterion. The project has been plagued by mismanagement by the WB as the implementing agency (operating through its Project Implementation Unit for the PFM Reform Programme MDTF). Aspects of mismanagement include: Failure to notify SECO on the inability of the WB to release funds from this add-on to the PFM MDTF, poor quality and late delivery of reports by the WB. As of January 2020, SECO was faced with the possibility of realised fiduciary risks, if the project continued and proposed time-extension of the project could not be guaranteed.	4	S
Sustainability	The sustainability of the project is assessed as unsatisfactory. Given the very poor implementation of the project to date and indeed the uncertainty of what activities and outputs have actually been delivered there is great uncertainty as to whether the gains that may have been achieved through policy reform initiatives and through capacity building can actually be sustained. Much will depend on whether the central drive of the project, to support the reforms and procedures required to transform the accounts delivered by the office of the Accountant General to a fully IPSAS accrual compliance are achieved. If that is not achieved within an acceptable timeframe, then the partial results achieved to date and the further progress that may be achieved under the new momentum surrounding the project, may be wasted and lost.	3	S
Overall	This project is assessed to be highly unsatisfactory. While the desire for progressing to IPSAS Accrual Accounting compliance was stated in government strategies, the wisdom of supporting this reform in the near term is highly questionable given the poor state of the existing cash-based public sector accounting and reporting systems (e.g. PEFA 2018 Performance Indicators 27-29 which relate to public accounting and transparency, were ranked as B, D+ and D_ respectively). Clearly an alternative approach could have been to secure full compliance with the IPSAS Cash-based reporting standard, an option which was not considered. Inappropriate project design was compounded by lamentably poor management by the WB as the project implementing agency through its PIU in spite of the best efforts by SECO to obtain reliable information and steer the project to a more successful outcome.	3.2	S

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning and Lessons Learnt

Capacity Development:

The Credit proposal sets out an ambitious programme for capacity development at both the individual and the institutional level. These proposals are based on:

- An initial "dry run" of preparation of the public accounts on an accruals basis to identify the gaps in the existing systems and practices
- Development of the curriculum for a diploma course in public accounting including accrual accounting in collaboration with the Institute of Chartered Accountants of Ghana (ICAG) which had been instrumental in advocating the adoption of accrual accounting by the Ghana government
- Roll-out of the teaching of the diploma course, eventually to all the universities in Ghana,
- Initial training on accrual accounting to all officers of the office of the Accountant General and the Ghana Audit Service (GAS),

It is not clear at this juncture what progress has been made to date in the implementation of this capacity development strategy given the unreliability of the project monitoring reports.

PEFA:

The project design draws on the findings of the draft 2018 PEFA assessment, which showed poor scores in the Performance Indicators (PI) relating to Accounting and Transparency (PI 27-29). However, the conclusions for reform design and the project drawn from the poor PEFA assessment results were inappropriate. Instead of moving aggressively to implement full IPSAS accrual accounting, Ghana would have been better served by addressing the clear weaknesses in the existing modified cash accounting system. This should have been even more apparent when the final version of the 2018 PEFA assessment downgraded the Accountancy and Transparency performance indicators even further.

Transversal Themes:

Although not directly involved in digital system development, the project is of relevance to digitalisation in terms of designing accounting policies and systems which can exploit more fully the capabilities of the newly developed Ghana Integrated Financial Management System (GIFMIS) in areas such as the implementation of commitment control and the avoidance of the build-up of invisible arrears in payments to suppliers.

Change management:

The project has no explicit Change Management approach, however, a hypothesised change management approach would be based on:

- Clarification of the policy framework for movement from cash-based to accrual-based IPSAS standards
- Engagement with the management team in the office of the Accountant General and the Ministry of Finance on the importance and implications of the reforms supported
- Extensive topic-based training of all public accounting staff in Ghana to create a strong competence in the implementation of accrual-based accounting.

Lessons Learnt:

- **Caution is needed in agreeing to provide substantial financial support in a technical area** which has not been seen as a national priority and has not been subjected to widespread stakeholder consultation
- In venturing into financial support in a technical area receiving little or no support from other donors, **SECO needs to obtain independent technical advice from an institution** which will have no interest in providing technical support in the course of project implementation.
- Successful project implementation by the World Bank **depends much on factors specific to the project**, including the selection of the individual team leader for implementation and the protocols relating to project monitoring and reporting. Although several other projects implemented with SECO contribution provide a very high level of competence and transparency, the WB cannot always be relied to provide that high standard of performance.
- SECO should **insist on receiving copies of all legal documents** relating to projects for which it is a co-financier. This should be a condition of participating in project financing,
- SECO needs, in projects for which it is a financier and to ensure that from the preparatory stages of involvement in a project with the World Bank, that it has an **appropriate access to senior WB management in Washington** to whom it can turn in the event of problems arising in project implementation.

Project Desk Review

Ghana: Domestic Revenue Mobilisation, Phase III

Title	Ghana Domestic Revenue Mobilisation, Phase III
Project duration	2016-2022
Overall budget	EUR 27,500,000 (BMZ: EUR 13 Mio, USAID: EUR 4 Mio, The Netherlands: EUR 4 Mio); in total: CHF 33 million
SECO contribution	CHF 6,825,000
Contribution of other partners	BMZ: EUR 6.5 Mio for 2016-2019; USAID: EUR 2 mio for 2016-2018; Netherlands: EUR 2 Mio for 2016-2018 (level of contributions expected to be maintained)
Financing type	Bilateral (bilateral development cooperation partner)
Implementing partner	The project is implemented as a component of the GIZ (Good Financial Governance Programme)
Scope of intervention	Targeted
Level of implementation	National
Main activities	1) Enhance national revenue mobilisation; 2) Strengthen natural resource governance; 3) Strengthen local revenue mobilisation

1. Project Context

The Ghana Domestic Revenue Mobilisation (DRM) III project was initiated at a time when Ghana was in the throes of a major fiscal crisis and running an unacceptably large fiscal deficit with extensive IMF engagement. Progress in revenue mobilisation was and continues to be extremely important. With SECO's long involvement in the Ghana revenue sector since 2008 and the long-established relationship with the German Government (GIZ) through participation in successive phases of the Good Financial Governance programme (GFG), SECO was in a strong position to make an important contribution in Ghana. The project is in line with the emphasis placed in revenue mobilisation by the Ghana Government to address the challenge expected to arise from the eventual tailing off of extractive revenues from the oil and gas sector. In addition, the need to address the development of internally generated revenue (IGR) by the subnational authorities was becoming a prominent issue in Ghana's overall development. The project is implemented by GIZ as part of the GFG.

2. Project Objective

The overall objective of the DRM Phase III project is *to contribute to domestic revenue mobilization to enable Ghana to finance its development needs and reduce poverty*. There are 3 main components of the project: i) modernization of the tax authority (the Ghana Revenue Authority – GRA), ii) the segmentation of taxpayers, iii) the widening of the tax base and the introduction of self-assessments. Relative to the previous phases of the DRM, the project involves a shift of emphasis in favour of support to revenue mobilisation at the subnational level. The project also aims to enhance accountability and transparency in the extractive revenues sector.

The project was designed to be implemented in two stages with an overall shift from support delivered at the national level under the first stage, to an increasing concentration on support at the subnational level in the second stage. The first stage was completed in 2019 and a

major Scoping Study was undertaken to review progress to date and map out the way forward under Stage 2.

3. Evidence

This desk study report has been prepared on the basis of several key documents made available to the evaluation. These include the Credit Proposal (entitled “Project Data Sheet”), the project reports of 2017 and 2018, and the Scoping Report for the second stage of 2019. The evaluation team also benefited from an interview with the SECO Programme Manager. To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation’s 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The project is assessed to be highly relevant. In the wider context the project was highly relevant in addressing revenue mobilisation at a time when the country was facing a major crisis in fiscal management. The project drew for its design of the extensive SECO involvement in the revenue sector in Ghana (since 2008) through SECO’s role in the GIZ GFG. The increased emphasis on sub-national revenue mobilisation was highly relevant meeting the unmet requirements of the local government units which were typically not receiving the funds anticipated from the inter-governmental transfer system, making the development of IGR (internal generated revenue) by local authorities a high priority. The project supported the implementation of a TADAT assessment in 2017.	1	HS
Coherence	The project is assessed to be moderately unsuccessful in terms of coherence. While the Credit Proposal provided for extensive coherence with other Swiss initiatives including in tax policy at the international level in cooperation with the Organisation of Cooperation and Development (OECD) including the Automatic Exchange of Information (AEOI), Base Erosion and Profit Shifting (BEPS), and the African Tax Administration Forum (ATAF), which proved difficult to put into effect through the DRM project. However, the key weakness lay in donor coordination. While there was very close coordination and cooperation within the GIZ GFG there was a marked absence of effective mechanisms for coordination with the wider donor community as illustrated by the non-transparency to SECO and the GFG of the government’s intention under the Ghana Revenue Enhancement and Transformation project (GREAT) project. This was particularly important as there were several donors entering the sector during the life of the project. Several donors were supporting the GRA but reporting to different departments within the GRA with inadequate cross-coordination.	3	US
Effectiveness	The project is highly effective to date. In spite of the multiplicity of output objectives involving several beneficiary institutions (Ghana Revenue Administration (GRA), Tax Policy Unit (TPU), Ministry of Finance (MoF), Non-Tax Policy Unit (NTPU), Ghana Extractive Industries Transparency Initiative (GHEITI)) a high degree of performance was achieved against all 8 log-frame objectives by the Financial report on Stage 1 of the project. Under the Stage 2 of the project, currently under implementation, there may be more difficult challenges as the emphasis on the subnational component of the project increases. However, SECO/GIZ already have considerable experience working with the subnational entities, so there are reasons for anticipating that the high level of achievement noted to date will be maintained to the end of the project	1	HS
Impact	The project is assessed as satisfactory in terms of likely impact. With good progress already noted in terms of effectiveness through the performance in all 8 log-frame output areas under Stage 1 there are good prospects for the project to have positive impact. The most difficult area to achieve lasting impact is expected to be in the transformation of the GRA which is a relatively young institution and is subject to	2	S

	changes derived from the political level which make organisational transformation complicated.		
Efficiency	The project is assessed to be highly efficient. With the delivery of outputs in Stage 1 within budget and roughly on schedule then outlook for efficiency of the project is good. The project benefits greatly from the long-standing participation of SECO in the GIZ-implemented GFG in Ghana, which has proven its ability to deliver over many years.	1	HS
Sustainability	The prospects for sustainability of the project are assessed as satisfactory. There has been important progress in terms of the modernisation of the tax collection system through the completion of the implementation of the software systems utilised by the GRA which have facilitated a substantial increase in the number of tax filers and the use of self-assessment, which is expected to be a lasting effect. Sustained reform of the GRA is expected to continue to be challenging owing to the political context in which the GRA operates and the exposure of reform sustainability to abrupt changes in the senior GRA management team.	2	S
Overall	The project is on track to be satisfactory overall. The progress already made to date in terms of delivery at the output level is good, and there is a strong institutional implementation capability arising from (i) SECO's long history of support to the key institutions in domestic revenue mobilisation – notably the Ghana Revenue Authority and the Tax Policy Unit in the Ministry of Finance, and (ii) the continued participation of SECO as a cofinancier and implementing partner in the in the wider Good Financial Governance programme led by GIZ.	1.7	S

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning Questions and Lessons Learnt

Capacity Development: The main area for capacity development has been in the GRA, where the project has supported the preparation of the new GRA Strategic Plan, albeit in a difficult political and organisational circumstances. In the GRA the project has also supported capacity development for the roll-out of important modernisation reforms in revenue collection, including taxpayer self-assessment and the tax auditing system – a traditional capacity development approach which has been effectively implemented

The project has also continued to support the capacity of the Tax Policy Unit (TPU) in the MoF, and latterly the new Non-Tax Policy Unit.

PEFA: The project has little or no involvement in PEFA.

Transversal Themes: The project supported digitalisation in several contexts including the completion of the TRIPS implementation in the GRA, a model used in support of the Non-Tax Policy Unit and software in support of local authorities in digitalised databases for property tax assessments

The project has supported the inclusion of a Gender Strategy in the GRA Strategic Plan.

Change management:

The Credit Proposal provides for the preparation of a Change Management (CM) Strategy. Under implementation the main elements of the CM strategy included several elements:

- Extensive direct engagement with the individual beneficiary institutions (GRA, NTU, MOF, NTPU) prior to and during implementation of activities.
- Systematic approach to capacity development and, to a lesser extent, the institutionalisation of capacity development under each component of the project.
- The streamlining of administrative processes and introduction of new processes, especially in the support for the Ghana Revenue Authority.

- Support for the utilisation of IT software systems in the GRA (including the full use of the tax administration software system and the development of audit procedures in GRA).

Lessons Learnt:

- **Activities of other donors should be mapped and assessed at the design stage of a project.** This should be reflected in a full section in the Credit Proposal, especially where it is already known that many donors are or intend to be involved in the sector. The need for this type of assessment was noted in the Evaluation Report on DRM II of 2015.
- **Long-term engagement in a country within a defined sphere of activities over several multi-year phases of support cater for good results.** Long term presence facilitates an informed approach to the progression of the focus of support, in this case from support to the national government to support to the subnational level. This is also seen by SECO's ability to operate effectively in a complicated and crowded donor context with competing support for PFM, which has benefitted from its long-standing relations with the Government in the revenue sector and its participation in the wider GIZ GFG.

Project Desk Review

SECO Support to PEFA – Phase IV (2012-17) & Phase V (2017-21)

Title		PEFA Phase IV
Project duration		2012-17
Expenditure		USD 7.7m (core) + CHF 0.9m (country activities)
SECO share		USD 3.6m (core) + CHF 0.9m (country activities)
Contribution of other partners		Not known
Financing type		Multilateral
Implementing partners		6 other contributing partners – EC, IMF, WB, UK, France, Norway
Scope of intervention		Global and country specific
Level of implementation		National and subnational
Main activities		Membership of PEFA Steering Committee, support to implementation of the PEFA programme workplan, leading and supporting country-level PEFA assessments
Title		PEFA Phase V
Project duration		2017-21
Overall budget		USD 15.5m
Planned SECO contribution		USD 4.4 (core) + CHF 1.3m (country activities)
As above		As above

1. Project Context

SECOs PEFA interventions are at global level and at the country level. At the global level SECO supports the development of international standards for PFM and support to diagnostic tools, such as PEFA, TADAT and INTOSAI.

The purpose of the PEFA assessment tool is to define PFM performance at a system level, contribute towards increased country ownership of and donor harmonisation around a common information pool, and support the design, prioritisation and implementation of PFM reforms.

According to the Phase V Credit Proposal, the 3 main outcomes of the PEFA Programme are: (i) PEFA is the preferred system-wide PFM diagnostic tool (ii) the PEFA initiative adds value to PFM strengthening (iii) PEFA influences international policy dialogue on PFM.

2. Project Objective

The purpose of this desk review is not to evaluate the effectiveness of the PEFA global initiative, for which one external evaluation is already available (2016) and one external review has been undertaken to inform future programming (2019). This review aims instead to assess whether SECO has influenced and shaped the development of the PEFA programme and given greater visibility to Swiss aid through its involvement in PEFA. It also aims to assess whether PEFA activities and assessments have supported SECO field operations and those of other Swiss government partners (in a way that would not have happened without SECOs support the PEFA Programme).

3. Evidence

The documentation available for the desk review include the Phase IV programme evaluation (2016), the Phase IV review (2019), the Phase V Credit proposal and Programme Document, and SECO’s Concept Paper on its approach to subnational PFM. Additional materials from the PEFA website have been reviewed.

Further evidence has come from interviews with the SECO PEFA PM and representatives from the PEFA Secretariat and Steering Committee who have observed SECOs role on both over recent years. Country-level evidence come from countries where SECO has been active in supporting national and subnational PEFAs – i.e. Albania (5 municipal, 2016), Peru (6 regional, 5 municipal, 2011-17), Serbia (6 municipal, 2015-17), Columbia (support to PFM reform, building on 2015 PEFA and 2017 dialogue).

Achievement of the project objective from a SECO HQ perspective is expected to be evidenced by: early insights into issues of aid management and PFM reform, timely information on the PEFA work programme, leveraging of Swiss expertise into thinking about PFM reform, and influencing the PEFA workplan in support of SECO priorities.

Achievement of the project objective from a country perspective is expected to be evidenced by signs of a strengthened approach to PFM reform in SECO priority countries, compared to the counterfactual. Indicators for this are as follows: improved country ownership of the PFM reform agenda in SECO priority countries, reduced transactions costs, enhanced harmonisation, improved monitoring of PFM reforms, improved ability to address fiduciary concerns and ultimately improved impact and sustainability of reforms in SECO priority countries. To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation’s 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The project is highly relevant. The PEFA PFM tool is widely used. There have been over 650 assessments to date covering 150+ countries. PEFA is trusted and respected as a uniform, evidence-based tool. There is very high user satisfaction in the PEFA framework. The tool has been deployed extensively by SECO in its priority countries, in particular at subnational level. PEFA reports are perceived as relevant to PFM reform, both as baselines and as a means of measuring progress. The framework has contributed significantly to promoting coordination, dialogue and ownership of PFM reforms in countries where it has been deployed. Involvement in the global initiative has enabled SECO to access current thinking on PFM reform and to influence work on new areas which support its thematic areas of interest, such as subnational PFM. PEFA assessments help WEMU shape PFM interventions in SECO priority countries, through stronger policy dialogue and discussion of PFM performance and strengthened ownership of reform priorities	1	HS
Coherence	The programme is well coordinated with other donor initiatives and other Swiss aid interventions. This finding applies at global as well as the country levels. The PEFA initiative strengthens SECO’s visibility in the global development community and provides it with beneficial access to experts and institutions who are involved in national and subnational governance reform and strengthening of PFM institutions and processes. It enables SECO to bring in Swiss expertise through its strategic partners. PEFA is the overarching framework that relates the broader PFM environment to more focussed drill-down tools that WEMU is also supporting e.g. TADAT, MAPS, DeMPPA, SAI PMF PEFA an important diagnostic for a large portion of WEMU’s activities. It provides important information on PFM systems in SECO priority countries. It	1	HS

	<p>facilitates dialogue with partner countries and allows for efficient coordination with other development partners. PEFA results are often used as a scoping tool, to design TA interventions, and for monitoring progress and measuring results. This benefits other Swiss ODA (e.g. SDC). Countries such as Serbia, Indonesia, Vietnam, Columbia, Peru, Tunisia and the Kyrgyz Republic are directly benefitting from these synergies at the subnational level.</p>		
Effectiveness	<p>The programme has been very effective in bringing a uniformity of assessment to the PFM sector and supporting the design of PFM reforms. PEFA framework supports the prioritisation of PFM reforms and it has been strengthened over time. Using the PEFA scores to assess identifiable PFM system performance, the data shows that that 53 out of 76 countries that had carried out PEFA assessments between 2012 and 2015 had improved their performance (70%). There is very high user satisfaction with the framework. The 2016 framework upgrade is reported by users as 'robust' although some concerns over quality remain. Several LICs and LMICs countries are reported to be using PEFA independently to monitor PFM system performance.</p> <p>The reputation and credibility of the PEFA framework rests on the clear premise that it is only one part of an effective strategy for improvements in PFM and service delivery. There is evidence that this is not universally understood. Further work is required to help stakeholders use PEFA assessments to support PFM reforms and address transversal themes (climate change, gender responsive budgeting). An increasing body of guidance materials have been published by the PEFA Secretariat recently to address this need, but it is too early to assess their impact.</p>	2	S
Impact	<p>The programme has unambiguously achieved its 1st objective and is making progress towards the others. The 3 main outcomes envisaged for PEFA are (i) PEFA is the preferred system-wide PFM diagnostic tool (ii) the PEFA initiative adds value to PFM strengthening, and (iii) PEFA influences international policy dialogue on PFM.</p> <p>The full value of PEFA can only be realised if it is used beyond the country level to contribute to and influence international policy dialogue on PFM reform. The limited ability of PEFA partners to meet the 2nd and 3rd programme objectives alone is well recognised by SECO. The evaluation also notes that it may be too early to expect this part of the logic chain to be fully evidenced yet – the framework upgrade took place in 2016 and the focus since then has appropriately been on its full roll-out.</p> <p>A clearer discussion of the PEFA theory of change and its relation to the outcome-impact logic of the program is required, including whether it is only relevant to LIC and LMIC countries. There is also a need for enhanced monitoring and research tools to help identify and analyse PFM reforms and associated impacts on key policy issues, using PEFA data as a primary source. It is not clear that there has been adequate investment in this area.</p>	2	S
Efficiency	<p>The program was assessed to be cost efficient by an external evaluation in 2016 on the basis of the substantial worldwide application of the PEFA framework. The most significant outcomes have been the substantial increase in the use and global recognition of PEFA, with the number of PEFA reports increasing from 250 at the end of Phase III to more than 540 by the end of Phase IV, including significant expansion to SNGs (over 200 assessments).</p> <p>The evaluation team finds the programme continues to be delivered efficiently, on the basis of the global roll-out of the 2016 framework. However, the programme does not systematically measure its cost efficiency. The financial sustainability of the programme is a major concern of the Secretariat, which is working on the development of a more streamlined approach to the PEFA assessment. A saving of 20-30% in time and resources from the approach is anticipated with plans for roll-out in 2021.</p> <p>SECO have been one of the more significant financial partners for the PEFA programme, providing flexible funding, deep technical engagement and network resources to help develop and promulgate the PEFA diagnostic tool and PFM reform approach. This has enabled the programme to operate efficiently and maintain a pace of benefits realisation to the programme generally as well as to SECO specifically in its priority countries.</p>	2	S
Sustainability	<p>More needs to be done to assure the sustainability of the PEFA framework. Progress in this area depends on the development of in-country capacity to undertake PEFA assessments and improved knowledge transfer</p>	3	U

	<p>between countries on effective approaches to the design of PFM reforms using PEFA assessments as an input.</p> <p>As a global public good, PEFA is likely to require continued external support. No single user or donor has an incentive to perform the function of the PEFA Secretariat and the assessment framework relies on open and free access to maximise its impact. It should be noted, however, that the costs of maintaining the PEFA Secretariat function are relatively small compared to the potential global benefits derived from it by PEFA partners.</p> <p>Some elements of PEFA's services are more private in nature and could be charged for – such as training and certification. This is an under-explored area of potential revenue generation for the Programme and would be welcomed - a majority of client countries regard the methodology as too dependent on external expertise and too expensive. The evaluation notes that there has been relatively little attention to the development of capacity for self-assessment (understood to take place among some countries but not reported) and in exploiting the potential of the PEFA database for research. Increasing the resources of the PEFA Secretariat in these areas could yield significant positive returns for PEFA partners.</p>		
Overall	<p>Overall, support to the PEFA Programme is assessed as satisfactory.</p> <p>The Programme has achieved its primary objective and the direction of travel towards its other objectives is strongly positive. The principles of the strengthened approach to PFM have been delivered (i.e. a country-led PFM reforms agenda, a shared information pool, and a coordinated programme of support to governments implementing PFM reforms). Beneficiary countries increasingly own the PEFA process and it has facilitated donor harmonization. However, while the PEFA diagnostic has had a clear and positive impact, the way in which it builds local capability and reshapes the policy dialogue between country clients and development partners is less clear. The Programme is now starting to focus on these issues.</p>	1.8	S

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning Questions and Lessons Learnt

Capacity Approaches: The need for attention to capacity-building was recognised at the start of Phase V. However, the limited financial and administrative capacity of the Secretariat (8 full time staff) meant the focus has necessarily been on updating PEFA's instructional materials (handbooks, methodological guidelines, formats, templates) rather than taking the lead on in-country capacity-building (for which considerable unmet demand exists).

Given the resources available the approach taken by the Secretariat to capacity-building has been appropriate (focussing on the public good elements of the framework) and pragmatic (mainly dissemination – some training has taken place in the context of specific PEFA assessments). Good practice would have included making available more online training materials or certifications (e.g. as per TADAT, IMF) but it is understood the Programme did not have the resources or capacity to develop such materials.

PEFA: The general sentiment of stakeholders is that the current PEFA framework is both appropriate and adequate in terms of coverage (particularly since the 2016 update) and that it should be consolidated, not broadened. It has a high degree of user satisfaction among its core market of LIC and LMIC countries. There are demands for more flexibility/lighter PEFA assessments, more related to country context, in particular when used at subnational level.

Specific issues which influence the adequacy of the tool and/or need to be addressed for PEFA to be more useful are as follows:

- Country stakeholder coordination and dialogue around the PEFA could be improved. At country level, the PEFA and PFM agenda covers a broad range of government entities but PEFA is often seen as an 'MoF affair' with limited ownership outside the MoF. This has the potential to undermine internal coordination and dialogue within

governments on how to improve PFM. This gap has been recognised by the PEFA Secretariat, which has recently published Volume IV of the PEFA Handbook (Using PEFA to Support PFM Improvement, Jan 2020).

- Phase IV highlighted the importance of maintaining and improving quality assurance arrangements. The process of upgrading the PEFA measurement framework (published 2016) has demonstrated the benefits of broad engagement of stakeholders, which has been an important ingredient for the high degree of acceptance for the upgrade.
- The expanding range of other PFM diagnostic tools presents a challenge for PEFA users. PEFA will need to ensure that users have a clear understanding of how it could be effective, and to ensure that it is

Transversal themes: Transversal themes such as gender budgeting and climate change are being integrated into PEFA through guidelines and tools that are complementary to the main PFM diagnostic framework. In a general sense, however, the framework should not be altered to include too many other elements that may distract from its very focussed and clear objectives. Some of these themes have their own dynamic and logic and may influence country resource allocation systems in different ways (e.g. planning and budgeting guidelines). Other diagnostic tools may be better suited to such assessments (e.g. nutrition-sensitive or child-focussed public expenditure reviews, public investment management assessments, etc). Adapting the PEFA framework to additional multiple demands (e.g. disaster protection, service delivery monitoring, SDG achievement) could damage the PEFA brand among stakeholders – who report its objective and clear focus as a brand identifier.

Change Management: The PEFA framework does not have an explicit theory of change. A clearer discussion of the theory of change at country level and its relation to the outcome and impact level intervention logic would be useful, in order to help understand the true impact of the programme. This requires assessment of enabling factors that are within the core PEFA programme and the effect of those beyond the core of the programme (e.g. political economy, development partner agendas, preferred financing strategies at country level, institutional support). It is recommended that this should be an early focus for the next phase of the programme in order to inform resource allocation and activities of PEFA Phase VI.

Lessons learnt:

- There have been distinct benefits to SECO in providing long term institutional support to the PEFA initiative. Its ability to retain institutional knowledge and networks (WB, IMF, EU, UK, France) has enabled it to exert influence at the global level. This has led, coincidentally, to development of the framework in ways which directly benefit the wider goals of Swiss cooperation (e.g. subnational governance) as well as specific country level operations.
- There have been distinct benefits to SECO in ensuring a flexible mix of financial, in-kind (i.e. experienced and motivated SECO staff) and operational (i.e. country-level applications) support to the PEFA programme. This has benefited programme efficiency, in particular during the 2016 upgrade process and development of a groundswell of support for development of the subnational PFM diagnostic.
- The PEFA programme has not invested sufficiently in communicating its activities and impact to the wider professional community of PFM specialists, client country stakeholders, or the general public. This could be a relatively low cost-high impact activity in the Phase VI programme.

- There is a question about the appropriate timeline against which to judge the development of a globally accepted PFM diagnostic framework. In the 15 years since it was established PEFA has been adopted, rolled out globally, undergone a comprehensive and consultative framework revision, and expanded in scope (subnational PFM). This is a substantial achievement. It is arguably only now, at the start of Phase VI, that the programme can realistically turn its attention to issues of reform design and learning.

Project Desk Review

Supreme Audit Institutions, Capacity Development Fund

Title	Supreme Audit Institutions, Capacity Development Fund
Project duration	2013-2018
Overall budget	USD 30 million – but only SECO contributed; final budget: USD 6 million
SECO contribution	USD 6 million
Contribution of other partners	0
Financing type	Multi-Bi
Implementing partner	The World Bank
Scope of intervention	Large Programme
Level of implementation	National
Main activities	Support to a MDTF to Strengthen governance and PFM in developing countries through direct capacity development (CD) support to State Audit Institutions (SAIs) and to the International Organisation of Supreme Audit Institution's (INTOSAI) global and regional bodies with 1) Scale up support for CD; 2) Enhance effectiveness of support to SAIs; 3) Deliver results through financing and managing SAI CD programmes.

1. Project Context

SECO provided USD 6 million to an Multi Donor Trust Fund (MDTF) managed by the World Bank to channel joint efforts of donors to Supreme Audit Institution (SAIs) and the International Organisation of Supreme Audit Institution (INTOSAI) to Capacity Development (CD) programmes for SAIs. The total budget for the programme was USD 30 million, but other donors never provided funding. The idea was to unite projects to support SAIs in a closer cooperation with INTOSAI and provide more peer-to-peer (P2P) learning between SAIs. SECO was already supporting SAIs in Azerbaijan and Tajikistan through single source WB Trust Funds and the project should build on these experiences and the knowledge of the relevant expertise in the WB. The project should also increase synergies between bilateral projects and INTOSAI's regional and global INTOSAI bodies. The MDTF can support INTOSAI CD and bilateral projects.

A Global call for proposal among SAIs managed by INTOSAI took place for concept notes. Thereafter a second round managed by the WB SAI CDF Secretariat called for more elaborated proposals followed by an approval process conducted by the WB based on ten detailed criteria. Twelve sub-projects were selected by the SAI CDF Committee (WB, INTOSAI, SECO) and implemented from 2016 to 2019.

2. Project Objective

The overall objective of the project was: *To strengthen governance and public financial management in developing countries, through direct capacity development support to SAIs and to INTOSAI global and regional bodies*

The project's outcome was: Improved performance of SAIs in developing countries.

All twelve financed sub-projects had their own specific objectives and were followed closely by the WB secretariat following WB procedures with regular monitoring reports.

3. Evidence

The documentation available for the desk review covers the Annual SAI CDF 2018 report prepared by the SAI CDF Secretariat in the WB and the Decision Proposal SAI CDF 2013. Information about INTOSAI including its Development Initiative was found on www.intosai.org and an interview was conducted with the SECO programme manager. The annual report is comprehensive with presentation of all sub-projects following the standard WB project and monitoring system. An interview was conducted with the SECO project manager (PM).

To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The project is highly relevant. SAIs are often left out in PFM projects and the need for support is revealed by e.g. INTOSAI, which has almost all SAIs worldwide as members. The sub-projects selected by the SAI CDF WB Secretariat followed a demand driven approach with two selection rounds; first concept notes and thereafter proposals developed with support from INTOSAI. The selected sub-projects follow priorities of the national SAIs. They should (one of the criteria) follow national (constitutional) priorities for SAIs.	1	HS
Coherence	The project is coherent with SECO and the priority to support SAIs, but coherence with other Swiss and development partners' support to SAIs is low. SECO was already engaged in two projects to support SAIs, which the project built on and it followed SECO priorities for coverage of more SAIs. Only one (Indonesia) of the sub-projects was implemented among the 13 SECO priority countries, so the project (by nature) was not coordinated with other SECO or Swiss support. The intention was that the Swiss Federal Audit Control should be involved. No other donors supported the project with funding and several other donor-funded support programmes to SAIs were ongoing in parallel. SECO intended to apply and promote its competence within support to SAIs for a new a larger support programme to SAIs, but this was not possible. The Swiss SAI (the Federal Audit Office) did not participate in the project as it was not a priority for FAO.	3	US
Effectiveness	The project was effective for the limited number of sub-projects it implemented. The project covered twelve sub-projects for an average budget of about USD 0.4 million. Of the twelve projects, nine were rated as satisfactory by the SAI SDC Secretariat and two below satisfactory. As the scale of the project was only 1/6 of the planned size of the support programme, due to the fact that SECO became the only contributor to the MDTF, the total effectiveness of the programme is limited.	3	US
Impact	The project had some limited impact on <i>governance and public financial management in developing countries</i>. The objectives of the sub-projects are mostly at outcome level and less ambitious than the project's objective, but a good chance exists for the satisfactory sub-project to have some impact at a later stage after going through successful P2P learning. Projects are also focusing on transparency and accountability.	3	US
Efficiency	The project efficiency was low. With a limited amount of USD 6 million, the set up in the WB with 3 staff in a secretariat amounted to about 15 pct. of project's budget. The implementation of sub-projects was often slow in particular for finalizing contracts. The implementing SAIs had limited experience with international project management and procurement rules and in particular two SAIs did not have the capacity to implement P2P learning and needed support from the SAI CDF Secretariat and the INTOSAI.	3	US

Sustainability	As a project the sustainability was low, but most sub-projects are likely sustainable. The project's overall budget was quickly exhausted as only 1/6 of the planned budget was raised. At the sub-project level, the focus on a project modality with P2P learning is effective to sustain learning in the SAIs for the projects rated as satisfactory. The risk with reaching the planned contributions of USD 30 million was identified and acknowledged at project formulation, but the mitigation did not work.	3	US
Overall	The project did not succeed well. First and foremost, the needed budget could not be raised, and it was not well coordinated with other programmes to support SAIs and only one sub-projects was implemented in SECO priority countries. Most of the limited number of sub-projects were rated satisfactory by the SAI CDF Secretariat, and their results will likely remain with the P2P modality. If the project had been redefined by the WB SAI CDF and adjusted to the available budget from the outset including the management set up in the WB, the assessment would have been more positive as the results of 75% of the implemented sub-projects were positive.	2.7	US

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning Questions and Lessons Learnt

Capacity development: The P2P learning was preferred by INTOSAI and in the proposals for sub-projects. It is a good modality if good SAI partners can be identified that can sustain results.

PEFA: The documentation does not provide any reference to PEFA's applied for preparation of any sub-projects.

Transversal themes: The project and some of the sub-project specifically address enhanced transparency and accountability, which are important elements to address corruption.

Change management: The project is based on a P2P learning modality, which bring officials together from different SAIs for mutual learning. It had good results in 75% of the implemented sub-projects.

Lessons Learnt:

- The project could have been coordinated better with other donors and the INTOSAI.
- Processing final agreement for support programmes with SAIs is a long process.
- International Finance Institutions (WB) may have a priority for projects in LICs.
- SAIs as service providers is a new business line e.g. the India SAI, which could not deliver in Georgia. INTOSAI.org has a list with SAIs capacities in various countries.
- Competition of donor funding for SAI support, is probably why no additional fund was provided to the SAI CDF.
- SECO stopped the funding as other development partners prefer to work directly with INTOSAI.
- The WB is not a strong actor in support to SAIs and may have specific country priorities, when the WB selected countries for funding.

Programme Desk Review

Supreme Audit Institutions: Strategy, Performance Measurement and Reporting

Title	Supreme Audit Institutions: Strategy, Performance Measurement and Reporting (SAI SPMR)
Programme duration	2018 – 2022
Overall budget	USD 4.8 million
SECO contribution	CHF 3.0 million
Contribution of other partners	INTOSAI Development Initiative (IDI): USD 1.8 million
Financing type	Global
Implementing partner	INTOSAI Development Initiative (IDI)
Scope of intervention	Large Programme
Level of implementation	National
Main activities	Support to 30 to 45 SAIs with four steps 1) Develop baseline establishment through SAI PFM tool (Performance Framework Management); 2) Support SAIs in developing strategic plans; 3) Support Supreme Audit Institutions (SAIs) in implementing strategic plans and reporting performance; 4) Final performance assessment using SAI PFM

1. Programme Context

SECO provides CHF 3 million to INTOSAI’s Development Initiative (IDI) to the Strategy Performance Measurement and Reporting Program (SPMR), which will strengthen the performance and institutional capacity of 30-45 Supreme Audit Institutions (SAIs).

All SECO priority and complementary countries in Africa, the MENA-Region and Eastern Europe are eligible for the programme. The programme follows the SAI Capacity Develop Fund (CDF) financed by SECO and implemented by the WB, which was discontinued in 2019 due to lack of funding from other development partners and the increased capacity in INTOSAI/IDI for capacity development initiatives and programme implementation.

The IDI Secretariat is located with the Norwegian Supreme Audit Institution (Riksrevisjonen), and funded by Norway and other donors including SECO. The IDI is implementing several capacity development (CD) programmes for SAIs¹. Many of the CD programmes are narrow and focused on specific issues, while the SPMR is broader and addressing the institutional level of SAIs. The programme is implemented by IDI supported by resource persons in six of INTOSAI’s regional branches and SAIs in a phased approach from 2018 to 2022.

2. Programme Objective

The overall objective of the programme is: *strategically managed and better performing SAIs*.

The program is guided by four specific objectives. i) to improve the quality of SAI strategic planning process by using an evidence based and inclusive needs assessment process; ii) support to SAIs in establishing a sound strategic management process; including by setting

¹ See www.idi.no.

up effective performance measurement and reporting mechanisms; iii) strengthen the capacity of INTOSAI regional bodies in providing strategic change management training by creating regional pools of resource persons able to provide SAI level support; iv) promote the use of existing INTOSAI global goods throughout the strategic management cycle.

According to the Credit Proposal, the final impact is better performing SAIs, enabled to ensure value for money of public spending for citizens.

The programme will support SAIs systematically through the entire strategic management cycle. It will cover four stages, off which most participating SAIs are in step one and two presently.

Step 1: Establishing a baseline through SAI PMF (Performance Management Framework) tool.

Step 2: Support SAIs in developing strategic plans.

Step 3: Support SAIs in implementing their strategic plans and reporting on performance.

Step 4: Final assessment of performance using SAI PFM.

3. Evidence

The present desk review is based on the Credit Proposal and the Implementation Report SAI SPMR from June to December 2018 and July to December 2019². The programme is ongoing to 2022 and projects were only initiated in 2019 with the PMF assessment and planning phase starting with piloting in Africa (AFROSAI-E) and Asia (ASOSAI). Interviews were also carried out by the evaluation with the SECO programme manager and the programme's senior manager at IDI.

To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The programme is highly relevant, but s may not always be aligned with national priorities. The need for support to SAIs is well documented e.g. by 31 recent PEFA assessments, where relevant SAIs (ex-post external audit) indicators scores are low. SAIs are often not a direct part of PFM projects, which are focusing more on the functions of ministries of finance, budget circles and treasury. The programme is designed to support the formulation of SAIs strategic plans, and these should be aligned with government strategies, which is encouraged. There is, however, a risk that the SAIs are following other priorities, if the management is not fully involved or government strategies shift. However, SAIs should follow independent long-term strategies follow good international practices and not necessarily align to the strategy of the present government.	1	HS
Coherence	The programme is coherent with SECO and other development partners' support to SAIs. SAIs are important institutions for external audit as the final step in the PFM cycle. The INTOSAI Donor Coordination Group is working with IDI to avoid duplication of support projects to SAIs. There is however a risk for duplication with many ongoing PFM projects worldwide, but it seems not to be the case. Of SECO's 13 priority countries five are covered in the programme. Two SECO complementary countries are also covered, where SDC is involved, so synergies are limited and are only identified in the countries through coordination in Swiss Embassies.	2	S

² Which included information up to March 2020.

Effectiveness	The program’s initial implementation has been effective with some minor delays. 43 SAIs are selected and workshops have been implemented by IDI with regional INTOSAI’s for preparation of PMFs and the first 18 PMFs are under review by IDI (peer review). These have been developed with P2P support from resource persons in INTOSAI’s regional branches and other SAIs. Some SAIs are not fully committed to the programme as the management level is not involved/interested.	2	S
Impact	NA – as the programme continues to 2022.	Na	
Efficiency	The programme is showing some efficiency with some minor delays. With substantial use of existing human resources in IDI, INTOSAI’s regional branches and SAIs, it is a cost-efficient programme. Projects are demand driven from the SAIs and developed through existing strategic or other plans. Transaction costs for preparing agreement with SAIs will exist as some SAIs are not familiar with management of external project. Resource persons work pro bone, so costs are mainly for travelling and CD activities.	1	HS
Sustainability	The programme has a good potential for sustainability. It is building on lessons from the previous SAI Capacity Development Fund with more focus on institutional development and P2P learning. The PMF assessment and the preparation/revision of strategic plans are carried out by the SAI staff. The following CD and development address INTOSAI regional branches and SAIs. Thus, capacity should be institutionalized, and regionalized and resource persons are developed. COVID-19 Pandemic has been included in the risk framework, but the mitigation is stated as cancelation, while virtual (Skype, Teams, etc.) would be a better option. E-learning is therefore emerging more.	1	HS
Overall	The programme is highly satisfactory. It had a good start and activities are planned and executed with smaller delays. The perspective to reach the objectives are good for many of the projects and the implementation modality with P2P and a solid use and capacity from existent human SAI resources provide good perspective for sustainable projects. The programme is also implemented as an integrated part of other IDI initiatives with a good sustainability.	1.4	HS

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning Questions and Lessons Learnt

Capacity: The programme is addressing institutional development by supporting development of SAIs strategic plans. Assessments are carried out by the SAI staff, who has been capacitated by colleagues from other SAIs and INTOSAI’s regional branches, while IDI is managing the approaches and backstopping. Project applications include that SAI project team members are not changed (unless they resign from the SAIs). So, capacity is built during all phases of the projects by learning by doing and P2P. Projects avoid language barriers by the conditions that project team members are able to speak relevant regional languages (about six to seven languages).

PEFA: PEFA assessments were applied as evidence for the need of the programme and to prepare projects. Some of the indicators in the INTOSAI assessment tool, PMF, are the same as PEFA.

Transversal: The programme is working with e-learning to reduce costs and the monitoring system includes gender statistics. E-learning approaches are increased because of COVID19. Project applications must include that the SAI project teams are gender balanced.

Change Management: SAIs are supported in strategic change management through a moderated process of regionally based trainings, e-learning and peer assistance.

Lessons Learnt:

- Support to SAIs is needed as most PFM projects address ministries of finance and line ministries in the budget circle. SECO SAI projects therefore cover a somehow neglected area.
- SAI projects might not be directed related to the present government strategies as SAIs should be independent institutions following a long-term strategy.
- The programme itself is applying lessons from the previous SAI CDF project:
 - Provision of funds and implementation directly to IDI with its existing staff and experts from SAIs and regional INTOSAI instead of to an MDTF managed by the WB.
 - An evidence-based approach with application of the INTOSAI assessment tool (PMF).
 - Focus on development of SAIs strategic plans and Institutional development instead of particular areas for CD and individual training.

Project Desk Review

Indonesia: PFM Multi-Donor Trust Fund, Phase II

Title	Indonesia PFM Multi-Donor Trust Fund Phase II
Project duration	2014 - 2018 (extension until 08/2020)
Overall budget	USD 19 million
SECO contribution	USD 4.5 million
Contribution of other partners	EU: EUR 9,500,000; Canada: CAD 5,000,000
Financing type	Multi-Bi
Implementing partner	World Bank
Scope of intervention	Targeted
Level of implementation	National and Subnational
Main activities	1) Ensuring right prioritisation and sequencing of reform activities; 2) Improving spending; 3) Better links between budgetary spending and improvement of public services; 4) Improving efficiency in budgetary execution; 5) Budget scrutiny and better control over public resources; 6) Revenue administration; 7) Sub-national level challenges; 8) Strengthening institutional capacity for PFM

1. Project Context

The context for this project is the fundamental and ambitious programme for the transformation and modernisation of democratic government, which Indonesia has been pursuing since 2001, summarised by the term “Reformasi”. This project is supporting the second phase of the World Bank-led Public Finance Management (PFM) Multi-donor Trust Fund. The MDTF is focussed on continuing the reform of public financial management, which is recognised as being at the core of the wider transformation of public sector governance. Following the progress already achieved under Phase I, the programme is addressing second-generation reforms, including the improvement in the quality of the budget and the extension of PFM reforms to the subnational level.

2. Project Objective

The program's main objective is to support the Government of Indonesia contribution to the socio-economic development of the country through an improved collection, allocation, usage and control of public resources. Specifically, the Trust Fund supports PFM reforms in Indonesia, primarily on key reform items at central level. It further explicitly aims to strengthen PFM at the subnational level.

The project 2nd phase supports second-generation reforms with a focus on quality of spending through more effective and efficient budgeting and public spending as well as further public financial management adaptations (e.g. at decentralised level) built on past achievements. A more efficient legal framework, better control and oversight in treasury and tax administration will thus be encouraged by the Trust Fund, which ultimately aim at enhancing the effective use of scarce resources for sustainable development.

3. Evidence

This desk review is based on 4 documents: the Credit Proposal (2015), the independent Mid-Term Evaluation of the project of 2017 undertaken by ECORYS consultants, the Concept Paper for a new PEFA assessment scheduled for 2016, and the project Annual Report prepared in late 2019. An interview was also carried out with the SECO programme manager. To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The project is assessed to be highly relevant. The project is highly relevant to the transformation of the entire system of government under “reformasi” which has been a government priority since its inception in 2001. Within the governance and specifically PFM component of “reformasi”, the project has been aligned strongly and established in cooperation with the Government through the various departments of the Ministry of Finance and has successfully avoided any duplication with the other donors supporting PFM in the MoF. The Government’s Medium-Term Strategy (2012-17) has been the subject of formal guidance notes issued annually by the MoF. The project builds on the former Phase of the PFM MDTF and the specific thematic priorities were guided by the results of the 2011 PEFA.	1	HS
Coherence	The project is assessed to be satisfactory in terms of coherence. Coherence can mainly be assessed in relation to the activities of other donors, rather than in terms of conformity to Swiss government priorities and strategies. While there are many important bilateral and multilateral donors active in the field of PFM in Indonesia, it appears that good mechanisms have been established in collaboration with the relevant departments of the MoF to avoid duplication. This appears to be true even where multiple donors are active within a given component (such as Australian and Japanese support on the elements directed at strengthened governance). The project is consistent with the objectives of the SECO country strategy. There is, however, no mention of collaboration or complementarity with other Swiss interventions by institutions such as SDC or WEIF in the CP or in the review documents provided for this evaluation. The project is consistent with the SECO hallmark of combining support to PFM reforms at national and subnational levels.	2	S
Effectiveness	The project is assessed to be satisfactory in terms of effectiveness. On the basis of the findings of the 2017 independent evaluation of the project and corroborated by the December 2019, it is expected that a high level of performance will finally be achieved against 6 of the 8 results areas. i) Better oversight of PFM reform processes, leading to an adequate sequencing and coordination of reform activities, 2) More targeted allocation of public funds to development priorities, based on better information about the efficiency and effectiveness of current spending. 3) Better links between budgetary spending and improvement of public services by improving the results-orientation of the budget process. iv) Improved budget execution, v) Enhanced compliance and value-for-money in budget spending, 6) Increased fiscal revenues through an improved customs, tax and non-tax administration performance 7) Improved PFM at sub-national level, and viii) Strengthening and transforming institutional capacity for PFM. Progress has been made in the areas of MTEF and the revenue function. These areas are subject to delay and likely to need to be supported by the proposed MDTF Phase III to fully achieve the outputs designated for the Phase II project.	2	S
Impact	The project is expected to score satisfactorily on impact. This view is based on (i) the generally high level of performance at in terms of effectiveness and (ii) the careful process of refinement and resign of the project on an annual basis, which is a key positive feature of this project. Shortcomings in the delivery of outputs in respect of MTEF and revenue will, of course, feed through into limited or delayed impact in these specific areas.	2	S

Efficiency	The project is assessed to be satisfactory in terms of efficiency. It has a high level of effectiveness in delivery of outputs within a given budget. Some delays were experienced on the Recipient Executed component of the Trust Fund, but these were effectively addressed including through the allocation of expertise from the World Bank to support administration of the Recipient Executed component.	2	S
Sustainability	The outlook for sustainability of the project is good. This conclusion is based on the good performance on both Effectiveness and Impact. The project has performed very well in terms of its implicit change management strategy based on high beneficiary buy-in, extensive training, support for necessary institutional reforms and legislation and the close involvement of the beneficiary institutions in both the national and sub-national entities in the implementation and monitoring of the project.	2	S
Overall	The project is satisfactory. It is a large, complex and ambitious project operating in areas of PFM which typically are slow to deliver strong results. The project has benefitted from the careful initial design based on government priorities in the wider governance reform sphere, and on the modalities used for advancing in each of the component areas. SECO has benefitted from effective leadership of the WB both in the design and the management of project implementation.	1.8	S

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning Questions and Lessons Learnt

Capacity development: This large project has benefitted from having a broad range of intervention modalities, which are applied to enhance both individual and institutional capacity. including: 1) strategic policy advice, 2) evidence-based analysis, 3) training, 4) workshop / conference 5) study tours 6) IT advisory and assistance 7) on-the-job technical assistance (non-IT). The project has applied a consciously sequenced approach to the use of these capacity-building modalities within each of the project components.

PEFA: The project design (for the original Phase I of the MDTF) was closely based on the 2011 national PEFA, which itself followed on from the 2007 assessment. It provided a good guidance for the weaker areas of the PFM system, which formed the basis for the thematic areas identified for the MDTF Phases I and II. A follow-on PEFA was planned in 2016 and undertaken with a delay in 2017. A total of 4 subnational PEFA's were also conducted. The 2017 national PEFA was notable for the close collaboration of the WB and the MOF in undertaking the assessment with heavy involvement of the staff of the MoF. SECO undertook a peer review of all the PEFA's undertaken under the auspices of the project

Transversal themes: The project is not explicitly oriented towards transversal objectives with the exception of digitalisation. In this area the project has supported continued development and refinement of two of the MOF's financial management systems.

Change management: Although the Credit Proposal makes no explicit mention of a Change Management strategy, the detailed design illustrates clearly that careful thought went into the design and sequencing of activities within each component of the project. This was done to achieve a high level of government buy-in, the institutionalisation of continued annual guidance from the Government, the involvement of government in specific activities and the establishment of a formal reporting system at a high level through the Project Advisory Committee and the Working Committee, all of which were chaired by very senior government representatives.

Lessons Learnt:

- Operating as contributor to a MDTF where the WB plays a very active role both in project design and as the managing agent can be a very effective mode of operations for SECO.
- The use of a wide range of modalities of delivering support within the project and within each component of the project can support useful sequencing of different modalities as capacity development proceeds in the beneficiary institutions.
- The key role provided by the high level institutions of coordination between the donors and the government, in this case the PAC, the Working Committee and the system for formal annual guidance from the MoF is important in maintaining good relations and coordination and provides a good mechanism for applying the necessary flexibility at the activity level which is appropriate for a multi-year programme.
- The strong lead taken by the Government (mainly through departments of the MoF) in providing direction for the activities of each donor in a crowded donor field has provided a more effective guard against overlapping and duplication than could have been provided by a purely donor forum for coordination.
- The use of a flexible approach to the revisions of the final work plan at the level of detailed activities is appropriate in the context of support in Middle Income Countries which already have quite effective PFM systems and are clear about their priorities for specific areas of donor support.

Project Desk Review

Kyrgyz Republic Capacity Building Multi-Donor Trust Fund, Phase II

Title	Kyrgyz Republic – Capacity Building in PFM MDTF Phase II
Project duration	2015-2019 – Project extended to February 2023, which will permit project activities up to August 2022
Overall budget	USD 3,550,000
SECO contribution	CHF 3,200,000
Contribution of other partners	EC; USD 200,000; local in-kind contribution (originally DFID planned to provide USD 2,350,000 but pulled out before the project started due to Brexit)
Financing type	Multi-Bi
Implementing partner	World Bank
Scope of intervention	Targeted intervention
Level of implementation	National and subnational
Main activities	1) Strengthening the Budget Process; 2) Enhancing efficiency of PFM; 3) Improving efficiency of inter-governmental fiscal relations; 4) Capacity building in PFM of MoF and line ministries; 5) Supporting capacity building in PFM of national and local parliaments; 6) Project management

1. Project Context

Kyrgyz Republic, a former republic within the Soviet Union, commenced governance reforms in the mid-1990s and initially made rapid progress in the establishment of basic PFM systems in establishing the foundations of public expenditure and revenue management, including a legal framework, budget management procedures, and a modern treasury system. Progress in PFM reforms slowed down in the early years of the new millennium, a period characterized by political instability and lack of clarity in the direction of national development.

A PFM Capacity Building Multi-Donor Trust Fund (CB MDTF) was implemented in 2009-2015 supported by SECO, the European Union, the Swedish SIDA and DFID under World Bank implementation. This followed PEFA assessments undertaken in 2006 and 2012, which both highlighted the progress already achieved in establishing basic PFM processes, but which also pointed to significant areas where further progress was required and the importance of the right sequence of the reform's elements.

The present project constitutes a second phase of the Kyrgyz Republic CB MDTF. It was originally planned to be supported by all the contributors to the Phase 1 project, however, SIDA dropped out as part of a strategic withdrawal from Central Asia and subsequently DFID also dropped out, leaving only two financial contributors – SECO and the EU, with the World Bank as the implementing partner.

SECO was influential in the undertaking of the subnational PEFA's and fulfilled a peer reviewer role for all the PEFA's.

2. Project Objective

The overall objective of the project is to: *improve efficiency, transparency, and results focus in Public Finance Management through strengthening the budget process, enhancing efficiency of PFM and Intergovernmental fiscal relations, and strengthening institutional and human capacity of the Ministry of Finance and National and Local Parliaments.*

The objective is to be achieved through 6 project components, of which 5 are substantive: 1) Strengthening the Budget Process; 2) Enhancing efficiency of PFM; 3) Improving efficiency of inter-governmental fiscal relations; 4) Capacity building in PFM of MoF and line ministries; 5) Supporting capacity building in PFM of national and local parliaments; 6) Project management. The project is implemented as a TA operation under the management of a Project Implementation Unit (PIU) established under Phase I in the Ministry of Finance (MoF). The WB Task Team Leader was until recently located in Moscow with regular missions to Kyrgyz but is now located in Washington.

The implementation modality includes a Bank Executed Trust Fund (BETF) and a Recipient Executed Trust Fund which both operate through the PIU.

3. Evidence

This desk study report was prepared on the basis of the Credit Proposal dated 2 December 2015 and the Implementation Report No. 7 of January 2020. Reference was made to the SECO strategy for Central Asia 2011-2016. An interview was also carried out with the SECO programme manager.

To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The Kyrgyz Capacity Development MDTF Phase II is assessed to be highly relevant. The Credit Proposal for Phase 2 recognised that Phase I of the CD MDTF had lacked strong beneficiary ownership as the PFM strategy, which formed the basis for the project had been prepared by consultants with little engagement of the MoF This was corrected for Phase II through the preparation by the MOF of an Action Plan for PFM (2016-18). In addition, the project design drew heavily on the PEFA Assessment of 2014/15 and the lessons learnt from Phase I, which were well-documented in the external evaluation report completed for Phase 1. However, the project was subject to variable buy-in and support from the Ministry of Finance depending on the incumbent minister. A substantial period was lost when the incoming minister insisted that the bulk of the project funds should be allocated to acquisition of an Integrated Financial Management Information System (IFMIS). This was eventually negotiated down to inclusion of a study of the requirements for establishment of an IFMIS allowing the project to resume.	2	HS
Coherence	The Credit Proposal maintains a high level of coherence of the project in relation to the other present and indeed possible future Swiss initiatives in the country. Continued SECO involvement into Phase II of the MDTF was seen as paving the way for increased SECO involvement both in inter-governmental financial issues and in the provision of support at the sub-national level. The project was also seen as well integrated with SDC and WEIN activities in the country. The combination of this SECO project with SDC activities at the subnational level had benefits for both projects: the SECO collaboration with the MoF allowed the SDC access to dialogue at the level of MoF on subnational issues which had previously been difficult; the SDC involvement in subnational institutions paved the way for the SECO project to have access to the subnational entities. The fact that both	1	HS

	projects were managed by a single SECO in-country officer assisted this close and fruitful collaboration. SIDA and DFID were both initially lined up to support the project, SIDA withdrew at an early stage as part of a strategic withdrawal from Central Asia; DFID withdrew in the context of the difficult Brexit negotiations and a shift of strategic emphasis. Neither withdrawal was driven by perceived weaknesses in the Kyrgyz project.		
Effectiveness	The effectiveness of the project is rated as highly unsatisfactory. Delays in the start-up of the project, including the Recipient Executed Trust Fund (RETF) component which was only signed in July 2018 have meant that only limited progress had been made on all substantive components and a request for extension of the project was prepared in January 2020 for the project to be extend. An extension to August 2022 has been approved. Given the poor implementation performance of the project to date, coupled with the likely impact of the COVID-19 Pandemic it is considered unlikely that there will be even a satisfactory achievement against the project output targets, providing the project will be permitting a continuation up to August 2022. However, COVID-19 has definitely a negative impact, especially given the high dependence of the project on external consultants, so it remains unclear what level of achievement will be at the output and outcome level.	4	HU
Impact	The project impact is assessed as likely to be unsatisfactory. Given the expected poor performance in terms of the delivery of outputs the prospects for achieving the project outcomes are poor, unless perhaps a major extension of the project is undertaken. The project might pick up the pace now that more actions are under procurement.	3	US
Efficiency	The efficiency of the project is rated low. With very substantial delays to the start of the project especially for the Recipient Executed Trust Fund (RETF) component (only 10 pct. disbursed) the project has not been efficiently managed. The reasons underlying the delays in project implementation stem from problems on both the donor side and the government side. On the donor side, DFID's uncertainty over whether to support the project was extremely delayed in the context of the Brexit negotiations. This impacted directly on the notification date as notification could not be finalised until DFID's contribution or lack of one was determined. On the government side, there were extensive delays following a change in the minister of finance. The incoming minister insisted that the budget of the project should be substantially revised to provide financing for acquisition of an IFMIS. This was unacceptable to the donors both on the grounds that such a change would fundamentally change the objectives of the project and in the light of the previous failed efforts to establish an IFMIS, which partly arose from differences between the World Bank and the government, with the government wanting a locally developed software, while the WB advocated purchase of an off-the-shelf system, Regarding inclusion of the RETF, both the EU and SECO strongly advocated that the project should be wholly WB executed, because of the poor experience with an RETF under Phase 1 of the project. However, this view did not prevail, given that the government wanted to include an RETF as this has been the practice under Phase I. The fact that the Implementing Agency Team Leader was based in Moscow, although at first sight a negative factor (compared to having a full-time in-country Team Leader), was seen as acceptable, given the virtual impossibility of recruiting an expert to be locally resident, and actually an improvement over the use of a Washington DC-based team leader under Phase I. However, recently, following the resignation of the Moscow-based team leader, the WB has reverted to the use of a Washington based expert.	3	US
Sustainability	The sustainability of the project is assessed as unsatisfactory. This assessment is based on two major considerations: (i) the poor performance in respect of effectiveness, impact and efficiency criteria, and (ii) the lack of strong plan to establish sustainability, the challenges for sustainability are noted in the Credit Proposal, but this recognition is not combined with the setting of robust proposals for the institutionalisation of capacity development within the MoF, concentrating rather on topic by topic once-off training efforts and the finalisation of guidance documents such as the Budget Code.	3	US
Overall	The overall assessment of the project is unsatisfactory. This results from the contrast between solid assessment results for relevance and coherence but poor performance	2.7	S

	<p>under the remaining four DAC criteria. This is a problem project as a result of the extensive delays in project commencement, the very late establishment of the RETF component and the implementation constraints now expected to be resulting from the COVID-19 Pandemic. While it is conceivable that the project can be "rescued" through the major extension of project activities up to August 2022, the loss of momentum, is progress is likely to have a negative effect on the final results.</p>		
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Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning Questions and Lessons Learnt

Capacity Development: The approach to capacity development is based on topic by topic training of staff for each project component. The project contains no attempt to institutionalise the delivery of training within the MoF or indeed to establish a pool of trained local trainers.

PEFA: The project design draws heavily on the results from the 2014/15 PEFA, which followed a PEFA undertaken in 2009, and planned follow-up PEFA assessments at both national and subnational levels in 2019.

Transversal Themes: The project planned to support digitalisation in the form of assistance in the implementation of a new Financial Management Information System (FMIS), but this was dependent on the purchase of FMIS software and did not materialise.

Change Management: The project has no explicit change management strategy but relies on training and the preparation of guidance documents such as the Budget Code to drive change

Lessons Learnt:

- **It is important to assess carefully whether the WB managed modality is going to work effectively**, especially if the WB is not proposing to place a full-time Team Leader in the country of the project.
- **Greater caution is required in going along with WB proposal for inclusion of a Recipient Executed Trust Fund of the project (RETF)**, especially in contexts where the capacity of the designated institutions to follow WB procurement and other guidelines is limited.
- **Attention needs to be paid to the institutionalisation of capacity development** if sustainable results are to be achieved.
- **The sequencing of elements in any PFM support should be developed carefully** and follow a government strategy.

Project Desk Review

Serbia Local Government Finance Reforms Phase II (RELOF2)

Title	Serbia: Local Government Finance Reforms Phase II (RELOF2)
Project duration	2018 - 2022
Overall budget	CHF 3 million
SECO contribution	CHF 3 million (CHF 2.5 million by WEMU and CHF 0.5 million by WEIF)
Contribution of other partners	0
Financing type	Bilateral
Implementing partner	GDSI Ltd. / Maxima Consulting
Scope of intervention	Targeted Intervention
Level of implementation	Subnational
Main activities	1) Introduction of financial management and control systems; 2) Improving risk control through introduction of internal audits functions in the partner local governments; 3) Strengthening risk management through support to the introduction of systems to oversee fiscal risks posed by municipal enterprises; 4) Promoting introduction of innovative PFM solutions, approaches and tools to manage local government revenues and costs

1. Project Context

The reform agenda in Serbia is largely guided by the EU accession and the new Policy Coordination Instrument that the IMF agreed upon in 2018, which aims at maintaining macroeconomic and financial stability. The project supports subnational public financial management (PFM) reforms in specific thematic areas. In the previous phase to this project phase, RELOF 1, some good results were already achieved in six municipalities. The second phase envisages a scaling-up of activities to a larger number of municipalities. Better public financial management is an important element of Serbia's reform agenda. The budgets of many local governments are unsustainable, with a majority of public enterprises showing poor performance. In addition, local governments spend too much on subsidies and too little on public investments. Overall, poor financial management at local level results in poor public services. SECO has been supporting subnational PFM reforms in Serbia since 2016. The scaling-up of activities to a larger number of municipalities under the second phase will allow to have a more systemic impact.

The project is funded through SECO and implemented by the consortium of private consultancies Galway Development Services International (GDSI Ltd) and Maxima Consulting. The SECO funding of CHF 3 million is partly WEMU budget (CHF 2.5 million) and partly WEIF budget (CHF 0.5 million).

RELOF 2 started in February 2019 and will end in June 2023.

2. Project Objective

The overall objective is to strengthen PFM at the subnational level for increased oversight, fiscal risk management and more strategic allocation of public resources. More specifically, the project will work in three thematic areas:

- Introduction of financial management and control (FMC) systems,
- Introduction of internal audit functions, and
- Introduction of effective oversight systems on public enterprises.

The project will work with a mix of implementation modalities and a specific change management approach to achieve sustainable results. Furthermore, it will continue to strengthen policy dialogue between the local and the central level and peer-learning amongst municipalities.

3. Evidence

The evidence base for this evaluation includes comprehensive information on the previous phase (RELOF 1) comprising the Internal Evaluation undertaken on RELOF 1 and the set of 6 municipal level PEFA assessments undertaken during that Phase. The evidence base for the project under review includes the Credit Proposal and the annexes to the project progress report undertaken in August 2019, including a Meta log-frame of September 2019. Since the project is still under implementation and the latest reported information dates to one year ago, several of the DAC indicators cannot be fully assessed at this juncture. The evaluation benefitted from an interview with the SECO Programme Manager. To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The project is assessed as highly relevant. The project was highly relevant to the EU Accession process and the relations between Serbia and the IMF oriented to fiscal consolidation and reduction of fiscal risk stemming in part from the subnational entities. Owned by the municipalities. The project is in line with the national PFM strategy of 2018-21 and the identification of fiscal risk stemming from poor oversight of municipal own enterprises (MOE). RELOF 2 builds effectively on the experience gained under the previous phase (RELOF 1) drawing heavily for its design on the 6 municipal level PEFA's undertaken under Phase I, which permitted a sharpening and reduction of the focus thematic areas to be addressed under RELOF2 compared to RELOF 1.	1	HS
Coherence	The project is assessed as satisfactory against the coherence criterion. Within Swiss development assistance the project provides a prime example of seeking synergies between WEMU and WEIF activities in the areas of MOE financial management and monitoring for MOEs in order to contribute to the higher level objective of assisting addressing fiscal risk, part of which stems from uncontrolled losses incurred by MOEs. In terms of coherence with the activities of other donors the documentation does not provide adequate information to be able to assess the specific value-added of SECO in a crowded donor field or an indication of whether the support provided by RELOF2 would have been provided anyway by another donor. However close coordination has been maintained with both GIZ and the EU, both of which are actively engaged in support in PFM at the subnational level in Serbia.	2	S
Effectiveness	The project is assessed as satisfactory in terms of effectiveness. As an ongoing project it is early to assess the effectiveness criterion. However, on the basis of the latest available progress reports (from August 2019) it would appear that the project has got off to a good start on all the 4 components and across 33 initially selected municipalities. The introduction of an innovative approach to support peer-to-peer learning between municipalities based on the categorisation of municipalities into Hub and Satellite entities appears to be successful in addressing a significant problem arising from the different levels of capability for PFM reforms in the across the larger number of municipalities now	2	S

	covered under this phase of the project. This innovation has benefits for both the stronger and the weaker municipalities. The stronger municipalities take on the responsibility of being able to lead peer-to-learning activities, while the weaker municipalities benefit from that strengthened teaching capacity in the stronger units. So, there is good reason to be optimistic that a satisfactory level of effectiveness will be recorded on project completion.		
Impact	The prospects for the project are satisfactory under the impact criterion. It is too early to assess impact fully. However, with a very strong project design including an explicit Change Management strategy which provides for flexibility in programme delivery there are grounds for optimism on the final impact.	2	S
Efficiency	The project is expected to be satisfactory in terms of efficiency. No basis has been provided for assessing efficiency at this stage, but also there are no grounds to date for believing that good efficiency will not be achieved.	2	S
Sustainability	The project is expected to achieve a satisfactory level of sustainability. Based on the strong project design and the explicit change management strategy which provides for RELOF2 to operate at both the subnational and the national level the results may be sustainable. In particular, the increased emphasis on the Hub municipalities taking the lead and being more proactive in the design and delivery of capacity development activities involving their satellite municipalities are strong points, as is the apparent strong buy-in from municipalities as evidenced by the over-subscription to the initial Public Call to select participating municipalities.	2	S
Overall	The project is satisfactory overall. This is an interesting and innovative programme operating in an important and focused area of PFM relating to both the national and the subnational level. From the latest reports, which date from August 2019 it appears that the project has got off to a good start. The scoring of 2s for most DAC criteria is mainly based on the early stage at which this assessment is taking place.	1.8	S

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU).

5. Learning and Lessons Learnt

Capacity Development: The project design incorporates an interesting and innovative approach to capacity development. This is based on the classification of the beneficiary municipalities into Hub municipalities and Satellite municipalities. This has provided the basis for discriminating between those municipalities which are better resourced and where the buy-in to the project is strong from weaker municipalities. The CD strategy aims to develop the Hub municipalities to develop a pro-active approach to the delivery of training courses for the satellite municipalities, which is expected to be important in achieving sustainability.

PEFA: This project is based on extensive involvement using PEFA, including the national PEFA assessment of 2013 and the 6 municipal PEFA assessments undertaken under the previous phase of the project (RELOF 1). The municipal PEFAs demonstrated rather similar results across the different indicators and clusters, which supported the increased focusing of the RELOF 2 project in a smaller number of thematic areas.

Transversal themes: The project has no significant involvement in transversal issues.

Change management: The project has an explicit Change Management strategy which is set out in the Credit Proposal. This follows the internationally recognised ADKAR system (the acronym ADKAR is based on the key elements of change management theory - *awareness, desire, knowledge, ability* and *reinforcement*) which emphasises the development of strong leadership among key individuals in the beneficiary institutions. It is too early to assess the effectiveness of this approach on the project.

Lessons Learnt:

- **Benefits of longer-term engagement in multiple phases of SECO support.** The design of the project (RELOF 2) benefitted very substantially from SECOs involvement with 6 municipalities under the previous phase. This allowed a realistic assessment to be made in project design of the capacities in the municipalities to benefit from and carry forward the reforms supported
- **Close involvement with the use of PEFA instruments at both national level and in the 6 pilot municipalities under RELOF 1.** This provided the basis for refining the design of the project, focusing on a tighter selection of thematic areas to be supported and for providing a basis for specific indicator measures of project performance in terms of PEFA scores.
- **Support to national and subnational level.** The combining of support to the local and the central levels has made this a more useful project as it has generated opportunities for holding joint meetings and training sessions involving the MoF and the municipalities which has led to closer mutual understanding and cooperation between the levels.

Project Desk Review

South Africa – Procurement, Infrastructure, and Knowledge Management Capacity Development (PINK CD) Programme

Title	Procurement, Infrastructure, and Knowledge Management Capacity Development (PINK CD) Program
Project duration	2017 – 2023 (ongoing)
SECO contribution	CHF 7,010,000
Contribution of other partners	Local in-kind staff cost and additional contributions (event venues etc.): CHF 490,000
Financing type	Bilateral
Implementing partner	Private consultancy: Ecorys
Scope of intervention	Targeted project
Level of implementation	National and subnational
Main activities	1) Support to supply chain management (procurement) at local government level; 2) Enhance infrastructure management (planning, budgeting, asset management) at local government level; 3) Strengthen knowledge management (including peer-learning) capacities at all levels of government (national, provincial, municipal)

1. Project Context

This program is aimed at supporting the South African National Treasury (NT) in implementing the Government’s PFM Capacity Development Strategy. The NT, who is responsible for ensuring that solid PFM systems are in place at all levels of government, developed the PFM Capacity Development Strategy as a comprehensive response to address the weaknesses in the implementation of PFM related policies at the subnational level. The PFM systems at provincial and municipal levels are not fully functional, which leads to high levels of irregular, wasteful and unauthorised expenditure. This, in turn, diminished the levels of public finances available (fiscal space) for key public services.

This bilateral project is fully funded by SECO with CHF 7.01 million and local in-kind staff cost and additional contributions such as venues in the amount of CHF 490,000. Its primary beneficiaries are all three levels of government, with a particular focus on strengthening the NT in its role of supporting both provinces and municipalities. Overall coordination and strategic oversight lie with the NT Capacity Building Steering Committee (NTCBSC), which is the coordinating committee for all NT led PFM programs. It is made up of NT representatives and non-voting representatives from SECO, EU and other development partners involved in PFM capacity building and meets on a quarterly basis. SECO appointed Ecorys as the implementing agent of PINK CD.

The project started in December 2017 and runs until the end of November 2023.

2. Project Objectives

The project’s objective is to contribute to increased cost-effective, socially inclusive and sustainable service delivery at all levels of government through:

- *Improved supply chain management:* Technical assistance for enhanced regulatory framework for supply chain management at local government level and increased compliance with supply chain management law and policy
- *Improved infrastructure management:* Technical assistance for improved policy framework for increased alignment in infrastructure planning, budgeting and asset management between provinces and municipalities; technical assistance for enhanced implementation of infrastructure management systems and for strengthened integrated planning and budgeting processes between provincial and municipal spheres
- *Knowledge management:* Increased levels of knowledge management and peer learning capacities for PFM activities

3. Evidence

The documentation available for the desk review of the PINK CD Program in South Africa covers the Credit Proposal from 2017, as well as the Inception Report (a first version from April 2019 and a revised and final version). An interview was also conducted with SECO's programme manager. To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The project is highly relevant. It is embedded in South Africa's strategy for strengthened capacity in PFM that was drafted under the coordination of the NT in 2012. It is fully aligned with the National Development Plan and feeds into South Africa's overall Public Sector Reforms, in particular the Public Finance Management Act (PFMA), the Municipal Finance Management Act (MFMA) and the new Procurement Bill. The project design also took into account the most recent municipal audit outcomes (2015/16), as well as the 2014 PEFAs (national and 3 municipal PEFAs) and the results of the annual municipal benchmarking processes. Whilst the South African government is well equipped to establish its own agenda for capacity building, the implementation thereof requires an ongoing collaborative partnership between public and private sector stakeholders and international development partners and SECO is following NT's request SECO to complement previous and current initiatives. Furthermore, an inception period of six months with various stakeholder consultations, and a collaborative effort of drafting an operational manual, a logframe, and a work plan as well as of defining target values, is ensuring that the project is embedded in the South African context. The Government of South Africa also contributes a substantial amount of its own funding towards capacity building including inter alia, the Municipal Finance Improvement Program (MFIP) that provides technical advisory support of more than 30 million CHF to select municipalities and the Provincial Treasuries of all nine provinces to build the municipalities' capacities.	1	HS
Coherence	The project set-up is very coherent. The project is not only embedded in national strategies, but also linked to a number of past and current projects funded by various donors, including the EU, GIZ, AfDB, World Bank, and the Belgian Development Agency. The alignment on PFM is facilitated and monitored through NTCBSC meetings; i.e. potential overlap with the GIZ Governance Support Program II is avoided through close cooperation. On capacity development, there is a donor mobilisation division established under the EU-funded Financial Management Improvement (FMIP) program that is meeting monthly for alignment between FMIP and PINK, as the two projects are highly complementary. The EU program will develop broad-scale training programs for provinces and municipalities that will benefit from training developed during pilot	1	HS

	<p>activities under the SECO program and that will allow for such training to be mainstreamed into training programs for all municipalities and provinces. Additionally, the project is fully aligned with WE's strategic orientation: it contributes to better framework conditions for infrastructure projects, complements the WE's urban development agenda, and mainstreams PFM training for municipalities and provinces. Through the WEIN-WEMU synergies created through the interlinkages between different SECO projects in the country, especially the Cities Support Program and iLembe Local Economic Development, there is a strong dialogue between the divisions.</p>		
Effectiveness	<p>The effectiveness of the project is assessed to be satisfactory on the basis of progress to date. The inception phase has successfully led to the design of a concise and systemic delivery approach of eight subprojects under PINK, of which three fall under supply chain management, two under infrastructure management, and three under knowledge management. All projects have a NT official as project owner and a reviewer from the project management unit. The preparatory activities have been undertaken: a roadmap and a work plan are established, and an operational manual has been developed. Scoping of project implementation tools is in progress through pilots in selected municipalities and provinces which will be rolled out based on demand and eligibility, forming a basis for subsequent scaling-up.</p>	2	S
Impact	<p>It is too early to assess the likely sustainability of the project.</p>	n.a.	S
Efficiency	<p>The efficiency of the project is assessed to be satisfactory. In spite of the delays experienced in the start-up of the project (which was approved in 2017 but only started in January 2019) and the difficult institutional setting of the project which is attempting to operate at three levels of government (the National Treasury, selected provinces and selected municipalities) and dysfunctionality of oversight at the level of the NT, the major steps in getting the project up and running through the Inception process have been completed.</p>	2	S
Sustainability	<p>The project is assessed to offer satisfactory prospects of sustainability. This judgement is based on the strong design of the project and the specific implementation modalities outlined in the Inception Report. There is ownership created through the NT being responsible for the overall strategy and oversight of the project and NT officials being the owners of the eight subprojects. The NT is also selecting the municipalities for project pilots and as this is a demand-driven process from the NT side as they will only work with interested municipalities. As such, the selected municipalities will have a vested interest in the subprojects. PINK is also developing guidelines and tools in procurement and infrastructure management that will guide the implementation, enhance knowledge management in NT and apply peer-learning approaches to create awareness and ensure implementation of frameworks and policies across the country. The knowledge management is built on a NT platform that is available to all provinces and will be sustained beyond SECO's support. Additionally, a lot of the training that will be provided during the implementation of PINK will feed into the NT's standard ETD (education, training, development) programs so that there will be a core of trained staff at national, provincial and government level.</p>	2	HS
Overall	<p>Overall progress on the project is assessed to be satisfactory. Reasonable progress has been achieved in the early stages of this project which is managing to operate in a complex environment characterized by (i) the specific context of working in a Middle Income Country in which the traditionally strong National Treasury is playing the key role in guiding the project, (ii) problems arising from the decline in recent years in the management capability of the NT and the division of responsibility for the project across several divisions and institutions at the national level, (iii) the mixed relationships between the national, provincial and municipal levels in which demand for project outputs has initially been driven top-down from the NT, and (iv) the crowded donor context with several important donors operating in the national-sub-national PFM space. The project has coped reasonably with the challenges of the COVID-19 pandemic in 2020 through increased use of telecommunications, but this has left some municipalities behind due to poor communications infrastructure.</p>	1.6	S

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning and Lessons Learnt

Capacity Development:

The project operates within a highly structured system for development in capacity and institutional capability in PFM operated under the aegis of the PFM Capacity Development Strategy driven by the National Treasury. The project is oriented towards the strengthening of capacity for PFM at the provincial and municipal levels of subnational government. The project is rather clearly focussed on specific technical areas PFM which have been identified as priority areas for capacity development. These are Supply Chain Management (SCM) and Infrastructure Management (IM). The NT engages municipalities and provinces to assess their readiness and commitment; they are being selected for pilots based on a demand-driven approach.

The programme is developing guidelines and tools in procurement and infrastructure management that will guide implementation, enhancing knowledge management in NT and apply peer-learning approaches to create awareness and ensure implementation of frameworks and policies. Knowledge management is advanced through NT platforms which are available to all provinces and municipalities also beyond SECO support. Significant levels of training will be provided and tested that will in turn feed into NT's standard ETD (education, training, development) programmes equipped with a core of trained staff at national, provincial and local government levels.

PEFA: The project design drew on the findings of the 2014 PEFA, which were undertaken at the national level and in three major urban areas (Johannesburg, Tshwane, Ekurhuleni). Workshops were held in the process of project design which provided an opportunity for reviewing the findings of the PEFA and their implications for the project design

Transversal themes: An IT tool. "i-Develop", which had been piloted under FMIP III in 4 provinces provided a basis for capacity development PINK. PINK contracted IT company to further develop the i-Develop application to enhance functionality of the tool which needs to include systems of Infrastructure Management (IM) as well as the existing coverage of SCM.

Lessons learnt:

- In a relatively highly developed country such as South Africa it is possible and appropriate for the **beneficiary to play a leading role in directing the development** of the project over time. This can be achieved by including in the project design elements of challenge funding in which subsidiary entities are invited to compete for pilots and implementation activities to be undertaken in their jurisdictions. The element of competition to be included in the project also enhances buy-in to the project by the successful bidders for specific activities and weeds out institutions which may not have the capacity to carry out the project activity effectively.
- In a project operating at both national and subnational levels, the **relations between the central institution (such as the National Treasury in South Africa) and the subnational entities needs to be taken carefully into account**. Where there are large differences in the level of capacity between the various subnational entities and levels of entity, a strategic approach needs to be taken, A balance needs to be established between providing support to the weakest institutions, and the development of the stronger institutions to be able to play an active role in peer-to-peer learning.

- The project can serve to **strengthen the vertical relations between the centre and the subnational entities** if carefully managed.
- The development of knowledge management IT systems and programmes can play a role in building the sustainability of the capability for capacity development and can facilitate outreach to remoter entities and institutions. This is particularly pertinent in the age of COVID-19 as established IT programmes can be used effectively in distance learning.

Project Desk Review

Tajikistan – Ex-Post Evaluation of the Tajikistan Supreme Audit Institution (SAI) Project

Title	Ex-Post Evaluation of the Tajikistan Supreme Audit Institution (SAI) Project
Project duration	09/2018 – 02/2019
SECO contribution	Ex-Post Evaluation: n/a SECO contribution to the 3 projects that were evaluated: USD 1.2 million
Contribution of other partners	0
Financing type	Bilateral
Implementing partner Ex-Post Evaluation	Private consultancy: Institute of Public Management of the ZHAW (Zurich University of Applied Sciences) / Hochschule Luzern (HSLU)
Scope of intervention	Targeted project
Level of implementation	National
Main activities	Ex-post evaluation of 3 projects: 1) Support for Independent External Audit (09/2007 - 12/2008); 2) SAI Development Project, follow-up activities, Phase I (11/2009 - 11/2012); 3) SAI Development Project, Phase II (12/2013 - 12/2015)

1. Project Context

WEMU's overall goal in working with Supreme Audit Institutions (SAIs) is to strengthen the external control over state finances, thereby contributing to an increase in transparency over state expenditures and to a more efficient use of scarce resources. During 2007 to 2015, there were three SECO-supported projects in the Republic of Tajikistan, which served to establish the very institution of SAI in the country and to make this SAI functional later on (see project list below).

- Project 1: Tajikistan: Support for Independent External Audit (01.09.2007 – 31.12.2008)
- Project 2: Supreme Audit Institution (SAI) Development Project, follow-up activities, Phase I (13.11.2009 – 9.11.2012)
- Project 3: Supreme Audit Institution (SAI) Development Project, Phase II (01.12.2013 – 31.12.2015)

Until these projects, Tajikistan was one of the few countries globally that lacked a SAI. Each project or project phase built upon the results achieved and aimed at filling in the remaining critical gaps. The technical support varied according to the demand, inter alia supporting legal drafting, procedural management, basic capacity building, awareness raising, and piloting of audits. Altogether, the three projects received a funding of USD 1.2 million.

The Tajik SAI was established in 2012 and is named the Chamber of Accounts (CoA). Its mandate is to conduct independent external audits aiming to provide objective information to the president and to both chambers of the parliament – the assembly of representatives and the national assembly.

In 2018, SECO published a tender for an ex-post evaluation of the projects described above under WEMU's project support partnerships. This evaluation was then undertaken by a joint team of the Institute of Public Management from the Zurich School of Management and Law, an institute of the Zurich University of Applied Sciences in cooperation with the Lucerne University of Applied Sciences and Arts. The evaluation report was provided to SECO in December 2018.

2. Project Objectives

In synthesis, the objectives of the three subsequent projects was to have (i) an independent, professional external audit body established and fully operational, and (ii) an improved monitoring and evaluation of state budget spending. This included the following development support and outputs:

- Project 1: International expert assistance and study visits, facilitation of workshops and roundtable discussions for the selection of the most appropriate model
 - Strategy for creating an independent external audit function
 - Draft law on establishing the body that will assume the new function
- Project 2: Support the institutional setup and awareness raising in order to build a legal foundation and to establish the independent external audit organisation
 - Structures, mandates and functions of SAI compliant to international practice
 - Recruitment of management and core audit staff
 - Capacity building activities
 - Awareness raising workshops
- Project 3: Support to the start of core operations, increase in operational capacity to perform audits and access to other financing possibilities and capacity development programs (i.e. through INTOSAI), and support to the development of an external communication strategy
 - Improved secondary legislation and regulations
 - Translation of standards (Russian translation of IS-SAI-100-2999)
 - Audit methodology manual
 - Piloting of audits
 - Active involvement in INTOSAI capacity development
 - Outreach program / strategy

3. Evidence

The documentation available for the desk review of the Ex-Post Evaluation of the three SAI projects in Tajikistan covers the Terms of Reference for the evaluation as well as the final Evaluation Report from December 2018. In addition, the Credit Proposals of the three evaluated projects were sent in advance of the interview with SECO staff having been involved in the SAI establishment projects (Programme Managers at HQ).

To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The SAI projects funded by SECO in Tajikistan were very relevant as the addition of external audit to the country's PFM cycle is a considerable achievement. The donor-pushed PFM reform anchored in a World Bank led MDTF on PFM set the foundation for the SAI together with a Presidential Decree for a Working Group on the SAI Establishment. The PEFA results in 2007 were another push for the SAI.	1	HS
Coherence	Whilst the projects were built onto the results, achievements and identified gaps of the previous project and were thus coherent in themselves, the coordination with the other donors working on PFM in Tajikistan was unsatisfactory. SECO was the only donor pushing the SAI establishment while other donors were quite skeptical about the endeavor. Coordination with donors on PFM reform processes in parallel to SECO's SAI interventions thus seemed to lack as the changing PFM environment challenged CoA's establishment and inclusion into the control institution landscape in Tajikistan. However, the SAI consultancy team worked closest with the SECO-funded component on accounting within the MDTF on PFM led by the World Bank. After the termination of SECO SAI funding in the country, follow-up activities were financed by other donors, e.g. specific capacity building measures of the Economic and Financial Committee in the Parliament funded by DFID. There were good synergies with SECO's support to the International Organization of Supreme Audit Institutions (INTOSAI) as the Tajik SAI in parallel benefitted from peer to peer learning from other SAIs.	3	U
Effectiveness	The projects were effective in their establishment of a SAI , including the design of a legal foundation and the continuous capacity building measures and awareness raising. However, the CoA's mandate execution and independency remains limited and challenged by the current political context and the possibility of presidential override of management as well as by ongoing PFM reform affecting its mandate and by intersections with other actors in the control environment, namely the (Agency for state financial control and combating corruption) AFCCC. Simplified audit methodology and sample selection procedures were developed and seem to have been institutionalised. This aligns with the sophistication of the Tajik PFM system and the CoA's capacity. In absence of performance-based budgeting in the Tajik PFM system, the lack of performance audit within the scope of the CoA's work is systemic and thus justified.	2	S
Impact	The projects' impact is satisfactory , as there is a perceived benefit to auditees, who have claimed the auditing process to be beneficial and helpful in improving management of finances and in avoiding violations. The actual establishment of the CoA in 2012 and its legal foundation are big milestones for the development of the Tajik PFM system. CoA staff capacity has been improved through many training and awareness raising sessions during the interventions, but also through follow-on activities with a regular assessment within CoA what topics need to be tackled. Furthermore, the strengthening SAI capacities has potentially yielded in stronger legislative oversight as audit reports could reduce the information asymmetries between legislative and executive and allow the parliament to effectively perform its constitutional oversight role. The newest PEFA scores from 2017 suggest an improvement of legislative scrutiny since the interventions. However, the transparency of legislative scrutiny of audit report has been poorly graded in the latest PEFA. CoA publishes its aggregated key information regarding audit results, but has the potential to increase the amount and structure of public information. The interventions also led to Tajik membership in international organisations such as INTOSAI, ECOSAI and ASOSAI. These memberships are actively used by CoA to set up collaborations supporting its capacity strengthening.	2	S
Efficiency	The projects' efficiency is satisfactory. Considering the relatively small incurred program costs of USD 1.2 million over 8 years, which included study visits, legal and technical advice, establishment of a SAI, strategy design as well as continuous training and awareness raising, the benefits of the SECO interventions in Tajikistan on the SAI are	2	S

	<p>quite high. Especially in immature democracy settings, the relevance of external oversight and its separation from state power (to a certain degree at least) are difficult to be weighed against these incurred costs.</p> <p>Also, the increased capacity of the SAI is reasonable considering the strengthening measures undertaken. The progress since 2012 is remarkable, even though the execution of its mandate remains mainly limited to financial audit, lacking performance-based audit.</p> <p>In addition, the pilot audits undertaken during intervention were considered to be highly beneficial, increasing the efficiency of the capacity development measures.</p>		
Sustainability	<p>The projects' sustainability is satisfactory, as the CoA is a functional SAI with legal and institutional foundations, even though it has to deal with limits in its mandate. SECO interventions thus partially achieved sustainability of improved audit practice. While in its design, CoA's is implementing the new audit paradigm, its management consists largely of former AFCCO employees without substantial audit knowledge. There seems, however, to be a willingness to advance to sound audit methodologies through capacity development measures that are regularly undertaken – and topics discussed within CoA and capacity needs assessed through surveys.</p> <p>There seems to be a high retention of staff after training interventions, even without explicit retention strategies. This might be linked to networking and capacity development opportunities that arise through the membership of CoA in regional and international organisations, such as INTOSAI, ASOSAI (Asia) and ECOSAI (Europe), and through collaboration that the CoA builds bilaterally with other members.</p> <p>The pairing of SECO-WEMU's engagement termination with follow-on projects of other donors ensured scaling up past project progress and yielded in apparent spill-over effects (i.e. DFID CD measures with Economic and Financial Committee in parliament).</p>	2	S
Overall	<p>Overall, the Tajik SAI projects funded by SECO were satisfactory. The establishment of the SAI itself as an institution was highly relevant to the country and its PFM reform process. However, due to a lack of coordination between the donors, a historical overlap of control responsibilities, and constraints coming from a political system, where the democracy was still immature and the opposition very weak, not all project objectives were achieved and the CoA is still tackling a number of challenges.</p>	2	S

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning and Lessons Learnt

Good practices in building capacity in high-turnover context: Contrary to similar projects that the evaluation team looked at, there is a high degree of staff retention after training measures, even without an explicit staff retention strategy. This might be linked to the staff capacity strengthening measures undertaken by the CoA: regular needs assessments and staff surveys are undertaken and peer-to-peer exchange and learning measures put in place, especially through the international and regional SAI networking platforms INTOSAI, ECOSAI and ASOSAI. For example, there is a bilateral agreement with Latvia on study tours for the purpose of peer-learning and conduct of joint audits. Also, CoA jointly with the public service agency set up an academic program with China giving its staff the opportunity to do a fully funded PhD in China under the condition to return to CoA. Both these measures were developed outside of the SECO-funded interventions. However, the membership in these networks were an outcome of the interventions. Thus, encouraging networking and peer learning might lead to a more sustainable impact after project termination. Also, pilot audits were applauded by staff participating in them as hands-on experience and very beneficial to staff members. Another explanation is that there are not many alternative employers on the Tajik job market who pay as well as the SAI. It is also possible for SAI staff to take on smaller assignments next to their normal job, and being a SAI employee holds a good reputation, which makes working at the SAI overall very attractive.

PEFA as adequate tool to promote PFM reform: Whilst the 2007, the 2012 and the 2017 PEFA were not used as the foundation for the projects' design, they were used to readjust the PFM strategy in Tajikistan and thus were impacting the SAI projects at times. PEFA were also used as proxy for monitoring and evaluation purposes and an improvement of SAI-related indicators can be seen in PEFA 2007 and PEFA 2012 to PEFA 2017. The 2007 PEFA was financed by SECO; the others were peer-reviewed by SECO staff.

SECO's transversal themes in PFM programming: There was no specific built-in transversal theme other than corruption as the whole setup of the SAI was to combat corruption. The other transversal themes weren't perceived as important at the time as gender generally was not a big issue in post-Soviet contexts with many women working in finance (although higher positions were still filled by men), and digitalisation being at a different stage at the time (the Central Bank in Tajikistan had only one computer at the start of the project).

Change management: The establishment of a SAI is in itself a change management process, with the introduction of a new way to audit – performance audit – being imperative for change. SECO started to conceptualise change management around 2007, but mapping actors, being clear about intentions etc. was done beforehand already also for these projects, just without a coherent and written-down guideline to follow.

Lessons learnt:

- **Coordination with the donor community is highly important, especially to avoid challenges due to a parallel set-up of interlinked systems.** As a PFM reform was set up in parallel and little collaboration between this reform was undertaken with the SAI setup, some delays in both programmes were seen and potential efficiency gains lost; i.e. the development of an audit approach in line with PFM reforms and sequencing of SAI strengthening activities should orientate on the sophistication of the PFM system and any looming PFM reforms, which was not the case.
- **International peer-to-peer learning and exchange activities should not be focused too narrowly on comparable peers and should not refrain from best-in-class examples for self-benchmarking.** The SAI projects in Tajikistan have clearly shown how international peer-to-peer learning, including study tours, are an extrinsic incentive to trigger intrinsic motivation and induce willingness of reform implementation through awareness raising.

Project Desk Review

Tunisia Public Financial Management and Local Governments, Phase II

Title	Public Financial Management and Local Governments, Phase II
Project duration	2016 – 2020 (ongoing)
Overall budget	USD 18,7 million
SECO contribution	CHF 9,7 million (earmarked for PFM at central state level and (together with EU) for local governments and decentralisation)
Contribution of other partners	USD 10,7 million by EU and DFID (earmarked: EU is funding hardware investments in basic administrative infrastructure in the newly created municipalities and DFID is funding financial sector strengthening)
Financing type	Multi-Bi
Implementing partner	World Bank program
Scope of intervention	Targeted project
Level of implementation	National & subnational
Main activities	SECO funding for: 1) PFM at central level (MoF processes, systems, HR; Financial Management Information System; public sector accounting; public investment management; government transparency and accountability); 2) Support to local governments and decentralisation (capacity development of local governments; capacity development of central state institutions and agencies in their new mission in the context of decentralisation; communication for local governments and decentralisation processes; innovative practices in local governance)

1. Project Context

In 2014, the World Bank and SECO agreed to join forces in providing technical assistance to the Tunisian Government for reforms in the financial sector and public financial management. The fund thus created was called the Moussanada Fund and SECO's contribution to the fund was provided during Phase I (2014-2016) of the PFM and Local Governments in Tunisia project. Besides many other activities, Phase I included the financing of six municipal PEFAs that were used to some extent for programming of phase II.

In 2016, the British Government Department for International Development (DFID) and the European Union (EU) joined SECO and the World Bank in the Moussanada MDTF to support the Tunisian transition on three main issues: i) PFM at central state level, ii) Local governments and decentralisation, and iii) Financial sector strengthening.

SECO's initial contribution of CHF 5 million to the Fund in Phase II (2016-2020) made half of the overall budget for this phase and is earmarked for the first two components PFM at central state level and the support to local governments.

At the end of 2019, SECO approved a top-up of CHF 4.7 million (CHF 4 million through WEMU budget and CHF 0.7 million through WEIN) for financing two thematic tracks that were emphasised as areas needing strengthening through previous Moussanada engagements. These two thematic tracks are: i) a top-up of CHF 2 million for the existing PFM component, and ii) a new thematic track aiming to improve Public Investment Management (PIM) in Tunisia. The EU and DFID also made top-ups around the same time.

The project is implemented by the World Bank by a project coordination unit (PCU), with the policy dialogue being carried out under the lead of the WB with two Task Team Leaders responsible for Governance and PFM and Local Governance respectively. The Steering Committee with representatives from the donors (EU, DFID, SECO), the MoF and the Central Bank of Tunisia, the Ministry of Local Affairs, the Ministry of Development, Investment and International Cooperation (MDICI) and the relevant Bank staff, meet on a yearly basis. The Technical Committees on each component with a representative of each donor and the World Bank's technical staff meet quarterly. All proposals for activities or sub-projects under the MDTF have to be designed by Tunisian government officials and have to be presented to and approved by the respective Technical Committee.

The project started in October 2016 and will run until the end of December 2020. The top-up for the two thematic tracks started in October 2019 and will end on the 30th of September 2022.

2. Project Objectives

The project's aim is *to strengthen PFM for improved efficiency and transparency at national and subnational levels*. It addresses Tunisia's key reform priorities within public finance and is based mainly on previous PEFA assessments that were undertaken in parallel during Phase I of the project – one on a national basis and six in municipalities¹.

The first component on PFM at central state level aims to strengthen the linkage between fiscal transparency, inclusive public dialogue and service delivery results. The areas of work of this component are as follows:

- Supporting MoF in conducting a functional review and implementing an internal reform action plan, while strengthening MoF's capacity to lead the ongoing PFM reforms
- Supporting the Government in modernising the Financial Management Information System (FMIS) in order to increase the automation and integration of PFM processes
- Supporting Tunisian authorities in their effort to bring public sector accounting closer to internationally accepted accounting principles and standards
- Supporting the adoption of a framework for an integrated national investment system (SNI) for improving public investment management
- Supporting the Government in responding to strong political demand in transparency and accountability

The second component on local governments and decentralisation is aiming to support the Government at central and subnational levels in their effort of implementing the new decentralised institutional framework provided by the 2014 Constitution. This component looks specifically at:

- Strengthening local governments' PFM capacities, a) through supporting implementation of PFM action plans and/or b) through on-demand and just-in-time TA implemented by the Caisse des prêts et de soutien des collectivités locales (La Caisse).
- Providing TA to central Government (notably MoF, MoI, Ministry of Local Affairs) on legal framework design, monitoring of PFM, training strategy and impact evaluation of decentralisation policies
- Supporting central and local governments in communication efforts, especially digitally, to ensure that citizens have access to real-time information

¹ The selection of the municipalities for the subnational PEFA assessments included a set of large municipalities (Tunis, Sousse, Gabes, Gsafa) and two municipalities from the interior of the country (Kasserine, Kairouan). The national PEFA assessment was financed from other sources. The report was officially presented in May 2016.

- Supporting innovative practices in local governance

The top-up is used to build up the first component, especially looking at the following:

- Implementation of the new organic budget law
- Further funding public transparency initiatives, especially in the digital domain to publish further information and strengthen capacity of officials in relation to access to information
- Modernisation of government administration and civil service
- Further advance the modernisation of public procurement

On the top-up for PIM, the following activities are expected to take place:

- Improve project identification and preparation in the area of PIM
- Improve the selection and budgeting/ financing of public investment projects
- Improve monitoring and evaluation of public investment project implementation
- Strengthening governance arrangements and improve steering and coordination

3. Evidence

The documentation available for the desk review covers:

- SECO's Credit Proposal from 2016,
- the ToR of the project's Mid-Term Review in 2019,
- the final report of the Mid-Term Review (MTR) of the Moussanada Fund from June 2019, conducted by Universalia (Canada), and
- the Credit Proposal for the top-up from 2019.

Interviews were carried out with the SECO programme manager as well as with the Cooperation Office at the Swiss Embassy in Tunis responsible for the project. To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The Tunisia PFM and Local Governments Phase II project is a highly relevant project. It addresses the need for public financial management reforms at central and local level as well as the need for support in implementing the decentralised institutional framework provided by the 2014 Constitution, including the creation of a new Ministry of Local Affairs in 2016. Since the national authorities are represented in the Steering Committee, and since all projects financed through the MDTF have to be formulated and defended by the relevant Tunisian authorities to ensure conformity with the Tunisian priorities, the relevance of the measures as well as their sequencing is high. The two components with SECO financing and their work areas are based on the weaknesses identified during Phase I of the project including six subnational PEFA undertaken in Phase I. These could have been used more as the Tunisian Government officials rather use the perceived needs and not the weaknesses identified by the PEFA as basis for project proposals to the MDTF. The PEFA are not mentioned in the project proposals. SECO's contributions are also in line with and therefore highly relevant regarding the SECO Country Strategy 2013-2016 and are anticipating the strengthened emphasis on inclusive growth in the 2017-2020 Dispatch.	1	HS
Coherence	The project is coherent with the Swiss development strategy and coordinated well with other donor interventions in Tunisia. The project fits well within SECO's strategy on strengthening economic governance by improving financial and macroeconomic	1	HS

	<p>management, and through the Coordination Office's management of all SECO and SDC activities in the country, including WEMU's work on PFM and WEIN's engagement in integrated urban planning in Sousse or SDC's activities in Kasserine. In order to align with SECO's guidelines, in Phase II, WEMU makes no contribution to financial inclusion as it did before in Phase I to ensure clear separation of work areas between WEMU and WEIF. A combined effort of WEMU and WEIN is integrating Public Investment Management (PIM) after a small but catalytic project on PIM through the MDTF (project scale up in 2019 and now in implementation as separate thematic track of the Fund) and thus to reallocate some funds to infrastructure strengthening.</p> <p>Donor coordination by the World Bank is well managed through the Steering Committee and complementary projects are implemented by the EU, GIZ, and AFD. The Moussanada MDTF's component two on local governments and decentralisation, is working closely with the World Bank led Urban Development and Local Governance Programme (that SECO is also contributing to). World Bank's focus on catering to other donors' thematic interests (e.g., EU priorities as one of the biggest donors in Tunisia) is competing with SECO priorities.</p>		
Effectiveness	<p>The project is effective, and funds have been allocated rather quickly to the different sub-projects, with 40% of the projects terminated or close to termination according to the MTR in the first half of 2019. The PFM/Governance component has a quick turnaround – in mid-2019, all funds for this component were already allocated (107% of funds allocated, 102% spent). This quick turnaround depicts the need of delivered services. The donor cooperation was strengthened as set up in the goals.</p> <p>The project is not following the SDG agenda directly with specific reference to SDGs, but the project proposals by the Tunisian officials to the MDTF are now mentioning, which SDGs they address with the proposed activities.</p>	2	S
Impact	<p>The project is still ongoing, but as far as the Mid-Term Review reflects, the sub-projects are thriving. The PFM support at national and subnational level is facilitating reform processes and support to the operationalisation of laws and policies through TA, capacity development and tool development contributes to increased transparency and accountability at central and subnational level. Ownership is good, but political turnovers might impede on the long-term impact. The MDTF has however laid the foundation for a few important projects that came out of small Moussanada interventions and are now scaled up projects funded by different donors, including SECO. The MDTF has had quite an impact on transparency in Tunisia, with the set-up of national and subnational websites that are being used by citizens and that contribute to transparency on public fund allocation and public investment management. On a subnational level, it is difficult to assess whether the increased transparency can be credited to Moussanada or rather activities undertaken under the Urban Development and Local Governance Programme intervention of the World Bank.</p>	2	S
Efficiency	<p>The project is efficient, with reasonable management costs and a satisfactory cost/efficiency rate. The creation of Government ownership makes the implementation more efficient and low-cost capacity building and stakeholder engagement accelerated reforms considerably. There is approx. one project proposal per quarter and project approval takes up to 6 weeks. Within the portfolio of project proposals, there is sometimes a lack of thematic coherence, as project proposals are developed based on different, and sometimes competing, priorities, rather than on the basis of weaknesses identified through PEFA etc. Also, more cross-cutting expertise is needed for participating at the Steering Committee meetings to cater for transversal themes. While at the start of the project national representatives were promised to be able to participate in the TC meetings, the donors decided not to allow this anymore to make room for technical discussions between themselves. The World Bank management team seems to be able to be flexible and quick in the identification of national and/or international expertise as well as matching expert profiles needed. However, while there is a precise monitoring, the reporting lacks qualitative indicators, which makes it impossible to track behavioral change or the real scope of a law, a degree of empowerment or the level of ownership.</p>	2	S

Sustainability	The project seems to be quite sustainable so far. While the sustainability of PFM projects is usually difficult to achieve, the project has made progress in laying the foundations through adapting a demand-driven process and engaging national stakeholders in the intervention design stage, through driving for interventions with legislative outcomes or providing support to the operationalisation of policies, as well as through the development of material and digital platforms and management software. The major sustainability risks have been identified in the political instability and quick turnover in the relevant ministries as well as delays in municipal elections. The mitigation strategies focus on facilitating project design and implementation through flexible and reactive management of the MDTF and a strong relationship between the World Bank management team and the Tunisian authorities and, if necessary, the different sequencing of the project components. However, this more organic project design leads to a less harmonised approach in sub-project design. The strong donor coordination avoids possible saturation and/or duplication of work in a sector where many donors are active.	2	S
Overall	The project performance is assessed as satisfactory overall. High quality in the project design and especially the very flexible set-up of the MDTF's management laid the basis for an expected high degree of achievement in delivery at the output level which has laid the basis for some progress towards achieving progress at the impact level. The Credit Proposal identified the major risks contributing the project and adequate steps have been taken in mitigation. The engagement of stakeholders at the design level as well as the MDTF's flexibility has likely increased ownership even during times of political instability and high turnover in partner institutions. This flexibility impedes a bit on thematic coherence and thus sustainability, but overall, this project is relevant and highly impactful. The increased donor collaboration has reduced transaction costs and made project delivery very efficient.	1.7	S

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning and Lessons Learnt

Good practices in building capacity in high-turnover context: Several stakeholder workshops and the capacity building strategy underlying the project design created ownership both at central state level (capacity building of MoF staff to lead ongoing PFM reforms, capacity strengthening of government officials and societal actors to engage in budget deliberation, capacity development of central state institutions on their new missions in the context of decentralisation) and at local government level (capacity building of local government officials on PFM).

During the implementation of the project, there has been a high turnover of staff and focal points within the ministries due to political instabilities and period-wise lack of coordination in the ministries due to absenteeism and overworked teams, as well as to fluctuating regulatory and legal environments. The PCU had to be very flexible and the work stream leads within the World Bank coordination unit had to do a lot of networking in order to know the changing focal points. In general, the relationships between the Tunisian authorities and the World Bank staff on the PCU were rated as very good.

PEFA as adequate tool to promote PFM reform: In Phase I, six municipal PEFA were undertaken and in theory, they were used to inform not only Phase II, but also the programme planning for Phase II. However, whilst the Government was aware of the PEFA and dissemination workshops with local government entities took place, the PEFA results were not used as much as they could have in informing strategies and future project proposals. Ownership of the subnational PEFA was lower than ownership of other projects within the Moussanada MDTF, and Tunisian authorities seem to rather align their projects to ad-hoc interests and identified needs. SECO was not aware of the national PEFA from 2016, financed from other sources, which indicates that the Government did not use its results to inform their

programming for Moussanada. According to pefa.org, the results of the 2016 PEFA were not published.²

SECO's transversal themes in PFM programming: The fight against corruption and for better governance as well as digitalisation are very much on the Tunisian Government's agenda and hence were integrated into the sub-project; i.e. through websites that were aimed at providing more transparency and easier access to information for citizen. Indeed, digitalisation seems to be a trend within the last project proposals, both for the central state level and the subnational level. This is not the same for gender and climate change and more emphasis could be given to these two cross-cutting issues. SECO has been pushing both the World Bank and the Tunisian Government to include especially gender in the project proposals and is frequently commenting on this during project review. However, little impact of this has been seen so far.

Change management: There is no overall change management theory existing neither for the overall project, nor for the activities proposed by the Tunisian officials. This does not seem to hinder the overall reform process but gives room for optimisation. As the project proposals for the sub-projects also do not have to explicitly mention change management or activities to get enhance ownership and cater to more soft aspects of reform, these aspects are often forgotten. However, the project proposals need to explain how to achieve ownership and sustainability within the proposed projects.

Lessons Learnt:

- **Especially in a highly unstable political context, where a high staff turnover in the partner institutions can delay implementation, it is important that the coordination and implementation unit of the project allows for flexibility.** In the Moussanada MDTF, it is up to the Tunisian officials to draft the sub-project proposals within the broad objectives, a change in staff and thus in representatives, does not impede on the implementation of the previously approved projects and leaves room for new ideas within the framework of the project. The strong relationships between the World Bank PCU staff and the Tunisian authorities to some extent mitigated the high turnover of focal points and teams within the ministries due to political instabilities and period-wise lack of coordination in the ministries. Ownership was created through project design by the government entities, although some evidence exists for World Bank staff preferring specific projects, such as the Open Government Partnership, that entails the risk of being less demand-driven and less impactful.
- **Donor coordination is changing with multiple players pushing for more collaboration as to facilitate effective and sustainable change, but at the same time also pushing for their core topics to be integrated in MDTFs.** The World Bank is pushing for more cooperation between the different stakeholders and is creating, in Tunisia, an umbrella MDTF to take under its wings the Moussanada fund, the Compact with Africa fund, as well as a vocational training fund for agriculture. This should lead to less overlaps and easy creation of synergies between the various donor-led projects in Tunisia. At the same time there is a trend to include new topics, such as labour market integration and social sector reform, in Moussanada project. This is a shift away from the core topics of the fund to other topics that in general are mainly funded by the EU. According to the KII's, the World Bank is aware of SECO's opinion on this shift and the need from SECO's side to re-focus the project proposals on PIM, PFM and decentralisation only.
- **When a project is successful at a smaller level, it can be pushed further and scaled up to become more influential.** SECO was successful in organically pushing for more

² The Mid-Term Review from 2019 however shows a snapshot of the PEFA results (they cite PEFA 2015).

public investment management (PIM) work to be done in Tunisia: One of the project proposals was on strengthening of PIM (an intervention of around 300K USD to improve national PIM processes) and was highly successful. This led to a top-up decision in 2019, which did not fall directly under the Moussanada structure, as it was too big in terms of volume. WEMU and WEIN are both contributing to this project as there were synergies in terms of content and WEIN is already working on urban planning in Tunisia. A similar scaling-up is in preparation for sub-national accounting reforms.

Project Desk Review

Public Financial Management Analytical and Advisory Assistance in Vietnam

Title	Public Financial Management Analytical and Advisory Assistance in Vietnam
Project duration	2015 - 2021 (originally until end of 2020, but cost extension in 01/2020 to end in 12/2021)
Overall budget	USD 7,362,000 and CHF 1.2 million through cost extension in 01/2020
SECO contribution	CHF 7,000,000 (CHF 6 million for PFM AAA + CHF 1 million already committed for PFM) + CHF 1,200,000 (allocated through cost extension in 01/2020)
Contribution of other partners	Local contribution through MoF in-kind contributions; Canada: USD 121,704
Financing type	Multi-Bi
Implementing partner	World Bank
Scope of intervention	Targeted project
Level of implementation	National & subnational
Main activities	1) Better linkages between plans and budgets set in a medium-term context; 2) More effective implementation of budgets through improved management and monitoring of quality and progress; 3) Information that supports both budget managers and those charged with holding them accountable; 4) Identification and management of the inevitable risks to which a fast growing economy is exposed

1. Project Context

SECO, in collaboration with the World Bank and the Global Affairs Canada (GAC), is providing Technical Assistance (TA) to Vietnamese counterparts through a Public Financial Management (PFM) Analytical and Advisory Assistance (AAA) programme from 2016-2020. The programme provides support mainly to the Ministry of Finance (MOF), but also to a selected Subnational Government (namely, the City of Da Nang), and the Finance and Budget Committee (FBC) of the National Assembly (NA). The SECO contribution is CHF 7 million. The implementation of the project is led by the World Bank. The PFM-AAA is a follow-on project to the former PFM-MDTF II project to which SECO was also a contributor.

2. Project Objective

The objectives of the program are to: (i) support strengthening the capacity of executive bodies to make, implement, and monitor policies to improve budget planning and execution in a transparent, accountable, and sustainable manner; and (ii) provide empirical analysis of the effectiveness and efficiency of major public finance reforms at both the central and local levels of government. The program provides support to central and selected subnational governments and the National Assembly (NA) in its strategic areas of focus.

Project implementation is organised around 4 pillars: Pillar 1 (better linkage between planning and budgeting; Pillar 2: Effectiveness of budget execution controls; Pillar 3: (Production of

quality fiscal information), and Pillar 4: Effectiveness in achieving fiscal stability and management of fiscal risk).

The management structure for the overall World Bank-led Multi-Donor Trust Fund (MDTF) includes two subordinate management components - a Bank Executed Trust Fund (BETF), which as the name implies, is executed directly by the WB, and a Recipient Executed Trust Fund (RETF) through which funds are placed at the disposal of the beneficiary for project budget execution purposes.

3. Evidence

The evidence for the desk review is weak for the early stages of the project implementation (2016-2018) as the earliest monitoring reports are Nos. 11 and 12 relating to 2019. While the documentation includes the TORs for the Mid-Term Review, the actual review is not included, though a summary of the MTR findings is provided in the report on QII 2019. The twice-yearly World Bank Implementation Support Mission reports are not included in the project documentation. An interview was also carried out with the SECO programme manager. To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The Vietnam PFM-AAA is a highly relevant project. It addresses the need for Vietnam as a rapidly growing lower middle income country (LMIC) to develop its PFM systems at both national and sub-national level in a context where over 50% of the national budget is spent by sub-national entities. The project is a well-designed follow-on from the former PFM MDTF II and is fully aligned to the government's strategy and priorities for PFM development, The detailed design addresses the weaker areas identified in the PEFA assessment of 2013 and the four pillars of the project address improvements aimed at raising the score on the relevant PEFA indicators to at least B by the end of the project.	1	HS
Coherence	The project fits well within the SECO strategy as concentration on PFM is as a major component of the SECO country strategy and especially in terms of exploiting the advantages derived from the use of the PEFA and addressing the national-subnational dimension of PFM. The project has little or no linkage to initiatives of other Swiss initiatives in the country. There are some signs of overlap with the EC/GIZ work on MTEF which required corrective action during implementation.	2	S
Effectiveness	The project is achieving good results. It is due for completion in 2020 and expected to achieve results indicators in 7 out of 8 areas. The main problems are in relation to Result Area 1 (medium term planning, finance and budgeting) which is unlikely to be achieved. There is no agreement with the Parliamentary Standing Committee on the key aspects of the Public Investment law proposed provisions in relation to the requirement for a Medium-Term Investment Plan.	2	S
Impact	The high degree of achievement in the delivery of outputs is providing an important contribution towards the achievement of an impact. The achievement is summarized under effectiveness above with respect to the objectives of each of the 4 pillars of the project, however in all cases, and especially Pillar 1 (Better linkage between plans and budgets) further reform efforts will be required to truly meet the objectives.	2	S
Efficiency	The project is assessed as satisfactory in terms of efficiency. This is witnessed in the prospect of a high level of delivery against project result indicators within the planned budget. Project monitoring has been of a high quality in the latter stages of the project (2018 and 2019) but is not recorded for the earlier period. The project experienced problems with the Recipient Executed Trust Fund component with delays	2	S

	in approval of applications and budgets and underspending, which needed to be offset by the accelerated Bank Executed component.		
Sustainability	The project is assessed as satisfactory against the sustainability criterion. The PFM-AAA has made progress in laying the foundations for sustainability, which is usually difficult to achieve for PFM projects. It is largely using the approaches identified at project design stage, namely, concentrating on reforms with strong support from MOF departments., broadening the discussion on PFM through inclusion of the subnational component and especially through embedded PFM process changes in the key organisations, generation of regulations and manuals and with associated capacity building.	2	S
Overall	The project performance is assessed as Satisfactory overall. High quality in the project design laid the basis for an expected high degree of achievement in delivery at the Output level which has laid the basis for some progress towards achieving progress at the Impact level. The Credit Proposal accurately identified the major risks contributing to the project and adequate steps have been taken in mitigation. The use of RETF as one element of the implementation mechanism at the national level, while meeting the anticipated risks, likely also contributed to beneficiary buy-in to achievement of the project objectives.	1.8	S

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning Questions and Lessons Learnt

Capacity development: Capacity development has primarily taken the form of training courses provided in each of the 4 component areas of the project and through the development of reformed institutional processes. It is too early to judge the sustainability of these capacity development initiatives or the extent to which training programmes have been institutionalised to provide sustainability.

PEFA: Use of the PEFA has played a very important role in this project, including the design of the project based closely on the 2013 national assessment (undertaken under the previous phase of the project), the use of the sub-national simplified PEFA which was undertaken in Danang which was the first subnational PEFA to be undertaken under the PEFA 2016 system, and for the design of the follow-on major subnational project currently under approval proves for Danang, which will incorporate a full sub-provincial PEFA in that city. The project also utilises the PEFA scores widely as the basis for setting out indicator targets.

Transversal: The project has supported the introduction of specialised software to strengthen then implementation of commitment control by the Ministry of Finance. This is important to ensure tight financial control and to prevent the build-up of payment arrears to private sector suppliers. The project design does not include any transversal themes.

Change management: The project has no explicit change management strategy though this is implicitly being provided through extensive consultation with the stakeholders and training programmes across the project result areas and delivering change through the reform of organisational in terms of processes, resources and management.

Lessons Learnt:

- **Close cooperation with the WB.** Implementation of the project has benefitted from the continuity in SECO's working relationship with the World Bank as the implementing agent. This has benefitted from early insistence by SECO that the WB as the implementing agent should provide regular and comprehensive reporting and from the close working relationship established through SECO participation in the 6-monthly Implementation Support Missions led by the WB.

- **Application of RETF is risky in countries where the beneficiary is unfamiliar with WB procedures, especially for procurements.** The difficulties experienced in the implementation of the recipient executed component of the overall MDTF was significant delays in the implementation of the REFT component, which required off-setting speeding up of the Bank Executed TF. On the other hand, the use of RETF is believed to have in increased beneficiary buy-in/ownership to the project. RETF will not be used in the follow-on SECO-funded project in Danang, given the lack of capacity at the subnational level to undertake project procurement activities using World Bank procurement procedures.
- **Donor Coordination set up to avoid overlaps.** The importance of establishment of regular and formal PFM donor coordination in countries where there are several donors present with similar agendas.

Project Desk Review

Vietnam – State Audit (SAV)

Title	State Audit Vietnam (SAV)
Project duration	2014 – 2018 (continued by EU to 2019)
Overall budget	EUR 4,250,000
SECO contribution	EUR 1,200,000
Contribution of other partners	EUR 3.05 million; local in-kind contribution of EUR 300,000
Financing type	Multi-Bi
Implementing partner	EU Twinning conducted by Expertise France - The French public agency for international technical assistance and four EU Supreme Audit Institutions (SAI)
Scope of intervention	Targeted project
Level of implementation	National
Main activities	1) SAV's organisational structure and HR development; 2) Strategic planning, audit methodologies, management of audit activities.

1. Project Context

SECO provided EUR 1.2 million of the total budget of EUR 4.25 million directly to the EU for the implementation of the project to support the State Audit Institution in Vietnam (SAV). EU/SECO decided with SAV to apply an EU Twinning project modality supplemented by relevant consultancies. The EU twinning modality is a cooperation between government institutions in an EU country and a developing country with peer to peer learning processes between staff members in the institutions in the form of e.g. seminars, workshops, study tours, sharing of experiences and transfer of technical knowledge and direct on the job training.

The initial duration was from 2014 to 2018. After a long complex EU selection procedure, a consortium with four national EU State Audit Institutions led by Expertise France – the French public agency for international technical assistance, was selected, so the implementation started in August 2016 with two years delay. When the inception phase was prolonged because of disagreements between SAV and the Expertise France; and SAV changed the Auditor General three times, SECO decided to suspend the funding by the end of 2017 after almost three years. Before the suspension SECO actively mitigated by asking for more involvement of the EU to solve disagreements between SAV and the Expertise France on the inception report including involving a SECO strategic partner, ZHAW, to support the EU. Thereafter, the project continued to the end of 2019 with EU funding alone¹. SECO expects that 20% of its funding will be returned once the EU auditing of the project is completed.

2. Project Objective

The overall objective of the project was to enhance the capacity of SAV to provide an independent opinion of financial management issues across the public sector and communicate management deficiency to those charged with governance.

¹ According to <https://www.expertisefrance.fr/fiche-projet?id=784657>, the project was finalised in December 2019 with EU funding.

The project intended to support SAV's action plan to develop its audit capacity in line with INTOSAI standards. It operated within two pillars, which have corresponding result areas.

- Pillar 1: Strengthened SAV organisation with well trained and managed human resources
- Pillar 2: Strengthened capacities to undertake mandated tasks and activities in the area of strategic audit planning, financial audit in line with INTOSAI standards and international good practices

3. Evidence

The desk review report is based on the Credit Proposal SAI, 2014, the Memo Proposed Exit, 2017 and information of the project results from www.expertisefrance.fr. An interview was also conducted with SECO's programme manager. To prepare this desk report a detailed matrix was prepared by the evaluation to answer all the evaluation questions following the evaluation's 13 accountability and 4 learning questions.

4. Assessment against the OECD/DAC Evaluation Criteria

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The project is relevant following Vietnams overall strategy within Public Audit. It follows SAV's Development Strategy from 2013 to 2017, which was endorsed by SAV and the National Assembly. It is also aligned with Vietnam's socioeconomic plan 2011 to 2015, which stipulates "efficiency and using public financial resources, implementation of transparent fiscal policy and preserving national financial security". Delays in implementation and disagreement, which emerged during inception phase (2016-2017) about the importance of activities to be implemented, implied that the project was not really owned by the SAV management as priorities shifted with the two years delay in the selection of the implementing consortium. Therefore, the project became less relevant to SAV, than it was in 2014 A PEFA assessment from 2013 was applied to prepare the project, which confirmed SAVs capacity constraints and the need for support.	2	S
Coherence	The project is coherent internally and externally with other PFM projects in Vietnam. The project complements the PFM Analytical and Advisory Assistance Project, funded by SECO and implemented by the MoF and the WB. The WB is also leading a donor coordination group within support to SAV. However Canadian support (CIDA) to SAV could have been overlapping with the project as a diagnostic of SAV prepared by CIDA was not shared with the Expertise France by SAV. The project is following SECO's support to Supreme Audit Institutions in general, which from 2013 to 2018 included the SECO contribution to the SAI Capacity Development Fund (WB Trust Fund).	2	S
Effectiveness	The results reached by the project are minimal. The procurement and the inception phase were exceptionally long (3 years), so the project was ineffective, while SECO was part of the financing. In the end, the project only contributed to an audit manual and training of 78 staff members.	4	HUS
Impact	The evaluation does not assess that the project will have any impact on the capacity of SAV to provide an independent opinion of financial management issues across the public sector and communicate management deficiency to those charged with governance, so the project objective will not be reached.	4	HUS
Efficiency	The project's efficiency is very low. The implementing modality with EU Twinning turned out to be cumbersome with a very long procurement process. The selected implementing consortium was not able to provide acceptable proposals to address the complex institutional structure and challenges in SAV. The communication with SAV was difficult and further complicated with three changes at the management level of SAV. Some activities may have been overlapping with CIDA. SECO withdrew	4	HUS

	from the project in 2017 and of the EUR 1.2 mill provided, SECO expects that 20% will be returned. The EU did not suspend their funding and EU agrees that the project's performance is very unsatisfactory.		
Sustainability	The very limited results may remain after the project. The Twinning model was selected as a good modality to transfer knowledge between experts from EU national institutions to similar institutions in other countries. The Expertise France selected by the EU, did however not have the capacity to implement the project and agree with SAV on relevant activities. The very limited results from capacity development activities might prevail in SAV, provided the trained staff remain in the institution. The manual will also remain and the trained are aware of its existence.	3	US
Overall	The overall project performance is clearly unsatisfactory. Its preparation (relevance and coherence) are satisfactory, but all elements during implementation from selection of implementing agency to its impact are of low quality. With full delegation of the funding from SECO to the EU, it was difficult for SECO to follow the project and its implementation once the implementing consortium was selected. SECO tried to mitigate, but it was impossible with low interest from the SAV and the shifting management. It seems like a correct decision to withdraw to avoid further reputational risk and save human resources.	3.2	US

Assessment Scale: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU)

5. Learning Questions and Lessons Learnt

Capacity: The P2P modality is well tested in particular in Scandinavian development programmes² and also in EU Twinning projects. The key for successful EU Twinning projects is the existence of a competent EU partner and a relevant project. In the EU Twinning the projects are prepared through consultancies before the EU partner is selected, which sometimes reduce relevance as the process is time consuming as also seen in the SAV project. The Scandinavian model permits a modality, where the partners develop the project jointly during inception.

PEFA: The PEFA assessment 2013 was a good instrument to prepare the relevant activities for the project. However, with a highly unstable management structure in SAV and long delays from formulation of the project to implementation, the ownership of SAV was low and the agenda shifted.

Transversal: Of the four transversal themes, only corruption is mentioned in the credit proposal. There is no result within this area.

Change management: The change management strategy behind the project is the P2P modality, which was agreed and demanded by the beneficiary before the project. However, without a competent EU P2P partner, the change management strategy failed.

Lessons learnt:

- **EU Twinning as implementation modality can be risky.** The project was SECO's first experience with EU Twinning. It took a long time to procure by the EU without finding a suitable EU Supreme Audit Institution and instead Expertise France was selected to lead a consortium with four EU SAIs.
- **The project could have a reputational risk for SECO.** With the delays and the complaints from SAV about the implementation and the inception phase. It could have

² See Evaluation of the Danish Strategic Sector Cooperation, Danish Ministry of Foreign Affairs June 2020 or Evaluation of Norwegian support to capacity development, Norad 2015.

been better to drop the project at an earlier stage, when no competent partner could be found among EU SAIs.

Independent Evaluation on SECO Support to Public Financial Management

Final Draft: Country Study Report Peru: Public
Financial Management TA IMF FAD

Data Sheet: Peru - Public Financial Management TA IMF FAD

Title	
Project duration	Public Financial Management
Overall budget	2016 to 2020 (ongoing)
SECO contribution	USD 1,678,074
Contribution of other partners	0
Financing type	MULTI Bi
Implementing partner	International Monetary Fund, Fiscal Affairs Department
Scope of intervention	Targeted Project
Level of implementation	National
Main activities	Objectives: 1) Comprehensive, credible, and policy-based budget preparation; 2) strengthened identification, monitoring, and management of fiscal risks; 3) improved coverage and quality of fiscal reporting; and 4) improved integration of asset and liability management framework.

List of Abbreviations

DAC	Development Assistance Committee
EU	European Union
EQ	Evaluation Question
FAD	Fiscal Affairs Department (of the International Monetary Fund)
FATI	Fondo de Asistencia Técnica Inmediata
FREM	Fondo de Reforma de Mediano Plazo
FTE	Fiscal Transparency Evaluation
HQ	Headquarters
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IFI	International Financial Institution
MoEF	Ministry of Economy and Finance (Peru)
National PFM project	Support to the National PFM Reform (2 nd phase)
OECD	Organisation for Economic Co-operation and Development
OPM	Oxford Policy Management
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management

SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat of Economic Affairs
SNG	Sub National Government
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
WB	World Bank

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1. Project Context

SECO is providing USD 1.7 million directly to the Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF) to a technical assistance (TA) project, which will continue the strengthening of Peru's public financial management (PFM) systems.

The project is building on the findings from a Fiscal Transparency Evaluation (FTE) conducted in 2015 by the IMF; and the outcomes of a former SECO financed projects with IMF FAD, finalised in 2014, to strengthen the treasury and debt management in the Ministry of Economy and Finance (MoEF) in Peru.

The project is a supplement to other SECO financed projects in Peru including i) the bilateral SECO project, which is supporting the MoEF for the implementation of the National Public Finance Management Reform (including the FATI and FREM sub-projects financing modality) and ii) the Subnational Public Finance Management Strengthening Programme working in 11 sub-national governments. SDC is not active in Peru.

2. Project Objective

The project has four strategic objectives: i) comprehensive, credible, and policy-based budget preparation; ii) strengthened identification, monitoring, and management of fiscal risks; iii) improved coverage and quality of fiscal reporting; and iv) improved integration of asset and liability management framework.

The delivery modality is through a TA organisation implemented by the IMF FAD. The implementation modality consists of a long-term adviser stationed in Lima for two years, HQ missions, technical notes, short term experts (consultancies) and seminars/workshops.

3. Evidence and Methodology for the Country Study

The first step in the present country study was to prepare a desk study based on available information from SECO and an interview with the SECO programme manager. The main sources of evidence were the 2016 project proposal and a project assessment from IMF FAD from 2020 (May 2019 - April 2020). The project proposal is structured according to a standard IMF FAD project proposal¹ with strategic objectives, outcomes, outputs, milestones and indicators defined to assess expected outcomes.

In October 2020, a field study was carried out by the local PFM expert guided remotely by the evaluation's team leader². The local expert reviewed the documentation used in the desk review phase and collected additional documentation, which included: i) a modified project version from 2018 submitted by the IMF FAD project manager, which included some adjustments required by the government to the fourth objective, referred to the integration of asset and liability management, ii) the set of new national PFM's laws approved in September 2018.

Thereafter a set of questionnaires were prepared considering the diversity of interviewees to be approached to deepening the understanding of the project implementation and to verify the preliminary findings of the desk review phase. The questions were focused on addressing the

¹ The proposal has the same structure and implementation modality as the proposal for the IMF AFD Fiscal Transparency in Colombia, which is also part of the present evaluation.

² Due to the COVID19 Pandemic, the team leader could not be present in Peru.

project's relevance in relation to the country's PFM strategies and the project's adaptation to the changing economic and political environment during the project implementation by verifying its coordination with other PFM support projects from SECO in the country as well as with other projects not funded by SECO. In addition, questions aimed to assess the effectiveness, impact, efficiency and sustainability of the project benefits following OECD/DAC.

This was followed by the conduction of a series of interviews with people involved during the formulation and implementation of the project, including its beneficiaries. Interviewees received their corresponding list of questions by email prior to the interview following five groups:

- I. IMF project manager,
- II. SECO country officers and SECO programme manager,
- III. World Bank (WB) country officer and WB local country economist,
- IV. MoEF's Former Minister and the advisor to the Vice-minister of Finance,
- V. MoEF's General Directorates representatives (General Directorates of Budget, Treasury and Accounting).

Due to the COVID-19 and mobility restrictions in Peru all interviews were conducted virtually over a two weeks period³. The evaluation's team leader (located in Denmark) participated in some of the interviews (IMF project manager, SECO country officer and director, MoEF's former Minister and the advisor to the Vice-minister of Finance).

SECO's local office supported the evaluation team by providing contact information for interviewees and by sending them introductory letters prepared by the local PFM consultant. A special letter was sent to the Minister of Finance to introduce the current assessment and ask for the ministry's support in completing the expected interviews.

Please see a full list of all available documentation and persons interviewed in annex A and B respectively.

4. Assessment against the OECD/DAC Evaluation Criteria

This section presents a set of tables that summarise the assessment carried out following the six OECD/DAC criteria. Each table sets the score assessed by the evaluation in accordance with the scale previously set in the evaluation's inception report: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU).

The assessment is based on the information gathered from documents and conducted interviews as presented in section 3. It follows the evaluation's 13 accountability questions determined in the evaluation's inception report. Each table is followed by answers to each evaluation question (EQ) to further understand the assessments.

4.1 Relevance:

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The project is relevant and is closely related to recent changes in the PFM legal framework. Project objectives have been defined according to the FTE's recommendations. The FTE and actions within the project were very useful in defining the needed changes accomplished by the net set of new PFM's laws	1	HS

³ From October 5 to October 16.

	(budget, treasury, accounting, among others). The current PFM strategy and the future steps will be determined by this new legal framework. To carry out this strategy, the government considers that FAD's support is essential. The MoEF prefers the FTE over the PEFA assessment as it is more suitable to Peru's PMF level.		
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1. How is the provided assistance aligned with priorities of the government in partner countries (i.e. beneficiaries of assistance)?

Although the project is not aligned to a clear government document, interviews revealed that the project does follow government priorities.

The government's PFM strategies are largely determined by what has been developed in previous SECO support projects such as the National PFM (phase 1) and the IMF's support for Treasury matters, as well as IMF's TA to strengthen compliance with fiscal rules. Additionally, in 2015 the government asked for an FTE from the IMF. The government continues to demonstrate a strong commitment to PFM reforms.

Government officials pointed out to the evaluation that the project is important to set the PFM strategies as part of the alignment to the OECD's standards, as it is a high government priority to be OECD member. In particular, the best practices approach in the medium-term budget framework and transparency through better fiscal reporting were highlighted as highly relevant by the government when defining the project objectives.

In September 2018, the government made an improvement to all of its PFM legislation following to a great extent the recommendations of the FTE and the advice received from the project. The implementation of these new regulations has required the government to rely heavily on the progress of the present IMF project.⁴

2. To what extent has the evidence-based approach, based on assessments such as PEFA and TADAT contributed to promote dialogue, coordination and ownership from the key stakeholders, identified the relevant weaknesses and priority reforms in SECO's priority countries and contributed to their needs?

The government has not extensively used PEFA to define a strategy for PFM reforms. In the case of this project, the baselines and indicators of progress were proposed based on the IMF's FTE. Only in the fourth strategic objective, regarding the integration of asset and liability management, a reference was made to two PEFA indicators (PI 21. 2 and PI 21.4) but without using the PEFA's results for Peru.

4.2 Coherence:

OECD DAC Criteria	Assessment	Score	Rating
Coherence	<p>The project's design continued the progress of previous SECO's support projects and was coordinated with the SECO financed National PFM project. It also coordinates the implementation with a World Bank project on fiscal risks area to avoid duplications. The role of the project's long-term advisor was very important to ensure the coordination with the National PFM project and also with other projects such as those implemented by the WB and the Inter-American Development Bank (IDB). The government's commitment to PFM reforms supported by SECO goes a long way, which have strengthen the ability to avoid overlaps.</p>	1	HS

⁴ As it was mentioned by representatives of the MoEF's General Directorates

3. How does the evaluated portfolio fit with other related interventions of the Swiss international cooperation as stipulated in the strategic objective 1 'Effective institutions and services'⁵ for the period 2017-2020, in particular with interventions from the SECO infrastructure financing which is active at sub-national and municipal levels, and the Swiss Agency for Development and Cooperation (SDC) which is also sometimes active in the same countries (e.g. Albania, Serbia, Kyrgyz Republic)?

The project was regarded as a way of reengaging to the 2014 IMF FAD project, which only focused on treasury management. This time, the IMF and the government agreed to expand the topics and to link these to improvements based on FTE indicators.

Before starting the project, SECO country officers were updated and were able to assess the project in relation to the PFM National project objectives before signing the bilateral agreement for its second phase. It was agreed that the participation of the IMF's long-term resident advisor was important to coordinate future TA throughout both projects.⁶

During the current implementation, there is also an ongoing coordination with the National PFM project. The MoEF directorates, e.g. Treasury, have been using the IMF's TA for diagnoses and their recommendations are supported by PFM National project's TA. In addition, the IMF FAD project manager visited the SECO country office when she was on mission with the purpose of refining any pending detail. Synergies and learning are strong between the two projects and also their previous phases.

There is no coordination between the PFM FAD project and the PFM Sub-national project mainly because the MoEF, which is the sole beneficiary of the IMF project, has not found it necessary yet to build a relationship with the sub-national government (SNG) level.

4. To what extent are the interventions complementary and coordinated with other donors? Where has SECO proven its added value?

The project is dealing with specific issues identified by IMF FAD with SECO and complement other intervention by IDB, WB and SECO.

The project has been developed in coordination with the WB support to PFM reforms in Peru, mainly those related to the identification and management of fiscal risks where the WB had started to work with the MoEF Treasury General Directorate. Additionally, there has been coordination with the IDB country office since they manage projects associated with PFM information systems.

To a large extent, country's PFM reforms at the central level are primarily supported by SECO, so SECO has a clear role in securing coordination, focus and synergies in the PMF area. So SECO has a clear role as the leader in PFM support with its various entry points.

5. To what extent does the support to the PEFA global program and its bilateral support for PEFA assessments complement each other?

The MoEF finds that the PEFA tool is not relevant for Peru as it needs more specific and advanced tools like the FTE⁷.

⁵ <https://link.seco-cooperation.org/pis>

⁶ This information was given by the SECO country officer in charge of PFM's support projects

⁷ At the subnational level PEFA is important as follows from the evaluation's country report on the Sub-national PFM project in Peru.

4.3 Effectiveness:

OECD DAC Criteria	Assessment	Score	Rating
Effectiveness	The Project has been effective at the different levels. The four expected outcomes have been partly or fully achieved, but a challenge exists for moving from a technical level and understanding to internalisation into the relevant staff in their operative tasks. The implementation model, including a long-term adviser, HQ missions, consultancies and seminars are also functioning, although with a setback in 2019, when the vice minister and key staff in MoEF were changed. The progress within mid-term budget framework is encouraging, while progress in other areas is still less clear.	2	S

6. To what extent has the provided support to PFM reforms, processes and procedures contributed to achieve its intended objectives in its partner countries?

MoEF officials have reported substantive support from the project in the regulatory changes that were made at the end of 2018, which represented the largest PFM reform in recent years. In the explanatory statements attached to the law's proposals to modernise the PFM, recommendations of the FTE and project TAs were mentioned.

According to the MoEF's officials, the long-term advisor's involvement was highly valued during the previous work of conceptualization of the set of reforms. This required close coordination with consultants from the National PFM project.

However, the approval of the aforementioned standards (regulatory changes) does not mean that project objectives have been automatically met nor that the PFM has suddenly improved. On the contrary, in many cases it means the beginning of a process to progressively comply with the law's mandates. In this sense, the project objective with the highest progress has been the one related to a more credible medium-term budget framework and integration of the annual budget formulation, where new methodologies to determine baselines and ceilings and new processes to include cash balances in the budget formulation have been done.

The objective of integration in the management of assets and liabilities has also achieved important progress. This would help to improve the fungibility and predictability of cash flows as conditions for better cash and debt management integration.

Objectives related to fiscal reporting quality still show little progress. This is largely because there is a new management at the Accounting Directorate. Meanwhile support to the objective referred to the management of fiscal risks has been shared with the WB.⁸

7. To what extent has the provided support contributed to reach or implement their SDG agenda (e.g. data collection)?⁹

The project information or the interviewees do not specifically mention any specific contributions towards the SDG agenda.

The project is however clearly addressing SDG 16: *Peace, Justice and strong institutions and the sub-target 16.6: Develop effective, accountable and transparent institutions at all levels*. The indicator for SDG 16.6 is indicator 91: *Revenues, expenditures, and financing of*

⁸ To answer this question, the evaluation team not only relied on the IMF's internal assessment but mainly on interviews with the IMF project manager and MoEF's officials.

⁹ NB: The portfolio was originally not designed with a specific SDG angle

all central government entities are presented on a gross basis in public budget documentation and authorized by the legislature.

4.4 Impact:

OECD DAC Criteria	Assessment	Score	Rating
Impact	The likelihood of an impact is high as long as the continuity of the project is ensured. There is progress in budget formulation processes and the transparency of the management of public finances that still need to be supported. The project is still ongoing to the end of 2020, but its activities are currently limited because of the COVID-19 and travel restrictions. There were delays with the changes of the MoEF's authorities, which temporarily stopped the progress of the project. The departure of the IMF FAD long-term advisor (by the end of 2019), limits the liaison with IMF HQ and coordination with other projects.	2	S

8. Did the project reach its high-level objective?

The project does not report a single high-level objective but four strategic objectives. The legislative changes are a good indicator to anticipate that these long-term objectives could be met, but it will take time for their full implementations.

The strategic objective of having a more credible budget with multi-year fiscal projections, aligned with the annual budget formulation, is where the project has made the most progress. There are important changes in budget formulation procedures that still need to be better understood by public entities in order to determine that the changes have taken place permanently.

9. To what extent has the provided support enabled more efficient, transparent and accountable processes and institutions?

The project provides some results that may lead to more efficient and transparent processes.

Legislative changes mandate the inclusion of resources that were not considered before and now must be estimated for the budget formulation as well as to set limits to the incorporation of more resources during the budget execution phase. These limits must be published by the MoEF at the beginning of each fiscal year.

The fiscal risks identification process as well as the reporting of fiscal risks in official documents are also an example of greater transparency.

These results are recognised as part of a better fiscal governance bringing more benefits to the fiscal authority than to other public entities.

10. Is there evidence that PFM reforms supported or initiated by the division have enabled more aggregate fiscal discipline, strategic allocation of public funds, and/or efficient service delivery at national or sub-national level? Did the evaluation observe any other positive or negative, intended or unintended, higher-level effects linked with SECO's interventions, such as better inter-institutional coordination for instance?

The fulfilment of the project's strategic objectives is mainly linked to more aggregate fiscal discipline.

Many of the issues to deal with were firstly identified in the IMF's TA focused on ensuring the compliance with fiscal rules some years ago. Thus, there were some problems identified in the budgeting process that led to increases in public spending and there were also some

procedures in the treasury that led to increases on debt burden because there was not a good forecast of cash flows or fungibility in the Treasury accounts.

The changes are recent, and the project is still ongoing, so conclusive evidence of more aggregate discipline as part of the project benefits does not exist yet.

4.5 Efficiency:

OECD DAC Criteria	Assessment	Score	Rating
Efficiency	The project's efficiency is satisfactory. The costs are relatively high for international expertise and 50% of the budget is allocated to IMF expertise and the long-term adviser. However, the TA is of high standard and timely directed to the specific technical needs defined and agreed with MoEF.	2	S

11. Have the different implementation modalities and partnerships proven efficient in terms of cost and time to reach the planned objectives? Are there indications that one or more implementation modalities have produced superior results compared to others?

The project's implementation modality with an IMF FAD TA organisation with a long-term adviser stationed in Lima for two years, HQ missions, short term experts (consultancies) and seminars/workshops has delivered most of the expected results according to interviews with MoEF, IMF and the project assessment by IMF FAD (see section 4.3 on effectiveness).

The costs for all the TA are however high, and an alternative modality, and less costly, could have been a TA set up in Lima with a combination of national and international expertise – integrated into or in close coordination with the other SECO national PFM project. This set up would according to e.g. MoEF however not have been able to deliver the very specific technical inputs to MoEF as the IMF FAD did.

Interviews with MoEF also revealed that the transition costs for the international long-term adviser was high during transition to Lima, but once the advisor was better integrated into the Peruvian context, the presence of the long-term adviser was crucial for the continuous dialogue with MoEF, for quick adjustments and for coordination with other projects and in particular the national PFM project with which solid synergies were achieved.

The project has proved to be flexible and demand driven so MoEF officials are satisfied with being able to consult technical aspects and be attended rapidly by international experts or having dialogs with peers in the region.

4.6 Sustainability:

OECD DAC Criteria	Assessment	Score	Rating
Sustainability	The project faces challenges to be sustainable. The vice minister and technical staff were changed in 2019 and some instability persists. Thus, although the project demonstrates emerging results, a similar new project has been already planned to sustain PFM reforms. The current health emergency due to COVID19 and mobility restrictions complicate the performance of future TAs.	2	S

12. To what extent were the PFM reforms, processes and procedures supported by SECO implemented with a lasting effect? What were the influencing factors (e.g. institutional capacities, financial capacities, implementation modalities, level of ownership etc.)? Are differences observed between interventions at national and subnational levels? To

what extent is the sustainability of the PFM Interventions influenced by the relevance, coherence, effectiveness and efficiency of the intervention?

The leadership and ownership of PFM reforms by the MoEF have been important for the progress reached with the project. Also, the creation of new methodologies while developing the medium-term budget framework was possible because of the permanent accompaniment of short-term experts.

In some cases, as a result of TA recommendations, technological changes are proposed. These are difficult to carry out and once achieved, these require further training for users, directives' preparation, and the strengthening of teams that do field training.

13. Were the major sustainability risks adequately identified during project preparation and implementation? Were the appropriate mitigation measures implemented?

Project risks have been identified but have substantially changed their importance since the project's outset. The political risk has significantly increased and currently there is higher instability at the government as well as the MoEF's top management. The technical staff was also changed, and this significantly affected the development of project activities. For some General Directors it took longer than for others to recognise PFM challenges and the long-term resident advisor's absence after his departure in 2019 affected the restart of activities. This absence has been replaced by increased attention from the IMF's HQ which now approaches more frequently. Strong capabilities among MoEF's staff have also diminished negative effects on the project.

The health emergency due to COVID-19 and mobility restrictions complicate the performance of TAs, although activities (TA, seminars) have been carried out remotely.

4.7 Overall Assessment:

OECD DAC Criteria	Assessment	Score	Rating
Overall	<p>The project has proven to be satisfactory overall. The project has made important progress in some aspects of Peru's PFM and has been very useful during the preparation of changes introduced to the set of PFM laws in 2018. The FAD's willingness to quickly react when any need arises is well valued by the MoEF.</p> <p>Despite the absence of the long-term advisor in the project's last year and thanks to the MoEF's ownership of the PFM reforms, the project is currently well-complemented with other support initiatives such as the SECO supported National PFM project and WB initiatives.</p> <p>The current situation of political instability in the country and the health emergency represent a challenge for the sustainability of the project.</p>	1.7	S

5. Learning Questions

This section presents the answers to four learning questions as introduced in the evaluation's inception report.

14. How can **capacities** be built in a sustainable way in a context of high level of job rotation in partner governments/agencies? What are good practices in this regard?

The project has had serious problems with the rotation of staff in some MoEF's Directorates and TAs have had to repeat delivery of recommendations several times.

High rotation of staff has precisely been what the MoEF has gone through in a short period of time. The project has waited for the new staff to become aware of the technical assistances

provided and this has taken different amounts of time in each General Directorate. Definitively, TAs have had to repeat what was recommended in past TAs and solid leadership from the Vice Ministry of Finance is important to push the technical staff to react to the technical standard already achieved before. There is no clear learning from the project than continuously support and that TA is as far as possible done in cooperation with several directorates.

15. In which cases is **PEFA** (which could be characterised as a more top-down solution driven approach) an adequate tool to promote effective PFM reforms and what are the necessary conditions for PEFA to be useful? Are there good vs bad practices in the portfolio under evaluation? How could different approaches (e.g. solution-driven and problem-driven iterative adaptation approaches (PDIA)) be combined to achieve better results?

The project is not using the Peru national PEFA assessment from 2015 but a Fiscal Transparency Assessment by IMF FAD from 2015. However, the project is not only a top-down proposal. It has adapted its implementation to include issues that were demanded by MoEF, such as to strengthen Treasury's fungibility which is one of the topics where has been more progress in spite of the rotation.

16. To what extent shall **transversal themes** (such as gender, climate, digitalisation, or corruption) be integrated in PFM reforms? Are there emerging evidence or best practices (e.g. with regard to sequencing)? How can SECO position itself with respect to these transversal themes?

The project does not provide information on how the project addressing any transversal themes, it is not included in the project proposal.

17. With regard to **change management**, what approaches have proven most successful to build institutional capacities in the field of PFM beyond individual training or coaching?

The project strategy is to strengthen counterpart capacities by TAs. Unfortunately, there were no seminars or workshops before the pandemic (some have been held remotely after). In the case of Budget General Directorate, they are taking advantage of the TA term to jointly produce specific regulations with the short-term experts, but it does not seem the rule with other General Directorates.

6. Lessons Learned

- **IMF's TAs are well valued and reliable for Peru.** There is a strong relationship between the IMF and the country built over many years of technical and financial support. Solid macroeconomic foundations and good fiscal performance of the country were achieved more than two decades ago with a strong support and surveillance from the IMF. Since then, there have existed a long period of coordination and technical assistance in fiscal matters with a more recent emphasis on PFM.
- **Peru is using the TA's recommendations to design large PFM reforms.** Peru is developing a macro PFM vision as result of the IMF's TA.
- **Ownership in the MoEF is crucial to push PFM reforms and to monitor the progress of the action plans left in the TAs final reports.** Specific TAs are not enough to impulse PFM reforms. An internal work to prepare work timelines led by the MoEF's top management is needed.
- **Long-term adviser's work can highly influence the enforcement of the action plans.** In the case of this project and due to the lack of better knowledge on PFM reforms in the MoEF, a long-term adviser was also important to the coordinating role with the National

PFM project and to conceptualise the PFM reforms. The adviser had already worked as a consultant for the Integrated PFM Information System, so the adviser had knowledge on the technical staff in the MoEF.

- **It is needed to introduce workshops or seminars as part of the TAs or using IT platforms.**
- **The objective related to the strengthening of monitoring and management of fiscal risks should be evaluated for a new project.** Currently, the WB is also working with the MoEF and only one IMF's TA has been delivered during this project. FTE gave the worst score to management of fiscal risks, so it is very relevant for the MoEF to perform better on this. Project proposal had a milestone to better assess long-term risks such as pensions that could be more emphasised in a new project.

Annex A. Project Documentation.

- Project proposal, 2017
- Modified project version including some adjustments required by the government to the fourth objective, 2018
- Project's assessment from IMF FAD for the last fiscal year (May 2019 - April 2020)
- Law's proposal asking for special faculties for the Executive Branch to regulate several issues including the modernisation of the State, May 2018.
- Legislative Decree 1436 - Framework of the PFM System, September 2018
- Legislative Decree 1437 – National System of Public Indebtedness, September 2018
- Legislative Decree 1440 – National System of Public Budget, September 2018
- Legislative Decree 1441 - National System of Public Treasury, September 2018

Annex B. List of people interviewed

Virginia Alonso.	Project manager IMF (FAD)
Carlos Orjales	SECO Programme manager
Alain Bühlmann	Director Cooperación Suiza - SECO en Perú
Jenny Valencia	Oficial Nacional de Programa – SECO
Jessica Camacho	Asesora principal del VMH – MEF
Carlos Oliva	Former Minister MoEF (08/2018 – 09/2019) Director Subnational PFM project (phase 1)
Zoila Llampén	Director of the General Directorate of Public Budget
Lucia Brizio	Advisor to the General Directorate of Public Budget
Ana Sofía Aron	Sub-Director of the General Directorate of Public Budget
Julio Cordova	Sub-Director of the General Directorate of Public Treasury
Oscar Nuñez del Arco	Director of the General Directorate of Public Accounting
Juan Díaz	Advisor to the General Directorate of Public Accounting
Karina Olivas	WB Senior Country Officer – Banco Mundial
Daniel Francisco Barco	WB local country economist

Independent Evaluation on SECO Support to Public Financial Management

Country Study Report Peru: Support to the
National Public Finance Management Reform
(2nd phase)

Data Sheet: Peru - Support to the National Public Finance Management Reform (2nd phase)

Title	Support to the National Public Finance Management Reform (2nd phase)
Project duration	2016 to 2021
Overall budget	CHF 6,772,500
SECO contribution	CHF 6,140,000
Contribution of other partners	Local counterpart funds of 632,500 CHF in cash or in-kind contributions
Financing type	Bilateral
Implementing partner	HELVETAS Swiss Inter-cooperation / FISCUS
Scope of intervention	Targeted Project
Level of implementation	National
Main activities	1) Support MEF and other PFM institutions to identify priority areas of reform; 2) Assist MoEF and other PFM institutions to establish formal and informal mechanisms to coordinate reform efforts, monitor progress, exchange info; 3) Promote closer ties between national authorities and subnational governments

List of Abbreviations

AIRHSP	Software to register information on public sector's human resources
APCI	Peruvian International Cooperation Agency
BIG	Basel Institute on Governance
CEPLAN	National Council of Strategic Planning
DAC	Development Assistance Committee
DAFI	Federal Department of Economic Affairs, Education and Research
EQ	Evaluation Question
EU	European Union
FAD	Fiscal Affairs Department of the International Monetary Fund
FATI	Short-term Fund for Immediate Technical Assistance
FISCUS	FISCUS Limited
FREM	Medium-term Reform Fund
FTE	Fiscal Transparency Evaluation
GE	Group of Studies of National PFM project (phase 1)
HELVETAS	Helvetas Swiss Inter-Cooperation
IDB	Inter-American Development Bank
IMF	International Monetary Fund

IFI	International Financial Institution
MoEF	Ministry of Economy and Finance
National PFM project	Support to the National PFM Reform (2 nd phase)
OECD	Organisation for Economic Co-operation and Development
OSCE	Public Procurement Supervisory Office
OPM	Oxford Policy Management
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
Peru Compras	Public Procurement Agency
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat of Economic Affairs
SERVIR	The Civil Service Authority
SNG	Sub National Government
SUNAT	The Tax Administration Authority
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
UECR	Unit of Studies and Reform Coordination
WB	World Bank

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1. Project Context

SECO is providing CHF 6.1 million for the second phase of the project: Support to the National Public Finance Management Reform (National PFM project). The project follows the support SECO provided to the Peruvian Ministry of Economy and Finance (MoEF) and to other PFM relevant institutions from 2011 and 2016 during the project's first phase.

Several institutions were anticipated in the Credit Proposal to benefit from the project: a) The MoEF, and more specifically directorates from the Vice Ministry of Finance and the Vice Ministry of Economy; b) The Supreme Audit Institution (CGR); c) The Public Procurement Supervisory Office (OSCE); d) The National Council of Strategic Planning (CEPLAN); e) The Civil Service Authority (SERVIR); and f) The Tax Administration Authority (SUNAT).

Many donors are active in the complex PFM agenda and SECO is an important partner at the PFM donor roundtable, which is supposed to be the coordination forum for PMF under the MoEF¹. Strong synergies were planned with the SECO financed Subnational PFM (2015 to 2019) Strengthening Programme, which new phase started in 2020 and also with the SECO funded TA project implemented by the IMF Financial Affairs Department (FAD), which is supporting specific PMF issues at MoEF.

2. Project Objective

The objective of the project is: *to further strengthen and consolidate PFM reforms in Peru, with a stronger and clearer emphasis put on improved coordination, cohesion, integration and sequencing of initiatives between MEF and the rest of the relevant PFM institutions, including subnational governments.*

The expected outcome is: *a stronger and more integrated PFM system along the whole of the budget cycle and between the different tiers of government that conforms more fully to international standards and, thus, supports Peru on its path towards achieving OECD standards.*

The project's outputs set in the Credit Proposal are the following:

- An agenda of priority areas for PFM reforms has been formally agreed by the MoEF and the other relevant PFM institutions
- A list of projects that allow a strengthening of results-based budgeting, public asset and liability management, internal and external audit and tax compliance has been implemented
- A mechanism to allow other donor agencies to earmark their contributions to the list of projects that have been defined is in place
- Other PFM institutions, in addition to MoEF, are represented in the governance structure of the programme
- Projects financed by the programme support initiatives where more than one PFM institution is involved
- Regular meetings between PFM institutions to monitor reform progress, project implementation and lessons learned have taken place
- A formal mechanism for identifying PFM reform policy priorities that includes most PFM institutions along the budget cycle has been established.

¹ According to the SECO Programme Manager, the roundtable has not been effective since 2016.

The project is implemented by the MoEF and the project's Unit of Studies and Reform Coordination (UECR) from February 2018 to January 2022. The project finances two long term advisers and other technical staff in the UECR under the responsibility of HELVETAS Swiss Inter-cooperation / FISCUS, which won the contract. HELVETAS also managed the first phase of the project from 2011 to 2015.

Two funds for proposals are established to implement sub-projects following specific criteria: i) Short-term sub-projects (FATI, Fondo de Asistencia Técnica Inmediata) with a budget below USD 50.000 and more strategic mid-term sub-projects (FREM, Fondo de Reforma de Mediano Plazo) above USD 50.000 with budgets of respectively CHF 750.000 and CHF 3.5 million. CHF 0.6 million is expected to be provided from the Peruvian side for financing the coordinator and the offices of the UECR (the project's management unit).

The Strategic Coordination Committee, which also approves sub-project proposals consists of: i) The Vice Minister of Finance, ii) SECO (Swiss Embassy) and APCI (Agencia Peruana de Cooperación Internacional). It should meet every six months.

3. Evidence and Methodology for the Country Study

The first step in this country study was to prepare a desk report based on relevant available information and an interview with the SECO programme manager. For this stage, the main documents reviewed were i) the Credit Proposal, ii) the Evaluation of the project's phase 1 and the MoEF management response, iii) the inception report and initial progress reports (covering 2018 and 2019), iv) the project's operational manual, v) an example of a mid-term (FREM) sub-project proposal² including e-mail correspondence, and vi) the PEFA 2015 Final Report.

In October 2020, a field study was carried out by the local PFM expert guided remotely by the evaluation's team leader³. The local expert reviewed the documentation used during the desk review phase and collected additional documentation, which included: i) the bilateral agreement signed in April 2017 by the Swiss Confederation, represented by the Federal Department of Economic Affairs, Education and Research (DEFI - Spanish acronym) and the Peruvian government represented by the MoEF and APCI, ii) the SECO country strategy for the period 2017-2020, iii) a document of the Vice-ministry of Finance presenting Action Lines for the PFM modernisation (2018-2021), iv) the project's progress report covering the first semester of 2020 and v) the set of new national PFM laws approved in September 2018.

Thereafter a set of questionnaires were prepared considering the diversity of interviewees to be approached to deepen the understanding of the project implementation and to verify the preliminary findings of the desk review phase. The questions were focused on addressing the project's relevance in relation to the country's PFM strategies and the project's adaptation to the changing economic and political environment during the project implementation by verifying its coordination with other PFM support projects from SECO in the country, as well as with other projects not funded by SECO. In addition, the questions proposed aimed to assess the effectiveness, impact, efficiency and sustainability of the project following OECD/DAC.

This preparation step was followed by a series of interviews with people involved during the formulation and implementation of the project, including its beneficiaries. Interviewees

² Legal Framework Review of the Financial Management System from Peru

³ Due to the COVID19 Pandemic, the team leader could not be present in Peru.

received their corresponding list of questions by email prior to the interview. They were organised in seven groups:

1. HELVETAS Director and Operational Coordinator,
2. FISCUS Technical Director
3. SECO country officers and SECO programme manager,
4. WB country officer and WB local country economist,
5. The Adviser to the Vice-minister of Finance and MoEF's Former Minister,
6. MoEF's General Directorates representatives (General Directorates of Budget, Treasury, Accounting, Fiscal Management of Human Resources and Supply)
7. CEPLAN President and Executive Director

Due to COVID-19 and current mobility restrictions in Peru all interviews were conducted virtually over a period of two weeks⁴. The evaluation's team leader (based in Denmark) participated in some of the interviews (FISCUS Technical Director, SECO country programme officer and director of country office, MoEF's Former Minister and the Advisor to the Vice-minister of Finance).

SECO's country office supported the evaluation team by providing contact information from interviewees and by sending them introductory letters prepared by the local PFM expert. A special letter was sent to the Minister of Finance to introduce the current assessment and ask for support in completing the expected interviews.

Please see a full list of all available documentation and persons interviewed in annex A and B respectively.

4. Assessment against the OECD/DAC Evaluation Criteria

This section summarises the assessment carried out following the six OECD/DAC criteria. It introduces a set of tables where each includes the score applied in the evaluation. This is in accordance with the scale previously defined in the evaluation's inception report: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU).

The assessment is based on the information gathered from documents and interviews described in section 3 above. It follows the evaluation's 13 accountability questions determined in the evaluation's inception report. Each table is followed by answers to each evaluation question (EQ) to further understand the assessments.

4.1 Relevance:

OECD DAC Criteria	Assessment	Score	Rating
Relevance	The project is highly relevant. It is aligned with the new set of national PFM laws approved in 2018, which have become the Peru's PFM strategy and part of the efforts to become an OECD member. MoEF officials assessed the project as crucial to implement new PFM processes mandated by these laws. Despite staff and political changes in the MoEF, efforts are made to continue the same PFM reforms with relative success. The 2015 PEFA assessment was not fully accepted by the Government as the MoEF finds that Peru needs a more targeted assessment such as the Fiscal Transparency Evaluation (FTE) conducted by IMF as part of another PFM project support by SECO as well.	1	HS

⁴ From October 5 to October 16.

1. How is the provided assistance aligned with priorities of the government in partner countries (i.e. beneficiaries of assistance)?

According to government officials, the project has become the main tool to implement reform processes that are outlined in the country's new PFM laws from 2018. Despite changes in government and the MoEF, the agenda for undertaking these processes has not weakened.

The project was conceived to further strengthen and consolidate the progress achieved in the project's first phase, which had been evaluated as satisfactorily.⁵ For the first phase, important work advanced to define strategic objectives in Peru's PFM. This work was carried out by the named Group of Studies (GE) of the National PFM project first phase in coordination with the MoEF's General Directorates. The PFM objectives (with minor adjustments) remained relevant at the beginning of the second phase, as confirmed by the credit proposal and the interview with SECO programme manager. Also, they reinforced the government's commitment to align with PFM's OECD standards.

The bilateral agreement between the Swiss Confederation and the Peruvian Government was signed before starting the project's implementation. This agreement contains an overview of SECO's support objectives as well as the government's commitment to work on PFM reforms.

To implement the project, the Vice-Ministry of Finance prepared a guiding document for the reforms to be financed with it.⁶ Some months later, as a result of legislative changes from September 2018, the new set of PFM laws became the main framework for the project implementation.⁷

2. To what extent has the evidence-based approach, based on assessments such as PEFA and TADAT contributed to promote dialogue, coordination and ownership from the key stakeholders, identified the relevant weaknesses and priority reforms in SECO's priority countries and contributed to their needs?

For the project's first phase, the logical framework used some indicators from PEFA previously performed to measure the progress;⁸ however, the government did not continue to use PEFA to define the current strategy for PFM reforms and instead asked for the IMF's FTE and other assessments.

4.2 Coherence:

OECD DAC Criteria	Assessment	Score	Rating
Coherence	<p>The project is coherent with other PFM programmes including those of SECO. SECO projects appear to be well related in the country. To a large extent, Peru's PFM reforms at the central level are primarily supported by SECO, so SECO has a clear role in securing coordination, focus and synergies in the PMF area. WB operations on matters close to public finances are e.g. also partially financed by SECO, so SECO is a strong actor and formally leading the PMF donor coordination.</p> <p>The IMF FAD project also financed by SECO runs with some synergies with the project due to close coordination and the MoEF involvement. However, the project does not have specific outputs with the subnational PFM project mainly due to the MoEF's preference to coordinate during the implementation with other entities.</p>	2	S

⁵ External Evaluation of the project's first phase

⁶ Action Lines for the modernisation of Public Financial Management

⁷ Some experts from this project were part of the conception of the new PFM vision outlined in the new laws.

⁸ External Evaluation of the project's first phase

3. How does the evaluated portfolio fit with other related interventions of the Swiss international cooperation as stipulated in the strategic objective 1 'Effective institutions and services'⁹ for the period 2017-2020, in particular with interventions from the SECO infrastructure financing, which is active at sub-national and municipal levels, and the Swiss Agency for Development and Cooperation (SDC) which is also sometimes active in the same countries (e.g. Albania, Serbia, Kyrgyz Republic)?

The three SECO projects that are part of this evaluation are fundamental to achieve Objective 1 in SECO's country strategy (Inclusive economic institutions and policies at the national and subnational level). While this project addresses the alignment of processes and institutions throughout the budget cycle, the subnational PFM project is mainly in charge of strengthening capacities given that 37% of general government spending is located at this level.¹⁰

From the very beginning, this project was coordinated with the IMF FAD project implemented with the MoEF, where the role of the IMF's long-term adviser was crucial. However, according to various responses obtained from the interviews, the MoEF has not shown much interest in working with the subnational PFM project despite that Sub National Government (SNGs) have to adopt new processes as a result of reforms from new PFM laws.¹¹

Quite apart from this, management agencies of both National and Subnational PFM projects (HELVETAS and Basel Institute on Governance (BIG), respectively) try to stay in close coordination to ensure that support at the sub-national level goes hand in hand with regulatory changes.

Other SECO country support initiatives are in process for synergies. One of them is under the leadership of SECO's infrastructure area and focuses on the future development of a land registry system, which is highly relevant to improve the collection of property taxes and help public finances mainly at the local level. Another initiative, which is being worked with the MoEF, is a budget support to SNGs, that will be delivered by transfers from the Budget Directorate to reward the fulfilment of several goals¹². Peru is not a priority country for SDC.

4. To what extent are the interventions complementary and coordinated with other donors? Where has SECO proven its added value?

SECO contributes to some agendas on economic development issues through close collaboration with World Bank operations. These issues include tax policy and administration through the Global Tax Program, natural disasters and resilience to natural disasters. Both are complementary for a good PFM and for improving the fiscal sustainability and strategic allocation of resources.

In the case of the Global Tax Program, SECO is part of a multi-donor platform aiming at adapting the country's regulatory framework to international tax standards on transparency to help address tax avoidance and evasion. This commitment is also closely related to Peru's intention of becoming a full member of the OECD.

There was a PFM donor roundtable, where SECO had a coordinating role, but the forum is not active since 2016. To a large extent, country's PFM reforms at the central level are primarily supported by SECO. Hence, SECO has a clear role in securing coordination, focus

⁹ <https://link.seco-cooperation.org/pis>

¹⁰¹⁰ BCR (2019) Operaciones del Sector Público No Financiero.

¹¹ Some responses from the MoEF's General Directorates indicated that there is a link with subnational public finances, such as the issues of improving personnel records in local governments or the procurement management, among others.

¹² The goals are not yet defined, and likely some will relate to PFM.

and synergies in the PMF area. According to the interviews conducted with MoEF, SECO fulfils this role in coordination with other donors.

According to SECO, there are good synergies between the projects with IMF FAD and the two phases of the National PFM projects, which in cooperation with MoEF have improved and sophisticated the Government’s PFM strategy and the reform agenda. The next step would be a better integration of the PFM support at subnational level, which is somehow running in parallel.

5. To what extent does the support to the PEFA global program and its bilateral support for PEFA assessments complement each other?

The MoEF finds that the PEFA tool is not relevant for Peru as it needs more specific and advanced tools like the FTE¹³.

4.3 Effectiveness:

OECD DAC Criteria	Assessment	Score	Rating
Effectiveness	<p>The project is being effective for some objectives and government needs.</p> <p>MoEF officials value the project’s support to PFM new laws, mainly in the creation of the new General Supply System, and they consider the project is crucial to advance next steps. There is encouraging progress on the improvement of the multiannual programming of public resources, although progress in other areas is less clear.</p> <p>HELVETAS is focusing on project activities to address the medium-term, but changes in staff including at management and Vice-minister level in the MoEF has weakened activities, that have already started. Some sub-projects have had delays and cancellations due to these internal changes in the MoEF with new management.</p>	2	S

6. To what extent has the provided support to PFM reforms, processes and procedures contributed to achieve its intended objectives in its partner countries?

The project has adapted its implementation strategy taking into account the new PFM legal framework and reform priorities defined by the MoEF. According to the MoEF’s General Directorates the project is highly needed for the implementation of reform processes and shows some encouraging progress, mainly in relation to strengthening the programming of public resources. However, other areas have been strongly affected by delays and revisions occurred during this period. One of the most visible project results is the framework development for the General Supply System which is considered a fundamental step in the PFM modernisation.

In preparation for the PFM legal reforms, the project supported the assembled vision of the PFM systems to which the previous IMF-FAD TA contributed. In addition, the project notably supported the new supply system proposal. Subsequently, the logical framework objectives were adjusted to continue the project implementation following the main processes defined in the PFM framework law¹⁴: i) the Multiannual Programming of Public Resources; ii) the Management of Public Resources; iii) the Evaluation of Public Resources; and iv) the Integrated Governance of PFM modernisation.

¹³ At the subnational level PEFA is important as follows from the evaluation’s country report on the Sub-national PFM project in Peru.

¹⁴ This Logical Framework has not yet been approved by the Strategic Coordination Committee, according to the latest project progress report prepared by HELVETAS / FISCUS (August 2020)

The project has also had an important effect in helping the MoEF's General Directorates to define medium-term intervention strategies to be supported by the project's TAs and thus privilege a medium-term view, although this implied to delay the outset of resources execution.

Unfortunately, the project effective execution has been affected substantially by changes in the MoEF. The first change of the Vice-minister of Finance occurred in April 2018, two months after the first session of the Strategic Coordination Committee. Project resources began to be executed towards the end of 2018 and mainly during 2019, but with a new Vice-minister in October 2019 some ongoing TAs suffered delays and even cancellations, mainly those where beneficiary MoEF's General Directorates had changed director and technical teams.

Changes of Vice-ministers also had effects on the UECR's work continuity and its technical support in PFM reforms formulation to be financed. To a large extent, the HELVETAS/FISCUS structure has at times replaced the absence of the UECR. Regarding the achievement of project specific objectives, important progress has been made towards the multiannual programming of public resources. The project supported the preparation of transversal budget programs, reviews of off-payroll contracting and a monitoring system for government services. Additionally, it is expected that the findings of the spending reviews can provide future feedback on public resources programming. The progress made with the IMF-FAD project developing a medium-term budget framework complements the achievement of this specific objective.

There is still preliminary progress related to the evaluation of public resources objective, where the project has supported the execution of spending reviews and the development of open budget systems, which were even used to transparent the use of resources provided to deal with COVID-19.

The public resource management objective has less clear progress. It depends much more on the sub-projects in Treasury and Public Resources Management Directorates. In the case of the Treasury, the FREM (medium term) modality has been restructured and only one initiative has been able to start. To a large extent the MoEF has decided to wait for the IMF-FAD's TAs results to implement their recommendations.¹⁵ In the Public Resources Management Directorate, the initiative to develop a unified system of payroll for the public sector has not started yet.

The PFM integrated governance objective is still in initial steps, there is an effort to operationally coordinate progress but still without concrete results.

Finally, regarding project FATIs (short term), it has directly supported several government needs such as the implementation of the Specialised Public Attorney's Office in Treasury Matters and the special support to the epidemiological surveillance system due to the current COVID-19 health emergency.

7. To what extent has the provided support contributed to reach or implement their SDG agenda (e.g. data collection)?¹⁶

The project information or the interviewees do not specifically mention any specific contributions towards the SDG agenda.

The project is however clearly addressing *SDG 16: Peace, Justice and strong institutions and the sub-target 16.6: Develop effective, accountable and transparent institutions at all*

¹⁵ According to the interview with Treasury General Directorate's representatives.

¹⁶ NB: The portfolio was originally not designed with a specific SDG angle

levels. The indicator for SDG 16.6 is indicator 91: *Revenues, expenditures, and financing of all central government entities are presented on a gross basis in public budget documentation and authorized by the legislature.*

4.4 Impact:

OECD DAC Criteria	Assessment	Score	Rating
Impact	<p>The likelihood of an impact is fairly limited. Changes in the MoEF have been a central problem for keeping a good execution pace on the reform processes. Only sub-projects implemented by the Budget Directorate have been regularly executed and achieved good progress; other reforms implemented by other Directorates have been delayed and their impact cannot be optimistically projected with current information.</p> <p>The project has adapted to the MoEF needs and therefore has not served other government entities making it difficult to achieve its high-level objective. Other public entities have not been adequately informed about the possibility of using project resources.</p> <p>The short term-projects supported through FATI are well-valued, but they are not critical for a long-term improvement.</p>	3	US

8. Did the project reach its high-level objective?

The project is still at an early stage in terms of activities conducted despite it has passed more than 50% of the execution time. While there is an obvious positive impact from the modernisation of PFM laws, it is not possible to have a clear conclusion about the impact that the project will have on its highest level objective, which is *“to further strengthen and consolidate PFM reforms in Peru, with a stronger and clearer emphasis put on improved coordination, cohesion, integration and sequencing of initiatives between MoEF and the rest of the relevant PFM institutions, including subnational governments”*.¹⁷

Regarding the MoEF’s financial management systems, the regulatory changes that the project supported are the most important and identifiable changes to date. The project, however, has not been yet been able to directly support other relevant PFM entities that were initially considered in the credit proposal.¹⁸ So to reach improved coordination and cohesion involvement of more government entities is needed and the subnational element is somehow neglected according to interviewees.

As a project in its second phase, it could be anticipated that coordination through direct project support to more entities and some links to SNGs would have been achieved, but this has not happened. On the one hand, the project has focused on supporting the large volume of reforms that are still pending and their interaction within the MoEF to comply with new PFM laws. The effective implementation of these reforms requires coordination with other entities and better coordination has been achieved in the case of coordination with SERVIR for the improvement of human resources management; with local governments to improve their payroll records in the AIRHSP, and recently with Peru Compras for developing the new supply system.¹⁹

9. To what extent has the provided support enabled more efficient, transparent and accountable processes and institutions?

¹⁷ Progress report prepared by HELVETAS / FISCUS (August 2020)

¹⁸ CEPLAN Executive Director has presented several proposals to the MoEF but have not still been able to coordinate them successfully.

¹⁹ Responses in this regard were given by MoEF’s representatives, the SECO country officer and HELVETAS.

Undoubtedly, many of the modifications indicated in the new PFM legal framework aspire to make PFM processes more efficient and transparent, although developments are still underway.

The project has directly supported the efficiency of public resources management mainly through FATIs, such as the implementation of the Specialised Public Attorney's Office in Treasury Matters, and also the creation and partial implementation of the General Supply System, which may result in a more efficient and effective public delivery of goods and services by each public entity.²⁰

The aforementioned developments related to open data and monitoring of indicators prove important advances in public administration transparency. Also, the results-oriented budget programme for the reduction of violence against women commits the budgets of several entities that will now be fully identifiable in the public budget together with the specific objectives they pursue.

10. Is there evidence that PFM reforms supported or initiated by the division have enabled more aggregate fiscal discipline, strategic allocation of public funds, and/or efficient service delivery at national or sub-national level? Did the evaluation observe any other positive or negative, intended or unintended, higher-level effects linked with SECO's interventions, such as better inter-institutional coordination for instance?

There is no robust evidence, but it has been identified that the project is helping to develop instruments such as spending reviews and the development of transversal and priority budget programmes that should result in a more strategic allocation of resources in the near future. In the same way, a successful implementation of the supply system will ensure a more efficient and effective service delivery.

As indicated above, the implementation of various reforms requires of greater coordination, although now with fewer entities, but it is clear that as the project implementation continues, the opportunities for coordination with other entities will be greater.

4.5 Efficiency:

OECD DAC Criteria	Assessment	Score	Rating
Efficiency	The project's efficiency is satisfactory. The set-up with international TA and the UECR in MoEF, partly financed by the Government, to steer the project in cooperation with MoEF is good. It also permits provision of TA upon request from MoEF and it has been functional to some extent. The changes in MoEF has however delayed implementation, so the model is working slower than expected and only 34% of the total budget has been used after more than two years. The shift from short-term to mid-term sub-projects is an important improvement from the project's first phase to enhance value for money of the sub-projects.	2	S

11. Have the different implementation modalities and partnerships proven efficient in terms of cost and time to reach the planned objectives? Are there indications that one or more implementation modalities have produced superior results compared to others?

The project's implementation has been slower than expected due to the staff and political changes in MoEF and as the more expensive mid-term sub-projects are delayed. As a consequence, there is a current risk of under-execution of the project's financial resources.

²⁰ Former Minister of Finance and progress report prepared by HELVETAS / FISCUS (August 2020)

There is a 34% execution until June 2020, but more could be spent for important activities in the second half according to interviews with FISCUS and MoEF. The modality with preparation of sub-projects by MoEF and other beneficiaries should create a good ownership of the MoEF/Government and relevance of the projects. However, the model has focused little on projects from other institutions than MoEF.

4.6 Sustainability:

OECD DAC Criteria	Assessment	Score	Rating
Sustainability	<p>There are some gaps to close in order to increase the project's sustainability.</p> <p>The changes since 2019 at the government level and in MoEF's staff have diminished the chance for sustaining the limited results so far. This also delays the understanding of the project's procedures internally at the MoEF, which is crucial to catch up on the activities that were not implemented yet and to accelerate the PFM reform and implementation of the legislation. The project's governance structure heavily relied on the UECR's role, but this could not continuously work due to changes in the Vice-ministry of Finance and shortage of staff in the UECR. This consequentially reduced the effects of the technical support and PFM advisory on the reforms.</p> <p>There are some activities implemented by HELVETAS/FISCUS that are encouraging to improve the sustainability of the project, which may have a better effect on the organisation e.g. the production of a future dashboard for the whole PFM reform.</p>	3	US

12. To what extent were the PFM reforms, processes and procedures supported by SECO implemented with a lasting effect? What were the influencing factors (e.g. institutional capacities, financial capacities, implementation modalities, level of ownership etc.)? Are differences observed between interventions at national and subnational levels? To what extent is the sustainability of the PFM Interventions influenced by the relevance, coherence, effectiveness and efficiency of the intervention?

The sustainability of project benefits relies to a large extent on their relevance. The PFM reforms defined by the MoEF and the government are related to their interest in becoming an OECD member. This has been shown through the ownership that some MoEF's General Directorates have maintained over these reforms despite the existing changes. On the contrary, there are General Directorates with new management, and it is still unclear whether they have fully understood the PFM reform process and the National PFM project mechanisms.²¹

Furthermore, the broad coverage that SECO's PFM support projects has in the country is also of great importance to have long-lasting effects, mainly in the complementarity and synergies with the IMF-FAD project.

Some project's TAs have had long-lasting effects on the PFM procedures such as those related to support the creation of the General Supply Directorate, the Specialised Public Attorney's Office in Treasury Matters, the Information Management Unit and the Investment Monitoring Unit; the two latter units are within the Budget General Directorate.

Although there have been some difficulties for the monitoring activities of the project implementation, the recent FISCUS monitoring on the Budget General Directorate's FREM as

²¹ This is the case of the General Director of the Accounting Directorate with only 8 months in the appointment and the General Director of the Management Resources Public Directorate with only one month.

well as the production of a future dashboard for the whole PFM reform, are encouraging instruments that could support in reaching a long-term effect on local bureaucracy; however these are still preliminary advances to finally determine their effects.

Unfortunately, the UECR operation has not been able to play a relevant role to permanently support and lead the reform or to permanently advise the entities on PFM matters.

13. Were the major sustainability risks adequately identified during project preparation and implementation? Were the appropriate mitigation measures implemented?

The political risks were not appropriately identified as this risk has increased. Currently, there is a permanent impeachment risk over the government without any political support in Congress. On top of this, the greatest risk to the project execution has been the changing administration at the MoEF as well as the instability of the associated UECR, which has not operated continuously and has allowed delays and cancellations in some sub-projects.

As a consequence, there is a current risk of under-execution of the project's financial resources as only 34% is executed by June 2020²² and still little clarity exists on how to address certain reform processes by some MoEF's General Directorates.

At the time of this evaluation, some profiles were being revised to complete the UECR and it was proposed to reallocate the project budget to reinforce areas with greater execution capacity and where there is more clarity in the implementation of reforms.²³

4.7 Overall Assessment:

OECD DAC Criteria	Assessment	Score	Rating
Overall	<p>Overall, the project is satisfactory. The project's relevance is very well judged by the new set of PFM laws and the government's commitment to be an OECD member. The project set up is good with the FREM and FATI modality but many changes in the MoEF have affected the governance structure, management and in particular the UECR performance which was initially thought as the PFM reform engine. So, execution is slower than expected.</p> <p>Many sub-projects proposed have been important and effective while others have had limited results or are just delayed. It should be noted that the project is in its third year, so the project implementation could still achieve better results in particular, if internal and external coordination with other public entities are improved.</p>	2.2	S

5. Learning Questions

This section presents the answers to four learning questions as introduced in the evaluation's inception report.

EQ 14. How can **capacities** be built in a sustainable way in a context of high level of job rotation in partner governments/agencies? What are good practices in this regard?

There is no formal capacity building component in the project. According to the SECO's programme manager, the initial consideration on this topic was the role of strengthening capacities should be an internal work of the government through SERVIR, an institution initially considered to be a project beneficiary. Also, preparation of FREM and FATI sub-projects by the beneficiaries should enhance capacities.

²² Progress report prepared by HELVETAS / FISCUS (August, 2020)

Following the recommendations of the project's first phase evaluation about the importance of the presentation of relevant mid-term sub-projects because they created capacity as a learning by doing modality, the same modality is being used in this second phase. In addition, HELVETAS is trying to include in the sub-projects' ToR some components that allow capacity development such as workshops and certifications for the staff.

EQ 15. In which cases is **PEFA** (which could be characterised as a more top-down solution driven approach) an adequate tool to promote effective PFM reforms and what are the necessary conditions for PEFA to be useful? Are there good vs bad practices in the portfolio under evaluation? How could different approaches (e.g. solution-driven and problem-driven iterative adaptation approaches (PDIA)) be combined to achieve better results?

In the evaluation of the project's first phase, based on the PEFA assessment 2015 relative to 2009, more emphasis were put on the positive development in certain indicators than on negative development in other indicators, so overall the picture is more mixed than the evaluation suggests. However, the MoEF is not interested in more PEFA's due to Peru's PFM level and prefers more advanced and focused tools like the FTE applied in the IMF-FAD PMF project.

16. To what extent shall **transversal themes** (such as gender, climate, digitalisation, or corruption) be integrated in PFM reforms? Are there emerging evidence or best practices (e.g. with regard to sequencing)? How can SECO position itself with respect to these transversal themes?

The project contributed to more funding for gender activities in the public budget with a specific sub-project to prepare the transversal budget programme for reduction of gender-based violence²⁴. In the spending review to improve citizen security, issues of gender violence arose because they were repeatedly reported in police stations. So, the project can orient some supports to these transversal themes and mainly to try not affect them negatively with the TAs. For digitalisation a dashboard in charge of the UECR is being prepared to manage the PFM reform.

17. With regard to **change management**, what approaches have proven most successful to build institutional capacities in the field of PFM beyond individual training or coaching?

The project change management strategy is not mentioned specifically in the project documentation. The strategy is that specific sub-projects can be identified, prepared and internalised in the MoEF with some support from the UECR, or HELVETAS for administrative matters, which thereafter will change their practices. Furthermore, the UECR was thought to guide the PFM reform process and create capacity in MoEF, but as it was discussed above the UECR role has been limited.

Despite initial difficulties, recently FISCUS has completed a first monitoring exercise to the FREM implemented by the Budget Directorate and giving them conclusions and recommendations for the project sustainability and pointing out some risks for the transfer of capacities.

The continuity of these both initiatives can improve the prospects for change management within the project.

²⁴ Programa Presupuestal orientado a la Reducción de la Violencia contra la Mujer.

6. Lessons Learned:

- **Bilateral Agreements are good strategies to promote the involvement of the government in the project.** Just as the bureaucracy works in many countries, the signature on a document generates the commitment and the attention of the signer. There is a previous process to revise the commitments assumed and to anticipate the way of project implementation. It also ensures the identification of the technical counterparts for the Implementing Agency.
- **To ensure ownership and involvement, a project should be a part of the national reform processes.** The project supports the reform processes that come from the modernisation of the PFM system approved in September 2018. With so many changes in the MoEF, it would have been impossible to sustain the momentum in the reforms, if there were not a set of laws to be implemented.
- **Lack of coordination between entities at national level is a barrier to having more project beneficiaries.** Unfortunately, the possibility to increase the participation to other entities was diminished since the Agreement was signed. Currently, there is a risk of low execution of the project resources and at the same time there is a demand for more resources by CEPLAN. The possibility of establishing a minimum percentage to use project resources in shared sub-projects could be evaluated as a way to promote the coordination between the relevant entities.
- **To have a UECR with permanent members and well-integrated to the top management of the MoEF could be very useful.** Members should also have substantial experience in PFM matters to easily understand the processes, objectives and the comprehensiveness of the reforms. They need to work as long-term advisers of PFM reforms and participate in daily meetings and collaborating with the technical staff in some assignments to gain their trust but be empowered by the top management.
- **It is a good strategy for the project to perform recommendations from the IMF FAD TAs.** It ensures the complementary work between both projects, since the IMF's TAs are not enough to meet the PFM reform agenda.
- **Some recent progress in PFM reforms can be tested in SNGs using the Subnational PFM project.** New methodologies of multiannual programming can be strongly introduced in SNGs taking advantage of the capacity support that the project makes on some of them. Spending reviews can be implemented on the 11 SNGs and their recommendations used in the programming of resources, among other tools, which can be used and monitored using the Subnational PFM project resources.

Annex A. Project Documentation.

- SECO - Peru country strategy 2017-2020, 2017.
- Credit Proposal, August 2016
- Bilateral Agreement between SECO, MoEF and APCI, April 2017
- Evaluation of the project's phase 1 and the MoEF management response, June 2016
- Inception report prepared by HELVETAS/FISCUS, December 2018
- Progress report (covering 2018 and 2019) prepared by HELVETAS/FISCUS, February 2020
- Progress report covering until June 2020, prepared by HELVETAS/FISCUS, August 2020
- Project's operational manual, December 2018
- Example of a mid-term sub-project proposal including e-mail correspondence,
- PEFA 2015 Final Report
- Vice Ministry of Finance - Action Lines for the PFM modernisation (2018-2021), December 2018
- Law's proposal asking for special faculties to the Executive Branch to regulate several issues including the modernisation of the State, May 2018.
- Legislative Decree 1436 - Framework of the PFM System, September 2018
- Legislative Decree 1437 – National System of Public Indebtedness, September 2018
- Legislative Decree 1439 – National System of Public Supply, September 2018
- Legislative Decree 1440 – National System of Public Budget, September 2018
- Legislative Decree 1441 - National System of Public Treasury, September 2018
- Legislative Decree 1442 – Fiscal Management of Public Human Resources, September 2018

Annex B. List of people interviewed

Carlos Orjales	Programme manager - SECO
Alain Bühlmann	Director country Office - SECO
Jenny Valencia	National Programme Officer – SECO
Jessica Camacho	Principal advisor to the Vice-minister of Finance – MoEF
Carlos Oliva	Former Minister MoEF (08/2018 – 09/2019). Director Subnational PFM project (phase 1)
Zoila Llampén	Director of the General Directorate of Public Budget
Lucia Brizio	Advisor to the General Directorate of Public Budget
Ana Sofía Aron	Sub-Director of the General Directorate of Public Budget
Julio Cordova	Sub-Director of the General Directorate of Public Treasury
Oscar Nuñez del Arco	Director of the General Directorate of Public Accounting
Juan Díaz	Advisor to the General Directorate of Public Accounting
Ricardo Montero de la Piedra	Director of the General Directorate of Fiscal Management of Human Resources
Adriana Mindreau	Advisor to the General Directorate of Fiscal Management of Human Resources
Rosa Alegría	Director of the General Directorate of Public Supply
Ursula Díaz	Advisor to the General Directorate of Public Supply
Andrew Lawson	Director – FISCUS
Binolia Porcel	Director – HELVETAS
Mario Bazán	Operative Coordinator - HELVETAS
Javier Abugattás	President – CEPLAN
Bruno Barletti	Executive Director - CEPLAN
Karina Olivas	Senior Country Officer – WB
Daniel Francisco Barco	Country Economist – WB

Independent Evaluation on SECO Support to Public Financial Management

Final Draft: Country Study Report Peru:
Subnational Public Finance Management
Strengthening Programme

Data Sheet: Peru - Subnational Public Finance Management Strengthening Programme

Title	Subnational Public Finance Management Strengthening Program
Project duration	2015 to 2019
Overall budget	CHF 7 million
SECO contribution	CHF 6 million
Contribution of other partners	Recipient SNGs and Public Prosecutor contribute CHF 1 million in-kind or financial contribution
Financing type	Bilateral
Implementing partner	Basel Institute on Governance (at Basel University)
Scope of intervention	Targeted Project
Level of implementation	Subnational
Main activities	1) Improve and better coordinate the budget cycle processes at subnational level; 2) strengthen transparency and accountability of public funds managed by subnational entities; 3) Strengthen institutional PFM capacity at subnational level; 4) Promote dialogue with central government in order to improve sustainability of PFM reforms at subnational level and disseminate them in other regions; 5) Strengthen capacity of Public Prosecutor to prevent and investigate acts of corruption

List of Abbreviations

APCI	Peruvian International Cooperation Agency
BIG	Basel Institute on Governance
CD	Capacities Development
CEPLAN	National Council of Strategic Planning
DAC	Development Assistance Committee
DAFI	Federal Department of Economic Affairs, Education and Research
EQ	Evaluation Question
EU	European Union
FAD	Fiscal Affairs Department of the International Monetary Fund
FTE	Fiscal Transparency Evaluation
GE	Group of Studies of National PFM project (phase 1)
IMF	International Monetary Fund
LG	Local Government
LoU	Letter of Understanding
MoEF	Ministry of Economy and Finance
MP	Public Prosecutor (Ministerio Publico)

NG	National Government
National PFM project	Support to the National PFM Reform (2 nd phase)
OECD	Organisation for Economic Co-operation and Development
OSCE	Public Procurement Supervisory Office
OPM	Oxford Policy Management
P2P	Peer-to-Peer
PCM	Prime Minister Office
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
RG	Regional Government
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat of Economic Affairs
SERVIR	The Civil Service Authority
SIAF	Integrated PFM Information System
SIGA	Integrated Administrative Management System
SNG	Sub National Government
Subnational PFM project	Subnational PFM Strengthening Programme
SUNAT	The Tax Administration Authority
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
UECR	Unit of Studies and Reform Coordination
WB	World Bank
WEIN	SECO Infrastructure Financing

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1. Project Context

The decentralisation process in Peru initiated in 2003 and in 2013 subnational governments (SNG) were responsible for 43% of public expenditure and almost 70% of public investment. In 2018 the same figures for subnational responsibilities were reduced to 37% and 62% respectively¹. The capacity and resources for SNGs have not followed the decentralisation process and Peru is still a relatively centralised nation. The general political context in Peru with minority governments, low representation of national parties at subnational government level and regular corruption investigations delay the unfolding of the SNG system. A further complication is that currently, corruption investigations are ongoing in 22 of Peru's 25 regions.

SECO has from 2015 to 2019 provided CHF 6 million for the Subnational Public Finance Management Strengthening Programme, which has a total budget of CHF 7 million with CHF 1 million provided by the recipients. The project follows a smaller pilot project from 2012 to 2014 with the participation of five SNGs and a new phase of the subnational programme started in early 2020.

SECO is a pioneer donor in support of the implementation of subnational PFM reforms and the project reinforces SECO's presence in the context of a growing decentralisation process in Peru with generation of synergies through working in the same intervention regions as WEIN (SECO Infrastructure Financing) and to sustain SECO's leading role in the PFM agenda in Peru at the national level and in the Coordination Committee at the decentralised level. The project was implemented by the Basel Institute on Governance.

The project covers five subnational governments (SNG)s from the previous pilot and six more following a regional approach with two project regions with respectively four and seven SNGs. Project residential advisers are stationed in each SNG. The national counterpart is the Decentralisation Secretariat under the Presidency of the Council of Ministers.

A second phase was proposed from 2019 - 2023 with a SECO contribution of CHF 6 million and 1 million CHF from the recipients (in kind). It initiated in 2020 just before the COVID-19 Pandemic.

2. Project Objective

According to the credit proposal, the goal of the project is: *“to strengthen subnational PFM in order to reform public service provision at regional and municipal level, in line with the PFM reform's priorities defined at the national level and with the purpose of promoting development and reducing poverty”*.

The main objective is *“to improve PFM at subnational level in order to allow a more strategic allocation of the available public resources”*.

The project has the following strategic objectives:

- 1. to improve and better coordinate the budget cycle (planning, execution and control) processes at subnational level;*
- 2. to strengthen the transparency and accountability of public funds managed by subnational entities;*
- 3. to strengthen institutional PFM capacity at subnational level;*
- 4. to promote dialogue with the central government in order to improve the sustainability of PFM reforms at subnational level and disseminate them in other regions; and*

¹ The figures are from the Credit Proposals for the first and second phase.

5. *to strengthen capacity of the Public Prosecutor to prevent and investigate acts of corruption in public finance at subnational level and recover misappropriated public assets*

3. Evidence and Methodology for the Country Study

The first step in this country study was to prepare a desk report based on relevant available information and an interview conducted with the SECO programme manager. For this stage, the main documents reviewed were i) the Credit Proposal, ii) the project's operational manual, iii) the progress report for 2019, iv) the final report from the Basel Institute on Governance (BIG), v) an external evaluation (revised draft) of the project with a management response, vi) preliminary PEFA reports from 10 SNGs conducted in 2016 and one SNG PEFA conducted in 2017, vii) an overall systematisation report of the 10 PEFAs, and viii) the Credit Proposal for a new phase (2019-2023).

In October 2020, a field study was carried out by the local PFM expert guided remotely by the evaluation's team leader². The local expert reviewed the documentation used during the desk review phase and added the following relevant documents: i) the bilateral Agreement signed in March 2015 by the Swiss Confederation represented by the Federal Department of Economic Affairs, Education and Research (DEFI - Spanish acronym) and the Peruvian Government represented by the Prime Minister Office (PCM) and the Peruvian Agency of International Cooperation (APCI), ii) the set of eleven Letters of Understanding signed by SECO and each beneficiary SNG, iii) the Inter-institutional Cooperation Agreement between BIG and the Supreme Audit Institution (CGR) and iv) the Cooperation Institutional Agreement between BIG and the Public Prosecutor (MP).

Thereafter a set of questionnaires was prepared considering the diversity of interviewees to be approached to deepen the understanding of the project implementation and verifying the preliminary findings of the desk review phase. The questions were focused on addressing the project's relevance in relation to the national PFM strategies with a focus on SNG level and the project's adaptation to the changing economic and political environment during the project implementation by verifying its coordination with other PFM support projects from SECO in the country, as well as with other projects not funded by SECO. In addition, the questions proposed aimed to assess the effectiveness, impact, efficiency and sustainability of the project following OECD/DAC.

This preparation step was followed by a series of interviews with people involved during the formulation and implementation of the project, including its beneficiaries. Interviewees received their corresponding list of questions by email prior to the interview. They were organised in eight groups:

1. BIG Project Director and Lead of Sustainability component,
2. SECO Country Office Director, Country Programme Officer and SECO programme manager,
3. BIG Resident Consultant
4. General Manager of Regional Government of Lambayeque and the Adviser of Planning Unit of Local Government of San Martín
5. The Advisor to the Vice-minister of Finance and MoEF's Former Minister,
6. CEPLAN President and Executive Director
7. WB country officer and WB local country economist,

² Due to the COVID19 Pandemic, the team leader could not be present in Peru.

8. MoEF’s General Directorates representatives (General Directorates of Budget, Treasury, Accounting, Fiscal Management of Human Resources and Supply)

Due to COVID-19 and current mobility restrictions in Peru all interviews were conducted virtually over a period of two weeks³. The evaluation’s team leader (based in Denmark) participated in some of the interviews (BIG Director, SECO Director of country office, MoEF’s Former Minister and the Advisor to the Vice-minister of Finance).

SECO’s country office supported the evaluation team by providing contact information from interviewees and by sending them introductory letters prepared by the local PFM expert.

Please see a full list of all available documentation and persons interviewed in annex A and B respectively.

4. Assessment against the OECD/DAC Evaluation Criteria

This section summarises the assessment carried out following the six OECD/DAC criteria. It introduces a set of tables where each includes the score applied in the evaluation. This is in accordance with the scale previously defined in the evaluation’s inception report: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU).

The assessment is based on the information gathered from documents and interviews described in section 3. It follows the evaluation’s 13 accountability questions determined in the evaluation’s inception report. Each table is followed by answers to each evaluation question (EQ) to further understand the assessments.

4.1 Relevance:

OECD DAC Criteria	Assessment	Score	Rating
Relevance	<p>The project is relevant with the need to support PFM at the SNG level in the Peruvian SNG structure. A good preparation including PEFA’s and signing of beneficiary SNGs to letters of understanding, were a good strategy to commit the 11 SNGs with the strengthening of the PFM.</p> <p>However, the national government, mainly the MoEF which is the PFM governing body, is not providing support at political or strategic level and a SNG PFM strategy does not exist and therefore the government counterpart became the Decentralisation Secretariat, which is not a suitable entity to coordinate interventions or to promote dialogue with other PFM entities. The conducted PEFA assessments in all 11 SNGs as well as internal workshops have been a solid foundation to design the project’s activities with a high involvement of the SNG technical staffs.</p>	2	S

1. How is the provided assistance aligned with priorities of the government in partner countries (i.e. beneficiaries of assistance)?

The project focuses on institutional and managerial strengthening at the SNG level in PFM areas in order to improve decentralised management of public services. According to interviews with SNG’s representatives, there is high interest in receiving the project’s support. However, a clear agenda at the National Government (NG), mainly at the MoEF, to define a horizontal and coordinated support for all PFM matters in SNGs, does not exist.

³ From October 5 to October 16.

Faced with this unclear agenda from the NG, SECO supported a pilot phase (2013 – 2014) with a bottom-up approach based on PEFA assessments on five SNGs.⁴ These PEFAs were the baselines for the diagnosis of the PFM situation. Based on the PEFAs, action plans were designed to improve the PFM cycle in SNGs. Findings of this pilot phase were useful for the SNG PFM project design.

A bilateral agreement was signed between SECO and the Prime Minister Office (PCM) before project implementation. This agreement contains the main and specific objectives of the project and clarifies that it is not intended to replace competencies that correspond to the PFM authorities. The agreement established the participation of the Decentralisation Secretariat (under the PCM) to coordinate the TA provision with PFM authorities.⁵

After the bilateral agreement, Letters of Understanding (LoU) were signed between SECO and the 11 SNG beneficiaries of the project. These LoU were signed by the highest SNG political authority (regional governor or provincial mayor) with the aim of establishing the commitment to implement the action plans and to ensure the involvement of the technical teams. In addition, these LoU contained a detailed description of the methodology to achieve the specific objectives of the project.

Furthermore, during the project implementation, BIG signed agreements with the CGR for the development of joint activities on internal control matters, corruption prevention, transparency and accountability, among others. Finally, and to deal with the last specific objective of the project, BIG signed an agreement with the Public Prosecutor (MP) on strengthening the misappropriated asset recovery process.

2. To what extent has the evidence-based approach, based on assessments such as PEFA and TADAT contributed to promote dialogue, coordination and ownership from the key stakeholders, identified the relevant weaknesses and priority reforms in SECO's priority countries and contributed to their needs?

PEFA assessments at sub-national levels have been important in defining the work agenda within the project. With the first PEFAs of the pilot phase in 2011/2012⁶, action plans were defined placing a strong emphasis on building a better planning process. The same strategy was used for the Subnational PFM project with 10 PEFAs conducted in 2016 and one in 2017 followed by PEFAs workshops within SNGs to discuss and further specify work areas in the action plans. There is a consensus that the PEFA is a baseline but does not contain specific details that are necessary to deepen a PFM reform agenda including within the SNG area⁷. But they served as a good basis for starting the SNG project with the information from the pilot phase and to discuss key PFM areas to improve in the SNG project.

4.2 Coherence:

OECD DAC Criteria	Assessment	Score	Rating
Coherence	The project is coherent with other PFM projects, Swiss support to Peru and SECO strategies. The participation of SECO in PFM areas covers national and SNG levels and is well coordinated with other support actions of SECO in the country. Donor interventions at the subnational level have been coordinated mainly with GIZ as the other important actor at the SNG level. A need exists to increase the MoEF's commitment with the SNG's PFM agenda using the project	2	S

⁴ It is defined as a bottom-up approach since the identified needs come from the SNGs rather than the NG.

⁵ According to the interview with the BIG's project director, there was only a formal relationship with the Decentralisation Secretariat rather than a working relationship during the project implementation.

⁶ See also information on PEFAs in Peru on [https://www.pefa.org/assessments?&c_ids\[\]=178](https://www.pefa.org/assessments?&c_ids[]=178)

⁷ Interviews with BIG project director and former minister of the MoEF.

	<p>in a complementary manner with the National PFM project, mainly because it will be needed to implement the new legal PFM frameworks across public entities. The implementation progress of the project first and now the second phase depends heavily on the professional background in PFM matters of BIG's teams with the limited MoEF involvement and lack of a SNG government programme.</p>		
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3. How does the evaluated portfolio fit with other related interventions of the Swiss international cooperation as stipulated in the strategic objective 1 'Effective institutions and services'⁸ for the period 2017-2020, in particular with interventions from the SECO infrastructure financing, which is active at sub-national and municipal levels, and the Swiss Agency for Development and Cooperation (SDC) which is also sometimes active in the same countries (e.g. Albania, Serbia, Kyrgyz Republic)?

The three SECO projects that are part of this evaluation are fundamental to achieve Objective 1 in SECO's country strategy (Inclusive economic institutions and policies at the national and subnational level). While the IMF-FAD project and the National PFM project address the framework on how to modernise the PFM systems to promote a better public management, the Subnational PFM project is mainly in charge of strengthening institutional and managerial capacities in SNGs to provide more efficient and effective public services.

However, according to various interviewees, the MoEF, main PFM authority and the beneficiary of the IMF-FAD and National PFM projects, has not shown much interest in working with the Subnational PFM project. One of the reasons for that situation appears to be that the Subnational PFM project's work is supporting SNGs in daily management, something that is not entirely of responsibility of the MoEF.⁹

Other important SECO country support initiatives are in process, which could create synergies with then SNG PFM project. One of them is under the leadership of SECO's infrastructure area (WEIM) and focuses on the development of a land registry system, which is highly relevant to improve the collection of property taxes and help PFM mainly at the local level. Another initiative which is being worked with the MoEF is a budget support to SNGs, that will be delivered by transfers from the Budget Directorate to reward the fulfilment of several goals. Peru is not a priority country for SDC.

4. To what extent are the interventions complementary and coordinated with other donors? Where has SECO proven its added value?

The intervention is coordinated well with other donors, which are mainly the WB, GIZ and the EU.

The World Bank (WB) has a long-standing interest in supporting fiscal decentralisation in the Peru. It has carried out several analytical works for studying the characteristics of the SNG debt to evaluate risk implications over public finance sustainability. For these analyses, the WB reviewed subnational PEFA's carried out by the project to better understand the structural characteristics of SNGs' PFM. However, there is little progress on fiscal decentralisation issues from collaborations between the government and the WB.

According to the BIG project director, there was coordination with the GIZ governance programme, which supported the territorial articulation of budget programmes as well as issues of internal control and State modernisation, in order to avoid overlapping actions. The

⁸ <https://link.seco-cooperation.org/pis>

⁹ Interview with the advisor to the vice-minister of finance

SNG PFM project is mainly operating at the provincial LG level while that of GIZ was provided at the district LG level, so the two projects were mainly complementing each other.

There was a PFM donor roundtable where SECO was the biggest player. This roundtable had a subgroup covering subnational issues, where the EU was mainly committed to the development of PEFA's. However, it is not active since 2016.

5. To what extent does the support to the PEFA global program and its bilateral support for PEFA assessments complement each other?

In the Peruvian SNG case the PEFA support has been very complementary with some of the first SNG PEFA's conducted in 2011 during the pilot phase. The wide application of PEFA assessments at the SNG level and their usefulness for the preparation of SNG's Action Plans have feed into the PEFA Secretariat's work and refinement of the SNG PEFA methodology. Most recently two PEFA workshops were conducted in Peru during 2019 to discuss the contributions to PEFA Handbook, Volume IV (Using PEFA to Support PFM Improvement) with SNGs officials and the Network of PFM experts.¹⁰ A third workshop was postponed because of the Covid-19 pandemic.

4.3 Effectiveness:

OECD DAC Criteria	Assessment	Score	Rating
Effectiveness	<p>The project has been highly effective by reaching most of its specific objectives. The better articulation of the PFM cycle supported by the resident advisers is one of the main progress indicated by SNG's representatives. Progress in transparency and accountability are also encouraging. The project has deployed several tools for the strengthening of capacities which is always a big challenge due to the high rotation in SNG's teams, and there are permanent training activities supported by the project that are well-valued by the SNGs. The project has strong relationships with several entities at central level such as CGR, CEPLAN and MP and it has facilitated their access to the SNG level. With the MoEF there is a relationship at the operative level.</p>	1	HS

6. To what extent has the provided support to PFM reforms, processes and procedures contributed to achieve its intended objectives in its partner countries?

The project has achieved encouraging results according to what was indicated by SNG's representatives. It stands out with the great articulation within the planning and budgeting areas as well as the supply chain. In particular, the strengthening of the planning process is remarkable when it is compared to how planning was conducted before the project's support, when regulations from the central level were not followed.¹¹

The project management model considers the presence of resident advisers in the field and it has facilitated the compliance with the schedules for the elaboration of institutional plans, for the elaboration of the needs table and for the budget formulation. Several internal directives which integrate the PFM processes have been issued in the SNGs, where the project performs.

In the process of planning improvement, the project intermediation with the MoEF has allowed the installation of computer applications (SIGA) that highly facilitate expenditure programming in the SNG's Units of Execution (UE) according to the institutional objectives. In addition,

¹⁰ According to the interview with BIG's lead of sustainability component.

¹¹ The General manager of the Lambayeque RG highlighted the strong increase of the rate of budget execution in the Health's UEs as an example of the benefits of good planning.

resident advisers act as guides in the use of these applications, coordinating with MoEF's technical staff when necessary.¹²

For the specific objective of strengthening transparency and accountability, a practical guide for risk management has been prepared and it was strengthened by the participation of OECD's experts and local academia. This guide was used as the basis for the internal control framework, which was later approved by the CGR and is now requiring the SNGs to develop risk mitigation plans.¹³ In addition, codes of conduct have been drawn up in a participatory manner for each of the project's SNGs.

Regarding the objective of promoting dialogue with the central government, progress is uneven. The project has a good relationship with entities such as CEPLAN and CGR in which there is great fluency in communication and the project is facilitating their presence at the SNG level. However, with the MoEF, it has been more difficult to approach the top management level. Instead of this, there is a good relationship with the MoEF's IT area that maintains the SIGA and with the field residents of both the SIAF (Peruvian Integrated PFM Information System) and the CONECTAMEF (MoEF's decentralized offices with specialists of the PFM systems).

Strengthening of institutional PFM capacity is another specific objective that has been well dealt with by the project. The main output in this area was the Diploma certificate training delivered by local universities including by application on social media e.g WhatsApp as part of the project to the subnational officers in PFM matters. Other training courses has been delivered jointly with entities of the central government and some in cooperation with GIZ. Some level of effectiveness might have been lost due to high rotation of personnel at the SNG level, but the networks created through the Diploma have somehow also assured that ex-staff's knowledge is applied and that the ex-staff in one SNG is relocated to another SNGs.

Finally, in a parallel manner to the subnational PFM topics, the project has been very effective in supporting the MP through specialised training, accompaniment of international experience and support to the new framework for anticorruption policy.¹⁴

7. To what extent has the provided support contributed to reach or implement their SDG agenda (e.g. data collection)?¹⁵

Project information or that collected from interviewees do not specifically mention any specific contributions towards the SDG agenda.

It is however clearly addressing SDG 16: *Peace, Justice and strong institutions and the sub-target 16.6: Develop effective, accountable and transparent institutions at all levels.* The indicator for SDG 16.6 is. Indicator 91: Revenues, expenditures, and financing of all central government entities are presented on a gross basis in public budget documentation and authorized by the legislature.

4.4 Impact:

OECD DAC Criteria	Assessment	Score	Rating
Impact	An impact is highly probable with the continued support in phase two, and if a strategic alignment with the MoEF is achieved. High rotation of SNG's staff	2	S

¹² According to the interview with the San Martín LG's adviser to the Planning Unit.

¹³ According to BIG's final report 163 risk mitigation plans were developed with the project support.

¹⁴ According to BIG's final report US\$ 41 million recovered from misappropriated public assets with TQ from the project

¹⁵ NB: The portfolio was originally not designed with a specific SDG angle

	<p>requires to keep the accompanying and to define protocols that can be replicated by new personnel. Progress achieved in the specific objectives should continue and increase to achieve better allocation of resources and better service delivery. Coordination of the project with entities at the central level strengthen the project implementation, which is needed to complement with the MoEF at a strategic level.</p>		
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8. Did the project reach its high-level objective?

The main objective of the project is “to improve PFM at subnational level in order to allow a more strategic allocation of the available public resources”, and the high-level objective “is to strengthen subnational PFM in order to reform public service provision at regional and municipal levels, in line with the PFM reform priorities defined at the national level, and with the purpose of promoting development and reducing poverty”.¹⁶

There is some indication that the objectives can be reached but it is indeed difficult to evaluate improvements in public services and for now the best approach would be to assess the relationship between the progress achieved in the specific objectives with a more strategic allocation of resources. In this regard, progress in planning should result in a better allocation of resources, provided that this planning effort is well articulated with a results-based budgeting process. Better planning and the use of IT to estimate expenditure needs and budgets should also lead to a better allocation of resources, but the evaluation does not have the evidence of budget reallocations that could have occurred in the SNGs that received project support.

According to BIG’s final report regarding the budget increase towards results-oriented budget programmes a better allocation of resources might exist. However, it could also mean there is no resource re-allocation and that new expenditure lines that did not previously appear in the record of budget programmes are now present.

Another aspect to consider is that the project did not support the SNGs activities for investment spending, which represent a considerable amount of the budget and which during the project period had low execution due to investigations of acts of corruption taking place all over the country.

9. To what extent has the provided support enabled more efficient, transparent and accountable processes and institutions?

The aforementioned progress in the effectiveness assessment results in greater efficiency in the PFM processes. There is a more comprehensive PFM view that diminishes the costs of coordination among the internal areas. On the other hand, progress in risk management and the development of codes of conduct are relevant for greater transparency and accountability; even the larger budget recorded in budget programmes should be considered in future actions of monitoring and evaluation of the results-based budgeting model performed by the MoEF.

10. Is there evidence that PFM reforms supported or initiated by the division have enabled more aggregate fiscal discipline, strategic allocation of public funds, and/or efficient service delivery at national or sub-national level? Did the evaluation observe any other positive or negative, intended or unintended, higher-level effects linked with SECO’s interventions, such as better inter-institutional coordination for instance?

¹⁶ Credit proposal and bilateral agreement.

In addition to what was previously indicated for the strategic allocation of resources, it can be added that the level of coordination increased with some entities such as CEPLAN and CGR. It was even the case with MoEF with the participation of its technicians in training events organised by the project. In the operative level, coordination was improved through the work of resident advisers who have been intermediaries with NG entities. These also have residents but do not work close to the SNGs.

4.5 Efficiency:

OECD DAC Criteria	Assessment	Score	Rating
Efficiency	The project is efficient with a good application of local resources and reach of many results within its budget. Project advisers are stationed in the beneficiary SNGs to save travel costs etc. and CD is provided by project staff and to a large degree by national institutions and other donors from e.g. GIZ. Some cooperation is established with national universities to strengthen establishing training (Diploma) and networks of subnational PFM experts and to create relations to the formalised training institutions. A model with a counterpart at MoEF, instead of the Decentralisation Secretariat, would have been stronger to create “the missing link” between the SNG and national level.	2	S

11. Have the different implementation modalities and partnerships proven efficient in terms of cost and time to reach the planned objectives? Are there indications that one or more implementation modalities have produced superior results compared to others?

The project had an efficient organisation and have created many results as follows under 4.3 within its budget. The selection of BIG as contractor with substantial experience with innovative capacity development initiatives and a solid local project organisation with residential advisers in all 11 SNGs have secured a good understanding and adjustments of the project to local needs. The Diploma certification of local experts and creation of a strong expert network have also been a cost efficient solution for sustainable CD and may have facilitated that capacities of former SNG staff were not lost, but rather applied in other SNGs or through the expert network.

A weakness in the implementation modality was the weak link to MoEF, which should have been more involved with the project, instead of the Decentralisation Secretariat, which has not been involved in the project due to its low capacity in PFM issues. For the project’s second phase this lesson has already been applied by linking the project up with the MoEF.

4.6 Sustainability:

OECD DAC Criteria	Assessment	Score	Rating
Sustainability	The sustainability of the project’s actions is comprehensive. The main challenge is the rotation of the staff in the SNGs and the coordination and link with the national level, mainly with the MoEF. Several long-lasting effects have been achieved because some BIG’s project directors have been appointed to senior management positions in the government, which reveals an attribute of the recruitment process for the project management. The activities to develop local capacities are encouraging and very appropriate to keep staff trained, motivated and employed. There are some risks that challenge the sustainability of the project. The lack of ownership due to high staff rotation is one of the most serious but the investigations into corruption are also a big disturbance for progress. The project has some tools to reduce this risk i.e. by avoiding working within areas,	2	S

	where the corruption investigations take place and strengthening the internal control process' objectives.		
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12. To what extent were the PFM reforms, processes and procedures supported by SECO implemented with a lasting effect? What were the influencing factors (e.g. institutional capacities, financial capacities, implementation modalities, level of ownership etc.)? Are differences observed between interventions at national and subnational levels? To what extent is the sustainability of the PFM Interventions influenced by the relevance, coherence, effectiveness and efficiency of the intervention?

The project implementation has achieved long-lasting effects on PFM and some relation between SNGs and national level.

For the strengthening of capacities, the project implementation deploys different modalities, which are very important to sustain the project. These are related to the resident advisers, who work alongside local technicians and generate a transfer of skills. They also have the supervision and accompaniment of an itinerant, which reinforces this strengthening of capacities. In parallel the trainings with the Diploma certificate and the network of PFM experts composed of the graduates of the Diploma practice conduct peer-learning exercises among the SNGs.

Training addresses several complexities to generate greater impact. In interviews with SNG representatives, they reveal that sometimes SNG staff are reluctant to participate in the trainings and that these are more attractive when they provide certifications. There is also the high staff rotation issue, which forces the project to re-train. The volunteer effort of the network of PFM experts is valuable to keep peers updated and in permanent exchange of solutions to common problems. But a risk exists of the high rotation, which may decrease the presence of those trained by the diploma and active members of the network of PFM experts.¹⁷

Some institutional settings have positively influenced the sustainability of the project as some of the BIG's project directors were assigned to high positions in the public administration in Peru.

The former BIG's project director was appointed executive director of CEPLAN and later the project submitted the computer software specifically designed within the project to this entity. It is currently used in an expanded version nationwide. The project has a strong relationship with CEPLAN, which is demonstrated in joint training sessions conducted and the coordinated work between resident advisers of both entities.¹⁸

The BIG leadership during the pilot phase as well as at the beginning of the project, guided the implementation to strengthen the planning process. The project even developed an online platform to record plans and align institutional objectives with activities and more detailed tasks. Subsequently, the project management extended its implementation to strengthen the supply chain, take care of warehouses, and timely deliver the public goods, among others. At that time, there was no regulatory framework for the National Supply System in the country, despite that the Executive Power had the opportunity to complete this missing standard. The law of the National Supply System was finally elaborated in the MoEF at a time that the BIG's

¹⁷ According to the BIG's leader of sustainability component, 80% of graduates in the north area are still working in SNGs while in the south there are still between 25 y 50% of graduates in SNGs.

¹⁸ CEPLAN followed the implementation model of the project with resident advisers in territories.

project director assumed the position of minister and used the project experience to impulse this legal framework.

A similar situation occurs with the application of the CGR's national directive on internal control, which has been used extensively in the project. The current BIG's project director was previously the leader in the CGR of developments in the internal control area.

13. Were the major sustainability risks adequately identified during project preparation and implementation? Were the appropriate mitigation measures implemented?

There were risks during the project implementation that were not initially considered or considered to a lesser extent. Political changes at the central government level and mainly changes in the MoEF have diminished the possibility of better coordination with the main actor in PFM.¹⁹ Investigation processes into corruption have had effects on the entire public administration and also on the SNGs management within the project coverage, delaying or stopping procurement processes and slowing down the execution of budgets²⁰.

Another disturbance was the serious natural disasters occurred in 2017, mainly in the north of the country, forced to modify the initial planning and adjust the budgets of SNGs to attend the emergency.

According to the BIG's project director, about every 8 months the SNGs have to be re-informed about the project due to the high staff rotation. This poses a huge challenge for the achievement of project's objectives and weakens the effects of the actions in capacity building.

As mitigation measures against the risk of rotation, it was decided to develop some instruments and protocols on how the staff conduct some processes. These are short documents that can be reviewed by new users of SIGA, SIAF or a particular area.

4.7 Overall Assessment:

OECD DAC Criteria	Assessment	Score	Rating
Overall	<p>The project is satisfactory. It has achieved good progress of its expected results, while a future impact is probable if the support continues, better strategic coordination with the MoEF is achieved and the delays caused by corruption investigations are reduced.</p> <p>The project is already dealing with the high rotation problem developing protocols and documents explaining basic PFM processes for new staff. Capacity development approaches have been very good to sustain the project's results and for maintaining a solid platform for future CD activities in the project's second phase. The strong network among the PFM experts in the SNGs is an important part of this.</p>	1.8	S

5. Learning Questions

This section presents the answers to four learning questions as introduced in the evaluation's inception report.

EQ14. How can **capacities** be built in a sustainable way in a context of high level of job rotation in partner governments/agencies? What are good practices in this regard?

¹⁹ Lambayeque RG's general manager pointed out that the MoEF sector specialist had changed three times.

²⁰ Although it was not reported in the interviews with the resident advisers, the evaluation team considers that the generalized investigations resulting from acts of corruption can hinder the work of residents due to a greater sensitivity of officials to share problems in PFM.

The project is using an effective mix of CD approaches: P2P, TA and on the job training conducted by residential advisers in the SNGs, internal PFM diploma in cooperation with the formalised training system and strong networking among experts with application of several social network platforms. This is facilitated by the project's covering of two phases to allow for P2P and interchanges between the five pilots from the pilot phase and new participating SNGs. The PFM diploma enhanced the expertise and helped to create a network for P2P and expertise. The presence of resident experts was successful in continuous skills transfer including understanding of PFM in general.

15. In which cases is **PEFA** (which could be characterised as a more top-down solution driven approach) an adequate tool to promote effective PFM reforms and what are the necessary conditions for PEFA to be useful? Are there good vs bad practices in the portfolio under evaluation? How could different approaches (e.g. solution-driven and problem-driven iterative adaptation approaches (PDIA) be combined to achieve better results?

PEFAs have been used to design the project during its pilot and first phase to understand key areas for strengthening SNG PFM and to prepare PFM action plans in each of the SNGs. The assessments provided similar results for all SNGs within expected areas, and their main value seem to be that key PFM issues are discussed among the stakeholders. It is a limitation that the PEFA methodology changed between the two assessments, so it is difficult to compare progress. In addition, internal workshops are complementary performed to discuss relevant topics that did not arise from PEFAs, as a sort of problem-driven approach.

16. To what extent shall **transversal themes** (such as gender, climate, digitalisation, or corruption) be integrated in PFM reforms? Are there emerging evidence or best practices (e.g. with regard to sequencing)? How can SECO position itself with respect to these transversal themes?

Acts of corruption are a great risk to the project success because they have a negative impact on allocation of resources and the services delivery. The project is partially dealing with this risk through the development of risk management plans as part of the new internal control process. In addition, there is a support to juridical cases under the project's fifth objective to recover assets.

Some digitalisation progress has performed with the IT support for SIGA implementation. Gender mainstreaming and climate change were not addressed directly.

17. With regard to **change management**, what approaches have proven most successful to build institutional capacities in the field of PFM beyond individual training or coaching?

The project change management strategy is that capacity development in SNGs will develop the skills and thereby the quality of the PFM work in the SNGs. By involving national actors in the CD activities, a more comprehensive national framework is created, which can drive the changes forward with solid interaction between the national and subnational levels.

6. Lessons Learned:

- **Bilateral agreements signed with SNG's authorities are very useful to ease the project activities.** They describe the project objectives and work methodologies that allow advisers to share spaces and carry out the accompaniment to the PFM activities.
- **PEFA can be a complementary tool to a problem-driven approach to define PFM work areas.** Action plans and the logical framework of the project arise from workshops with technical areas of the SNGs. Staff experience is very useful to identify weaknesses although some guidance is needed to specify processes and objectives.

- **MoEF support is needed for a successful SNG PFM project.** The MoEF is the main PFM authority and the project could improve its impact if the project activities are strategically coordinated with the General Directorates. The project expansion to cover public investment in a second phase is a new opportunity to define common objectives and interventions.
- **The strategy of strengthening of capacities is sensitive to a good recruitment process of resident advisors.** The expertise of the project management has allowed to be successful in this recruitment process. Some interviewees and experience from similar projects highlight that top residential adviser is key for a successful project.
- **Capacity development strategy needs to develop several modalities.** Sustained CD is a permanent challenge. With high staff rotation it becomes more difficult to achieve a positive impact. The network of PFM experts is a remarkable P2P learning initiative. To increase the coordination with MoEF's General Directorates to train SNG's staff will be a big step forward.
- **Investigations into and acts of corruption within the project coverage can hinder achievements and could result in a reputational risk for the project's second phase, which started in March 2020.** The investigations generate staff rotation, delays in procurement processes, paralyse investment projects and create fear of making management decisions, which hinder progress. The Credit Proposal for the project's second phase includes investment management in all its phases (PIM), which has been the area where most acts of corruption have been revealed. Therefore, it is very important to strengthen internal control processes and elaborate a good plan to mitigate the corruption risk.

Annex A. Project Documentation.

- SECO - Peru country strategy 2017-2020, 2017.
- Credit Proposal, March 2015.
- Project's operational manual, September 2015.
- BIG - Progress report, 2019.
- BIG - final report Subnational PFM project, February 2020
- External evaluation (revised draft) of the project with a management response, March 2019.
- Preliminary PEFA reports from 10 SNGs conducted in 2016 and one SNG PEFA conducted in 2017.
- Systematisation report of the 10 PEFAs, January 2018
- Credit Proposal for a new phase (2019-2023), October 2019.
- Bilateral Agreement signed by SECO, PCM and APCI, March 2015
- 11 Letters of Understanding signed by SECO and each beneficiary SNG, September 2015
- Inter-institutional Cooperation Agreement between BIG and the CGR, October 2017.
- Cooperation Institutional Agreement between BIG and the MP, June 2016.

Annex B. List of people interviewed

Carlos Orjales	Programme manager – SECO
Alain Bühlmann	Director country Office - SECO
Jenny Valencia	National Programme Officer – SECO
Jessica Camacho	Principal advisor to the Vice-minister of Finance – MoEF
Carlos Oliva	Former Minister MoEF (08/2018 – 09/2019). Director BIG - Subnational PFM project (phase 1)
Carlos Vargas	Director BIG - Subnational PFM project (phase 2) Consultant BIG - Subnational PFM project (phase 1)
Limberg Chero	Lead of Sustainability component - BIG
Xiomara Carbajal Pezo	Resident Adviser – Apurímac
Isabel Cumpa	Unit of Planning – Local Government of San Martín
Mary Castro Groso	General Manager - Regional Government of Lambayeque
Javier Abugattás	President – CEPLAN
Bruno Barletti	Executive Director – CEPLAN
Karina Olivas	Senior Country Officer – WB
Daniel Francisco Barco	Local country economist – WB

Independent Evaluation on SECO Support to Public Financial Management

Country Study Report Albania: Strengthening
Subnational Public Finance Management

List of Abbreviations

AFMIS	Albania Financial Management Information System
ASPA	Albanian School of Public Administration
CD	Capacity Development
CHF	Swiss Franc
DAC	Development Assistance Committee
EU	European Union
IMF	International Monetary Fund
IFI	International Financial Institution
MoFE	Ministry of Finance and Economy
MTEF	Medium-term Expenditure Framework
OECD	Organisation for Economic Co-operation and Development
OPM	Oxford Policy Management
P2P	Peer to Peer
PEFA	Public Expenditure and Financial Accountability+
PFM	Public Financial Management
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat of Economic Affairs
SNG	Sub National Government
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WB	World Bank

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1. Introduction

1.1 Context of the PFM Reform

Political evolution: In the early 1990s, Albania ended 46 years of isolated communist rule and established a multiparty democracy. The transition has proven challenging as successive governments have tried to deal with high unemployment, widespread corruption, dilapidated infrastructure, powerful organized crime networks, and combative political opponents.

European Union (EU) accession process: The desire to become a member country of the EU has been a key driver for political, economic and judicial reforms in Albania over the past 20 years. The country was officially recognised by the EU as a "potential candidate country" in 2000 and started negotiations on a Stabilisation and Association Agreement in 2003. This was successfully agreed and signed on 12 June 2006, thereafter Albania applied for EU membership on 28 April 2009. On 23 June 2014, the European Council agreed to grant Albania candidate status and 25 March 2020, it was decided to open accession negotiations, which was endorsed by the European Council the following day.

Public finances: Following the democratic reforms in 1990 and 1999, Albania went through a decade of financial crises. These were exacerbated by a major corruption scandal involving fraudulent pyramid selling. Subsequently some order was re-established in public finances, though the public sector deficit remained high and the financial sector experienced high non-performing loans. A three-year IMF program was agreed in 2014, an extended fund facility arrangement, which was successfully concluded in February 2017. The government has strengthened tax collection amid moderate public wage and pension increases in an effort to reduce its budget deficit. The country continues to face high public debt, exceeding its former statutory limit of 60% of GDP in 2013 and reaching 72% in 2016.

The earthquake of 2019 and COVID-19: North-western Albania was struck by a 6.4-magnitude earthquake on 26 November 2019. A total of 51 people was killed in the earthquake, with about 3,000 injured. It was the strongest earthquake to hit Albania in more than 40 years, its deadliest earthquake in 99 years and the world's deadliest earthquake in 2019. The earthquake had a serious impact on economic activity and also led to the government increasing its fiscal deficit to permit relief and reconstruction activities. In 2020, the country experienced the onset of the global Coronavirus COVID-19 pandemic. While infections rose only at a moderate rate between February and July, the country experienced a higher rate in the closing months of 2020 with daily infections peaking at 750 in November 2020.

Swiss cooperation: The stability and prosperity of the Western Balkan countries constitute a fundamental goal of Swiss foreign and security policy. Switzerland's engagement in the region was initiated in the 1990s, by providing humanitarian assistance and refuge for many people. Between 1992 and 1997, Switzerland's cooperation with Albania shifted to a full-fledged programme supporting the transition process.

The overall goal of Swiss cooperation strategy in Albania is to contribute to a functioning democracy, to improved public services and to an inclusive, competitive market economy in support of Albania's European integration. The strategy focuses on four thematic domains, all of which complement each other and are mutually reinforcing. The Swiss Cooperation Strategy 2018-2021 has been developed by the Swiss Agency for Development and Cooperation (SDC) and the State Secretariat for Economic Affairs (SECO), in close consultation with Albanian government offices and civil society partners. Both the SDC and SECO, represented by the Swiss embassy in Tirana, closely cooperate and coordinate in the implementation of their respective parts of the strategy.

1.2 Project Context

Table 1: Albania Project Data Sheet

	Strengthening Subnational Public Financial Management in Albania
Project duration	2018 to 2023
Overall budget	CHF 4.5 million
SECO contribution	CHF 4.5 million
Contribution of other partners	In kind from partners
Financing type	Bilateral
Implementing partner	GFA Consortium Group, Hochschule Luzern (HSLU), EuroPartners Development
Scope of intervention	Targeted Intervention
Level of implementation	Subnational and National
Main activities	1) Support municipalities in improving their PFM capacities and systems; 2) Strengthen knowledge exchange amongst municipalities; 3) Strengthening of the Ministry of Finance and Economy's capacities in dealing with subnational PFM

SECO provides CHF 4.5 million for the Strengthening Subnational Public Financial Management in Albania project, which is implemented by a consortium led by GFA Consortium Group with Hochschule Luzern and EuroPartners Development.

The project is designed to support the further implementation of a large territorial and administrative reform, where the number of municipalities in Albania decreased from 373 to 61. The reform was approved by the Parliament in July in 2014 and was implemented from June 2015 onwards after local elections. The reform included a series of legal and institutional changes and the devolvement of several important functions to the new municipalities, including:

- 61 Mayors, who took office in the newly constituted municipalities,
- a National Crosscutting Strategy on Decentralisation and Local Governance 2015-2020 was formulated and approved by the government in 2015,
- a new Law on Local Self-Governance was passed in 2015, and
- a new Law on Local Finances was approved in May 2017.

With their new functions, municipalities are working under constraints to collecting the necessary financial resources, managing their finances and fulfilling their responsibilities. The project is focusing on PFM at the local level, where PFM capacity is low. The central level has already been supported with several PFM capacity development projects by SECO and other donors.

The project has three components:

- 1) Component 1 is reaching out to all municipalities in an incrementing approach to improve PFM systems and capacities in three thematic clusters: (i) strategic planning

and budget management, (ii) revenue management and (iii) internal control, internal audit and financial reporting.

- 2) Component 2 supports knowledge sharing and peer-learning platforms with exchange of good municipal practices identified through the present and other projects.
- 3) Component 3 aims at supporting the Ministry of Finance and Economy (MoFE) to strengthen the Ministry's capacities in dealing with subnational PFM including development of tools and procedures to monitor the implementation of the new legislation.

In an incrementing approach the project started with 15 pilot municipalities to gain a better understanding of their needs and use the 15 municipalities for peer to peer (P2P) learning, when all 61 municipalities shall be included from 2021. After inception, the approach was however revised to cater for a better regional distribution of municipalities and capacity, so 18 municipalities are now included as pilots.

2. Project Objective

The overall objective of the project is *to contribute to the improvement of the subnational PFM environment to enable financial discipline, and client use of public resources.*

The direct objective is *to support municipalities and the MoFE to develop and apply key PFM processes for more effective and efficient revenue collection, budget formulation, execution and monitoring, as well as internal audits.*

The outcomes are:

- Budget processes (planning, execution, control and reporting) are strengthened and better coordinated at subnational level.
- Municipalities have improved capacities for revenue forecasting, tax collection and compliance with the new property tax system.
- Ministry of Finance and Economy applies processes and tools to ensure adequate monitoring of subnational PFM reform implementation and provide guidance to municipalities.
- Functioning platform/ mechanism for knowledge exchange/dissemination and peer-learning amongst municipalities is established.

3. Evidence and Methodology for the Country Study

The first step in this country study was to prepare a desk report based on relevant available information and an interview with the SECO programme manager. The documentation available for the desk review includes the Credit Proposal, PEFA assessments from five municipalities (drafts and final), e-mails with comments to the draft PEFAs from stakeholders (WB, PEFA Secretariat, EU, SECO, USAID and municipalities) and project progress reports from inception and up to March 2020 (Annex 6 of the evaluation report).

In October 2020, the local PFM expert reviewed the documentation used during the desk review phase. This preparation step was followed by a series of interviews with people involved during the formulation and implementation of the project, including its beneficiaries.

Due to COVID-19 and current mobility restrictions all interviews were conducted virtually during October 2020. The evaluation's PFM expert (based in Kenya) participated in those interviews that were conducted in English.

SECO's country office supported the evaluation team by providing contact information for interviewees and by sending them introductory letters prepared by the local PFM expert.

Complete lists of available documentation and persons interviewed are presented in annexes 6 and 4 of the evaluation report, respectively.

4. Assessment against the OECD/DAC Evaluation Criteria

This section summarises the assessment carried out following the six OECD/DAC criteria. It introduces a set of tables where each includes the score applied in the evaluation. This is in accordance with the scale previously defined in the evaluation's inception report: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU).

The assessment is based on the information gathered from documents and interviews described in section 3. It follows the six OECD/DAC evaluation criteria and the evaluation's 13 accountability questions determined in the evaluation's inception report. Each table is followed by answers to each evaluation question (EQ) under the DAC criteria to further understand the assessments

4.1 Relevance

Table 2: Assessment of Relevance

Assessment	Score	Rating
The project is highly relevant. It is designed to support the municipal reform initiated in 2014 following the National Crosscutting Strategy for Decentralisation and Local Governance 2015-2020 and Albania's PFM Reform Strategy 2014-2020. It is also following results from several PFM projects at the national level. Its relevance was also enhanced by designing the project based on five municipal PEFA assessment from 2016 and early 2017, which identified weaknesses in the municipal and intergovernmental PFM system including areas where municipalities need to enhance their capacities.	1	HS

EQ1. How is the provided assistance aligned with priorities of the government in partner countries (i.e. beneficiaries of assistance)?

The project follows the National Crosscutting Strategy for Decentralisation and Local Governance 2015-2020 and Albania's PFM Reform Strategy 2014-2020, which is now extended to 2022, The project is in line with the sequencing in the municipal reform program from 2014 and forward and the PFM reform programme from national to municipal level.

EQ2. To what extent has the evidence-based approach, based on assessments such as PEFA and TADAT contributed to promote dialogue, coordination and ownership from the key stakeholders, identified the relevant weaknesses and priority reforms in SECO's priority countries and contributed to their needs?

The project design was strongly based on evidence: Five municipal PEFA assessments were conducted jointly with USAID. SECO: Tirana, Berat and Tropoja; USAID: Fier and Kuçova between July 2016 and March 2017. The results serve as a basis for the design of the proposed support following core PFM areas where the municipalities scored low.

Following the completion of the PEFA assessment a week-long workshop was conducted with municipalities, which provided an opportunity for broadening the understanding of the municipalities of PFM concepts and the significance of the specific findings of the assessments. Municipalities provided comments to draft, including disagreements with some

of the PEFA findings and scoring of indicators. These comments were taken into account in the final version of the PEFA assessments.

There was wide dissemination of the PEFA assessments with the other donors including the EU, UNDP, WB (PEFA Secretariat) and SDC, which were involved on the peer review process. The EU, the WB and municipalities provided many comments, which were incorporated in the final report.

4.2 Coherence

Table 3: Assessment of Coherence

Assessment	Score	Rating
The project is coherent with other programmes and projects, but full coherence is challenged by the presence of other donors in the project areas. With a coverage of all 61 municipalities in Albania, some overlaps with municipal projects implemented by SDC were identified i.e. the SDC "Bashki te Forta" (strong municipalities) project. The coordination with SDC has been difficult as SDC provides bottom up/human right approach to service delivery, which put pressure on the municipal budgets, while SECO is supporting an overall financially responsible municipal PFM system. SDC had already implemented one project with PFM in the former municipal system from a service delivery perspective.	2	S

EQ3. How does the evaluated portfolio fit with other related interventions of the Swiss international cooperation as stipulated in the strategic objective 1 'Effective institutions and services'¹ for the period 2017-2020, in particular with interventions from the SECO infrastructure financing, which is active at sub-national and municipal levels, and the Swiss Agency for Development and Cooperation (SDC) which is also sometimes active in the same countries (e.g. Albania, Serbia, Kyrgyz Republic)?

The project follows SECO/WE strategic outcome 1: Effective Institutions and Services from the Message on International Cooperation 2017-2020.

Synergies with WEMU's ongoing and comprehensive support to PFM reforms at national level (public accounting) exist.

The relationship of the Albania SSPFM project and the SDC programme in Albania has been problematic with Albania being one of SDC's priority country as well as being a SECO focus country. An SDC funded project, Bashki te Forta, (Strong Municipalities) was launched in 2018 aiming at improved transparency of service delivery by municipalities especially in waste management and education. A focal point of emphasis of the Baskhi te Forte project is the strengthening of the availability of statistics on municipal operations and the project is undertaken in collaboration with both the Albanian Institute of Statistics (INSTAT) and the Swiss Federal Office for Statistics. Bashki te Forta is engaged in all 61 new municipalities. Discussion on coordination between SECO and SDC were held prior to the subsequent commencement of the SECO Albania SSPFM project.

In principle it should have been possible to establish a strong collaborative relationship between SECO's SNPFM and the SDC Bashki te Forta project given the differentiation of their main thrusts. There was in fact close coordination between SECO and SDC at the time of the preparation of the SECO SNPFM project. However, in the event differences developed between the two initiatives. The evaluation understands that these differences have been

¹ <https://link.seco-cooperation.org/pis>

addressed between SECO and SDC and an agreement reached on their respective activities aimed at avoiding overlap as the projects continue.

On a more general note, the evaluation finds that the increasing involvement of SECO at the subnational level, which is now a feature of several important projects in the SECO PFM portfolio, requires that increasing attention be paid to coordination between SE

CO and SDC, which traditionally has a more bottom-up approach to development support with focus on service delivery. The project sought to clarify the thematic division of work between SDC and SECO at subnational level and strengthen the use of complementarities with SDC. However, synergies with the SDC "Bashki te Forta" (strong municipalities) project to strengthen municipal administrations and service delivery are only emerging in 2020 following an agreement on roles and responsibilities including the approach to PFM..

EQ4. To What extent are the interventions complementary and coordinated with other donors? Where has SECO proven its added value?

The Swiss Embassy co-chairs a donor coordination group on subnational PFM with the MoFE and with participation by Sida (Sweden), USAID, EU, WB, IMF, Switzerland and UNDP. This group is a platform for coordination. The PEFA assessments undertaken in the previous phase of the project were coordinated with the other donors involved in support for PFM. However, this group has not met for many months, given the outbreak of COVID-19.

EQ5. To what extent does the support to the PEFA global program and its bilateral support for PEFA assessments complement each other?

The Albania SSPFM provides a prime example of the strong complementarity between SECO support for the PEFA initiative at the global level through its contribution to and participation in the PEFA Secretariat, and the application of PEFA methodology as a key instrument in the development and understanding of the reform agendas in PFM in SECO beneficiary countries. From the review of SECO support to the PEFA Secretariat under the PEFA Phases IV and V, the evaluation has determined that SECO has played an important role both in terms of financing of the PEFA Secretariat, and more specifically in the advocacy and support for the extension of the PEFA methodology to embrace the conduct of PEFA assessments at the sub-national level.

In the Albania SNPFM Phase I SECO played an important role in respect of the roll-out of PEFA methodology at the subnational level in five municipalities. SECO both participated in the conduct of the assessments in three of the selected municipalities and also played an active role in the dissemination of the results of the municipal level assessments through multiple engagements with the Albanian authorities at both central and subnational levels, including arranging workshops with participation by both the central agencies and the municipalities concerned in the discussion of the results achieved from the five assessments and their implications for PFM reform focus and sequencing.

4.3 Effectiveness

Table 4: Assessment of Effectiveness

Assessment	Score	Rating
The project has not been effective so far with many delays in implementation. The focus on a regional approach with P2P between municipalities, involvement of MoFE in capacity building and a first phase with 18 municipalities still need to show effectiveness. The recent delays in CD activities and preparation of municipal action plans are mainly due to external factors (natural disasters and COVID-19 pandemic), but also because four pilot	3	US

<p>municipalities were eliminated as pilots due to poor results, and it took time to activate seven new municipalities instead. The June 2019 local elections also had the effect that managers in about 40 municipalities with new mayors were changed. The 18 municipalities have not been able to perform a full PFM cycle in 2020, which is a precondition for roll out in 2021 to more municipalities. Virtual CD is difficult and some of the 18 municipalities (e.g. Tirana) are not willing to take their leading role. The selected implementing consortium with two international companies has experienced difficulty in exercising overall directoral control with only a limited role being played by the external companies, while the bulk of delivery has been undertaken by the local partner. This problem has been exacerbated by frequent changes in the position of the overall project director in the external lead organisation. As of December 2020, no less than four people have held this position.</p> <p>There is no specific focus on the SDG agenda, but the project is clearly targeting SDG 11: Sustainable Cities and Communities and SDG 16: Peace Justice and Strong Institutions.</p>		
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EQ6. To what extent has the provided support to PFM reforms, processes and procedures contributed to achieve its intended objectives in its partner countries ?

The project continues to be at an early stage of implementation and had to overcome several challenges including the impact of the earthquake in November 2019 the effects of the COVID-19 related lockdown starting in March 2020, the change of government and many transfers or changes in the beneficiary institutions personnel, both at central and at municipal level. However, the inception went smoothly in spite of the need to change the number and selection of the initially targeted municipalities. While the initial plans were for 15 municipalities, it was decided to increase the number to 18 municipalities, in order to achieve a better regional balance and a combination of more and less developed municipalities. As a result, actual project delivery in relation to PFM reforms only started relatively recently in several of the pilot municipalities, and several municipalities are still at the planning stage for their project activities, with the implication that assessment of effectiveness in terms of results achievement is still premature. However, the changes made to the selected municipalities are expected to improve the medium and longer term effectiveness of the project.

The final effectiveness of the project will depend in large measure on the capacity development component of the project which in the light of the COVID-19 pandemic is heavily dependent on P2P learning based on web-based technology.

It will be difficult for the 18 pilot municipalities to complete a full Medium-Term Budget Planning cycle in 2020 with delays in key Capacity Development (CD). As a result, the target of including all 61 municipalities in the remaining phase of the project is now generally believed to be over-ambitious.

EQ7. To what extent has the provided support contributed to reach or implement their SDG agenda (e.g. data collection)?²

In common with the other projects falling under this evaluation, the project under review was not specifically oriented towards the achievement of SDG targets, let alone specific SDG targets. However, that is not to say that the project has no relevance for, and will have no impact on SDG objectives. In an overall sense the project is oriented towards improved budgeting by the municipalities, which is appropriately seen as a precondition for the municipalities to be able to use available resources more effectively and the achievement of a netter focus on the prioritisation of the use of those resources towards priority areas of public

² NB: The portfolio was originally not designed with a specific SDG angle

service delivery, which can be expected to focus on SDG targets. Secondly, the project emphasis on transparent and timely budget reporting by the municipalities should provide the requisite basic data series relating to municipal spending which has a direct bearing on the attainment of SDG objectives. More narrowly the project is clearly targeting SDG 11: Sustainable Cities and Communities³. Under this SDG exist 11 indicators all relating to making cities and communities inclusive, safe, resilient and sustainable.

4.4 Impact

Table 5: Assessment of Impact

Assessment	Score	Rating
The project only initiated in April 2019, so it is too early to assess impact.	NA	NA

EQ8. Did the project reach its high-level objective?

NA. It is too early in the implementation of the project to make a judgement on this evaluation question.

EQ9. To what extent has the provided support enabled more efficient, transparent and accountable processes and institutions?

It is too early in the implementation of the project to make a judgement on this evaluation question.

However, information provided by selected municipalities in the course of this evaluation point to important on-going areas of technical support, which can be expected to have a lasting effect. Interviews with municipal officials pointed to useful support from the project experts in several areas, including preparation of the Medium-term Budget Planning cycle prepared as part of the 2019/20 budget; support to strengthening of financial management system including the internal audit function, identification of potential areas for municipal revenue enhancement, development of a financial risk management and associated risk mitigation strategies, and revenue planning in the context of the negative impact of the earthquake in early 2020 and the COVID-19 pandemic.

At the central level the project is credited with supporting enhancement of the budget reporting processes, especially as these relate to provision of documentation of the status of municipal budgets. Such improvements should contribute to both increased transparency of government operations and increased accountability.

EQ10. Is there evidence that PFM reforms supported or initiated by the division have enabled more aggregate fiscal discipline, strategic allocation of public funds, and/or efficient service delivery at national or sub-national level? Did the evaluation observe any other positive or negative, intended or unintended, higher-level effects linked with SECO's interventions, such as better inter-institutional coordination for instance?

It is too early in the implementation of the project to make a judgement on this evaluation question. However, one effect of the project has been to establish discussion forums. In this context it is noted that a result of the project, which is already occurring, has been the planned bringing together of officials from the central level and the municipalities, which is believed to

³ <https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-11-sustainable-cities-and-communities.html>

have had beneficial effect on the relations between the central level and the municipal level on matters relating to municipal budgeting.

Training related to the local development of Medium-Term Budgetary Planning framework, delivered through hands-on support by the local project team, has progressed in some municipalities in the context of the 2019/20 budget preparation. This form of training has the potential, if carried forward over the lifetime of the project and extended to cover all municipalities, to contribute significantly to overall fiscal discipline, both by improving the overall budgeting process in individual municipalities leading to reduced incidence of unplanned municipal budget arrears and by reducing the fiscal risks appearing at the municipal level (mainly spending arrears) in the formulation of national budgetary strategy.

4.5 Efficiency

Table 6: Assessment of Efficiency

Assessment	Score	Rating
The project implementation modality is partly efficient. The project is well designed with a logical sequencing and after some redefining towards a more regional approach with relevant municipalities, it includes a regional approach with P2P and inclusion of national actors from MoFE and likely also the Albanian School of Public Administration (ASPA) for capacity building activities. The preparation has been thorough, so the project can focus on relevant activities, but it has taken time. The selected consortium has so far not provided the promised inputs among the three international partners and left implementation to a local company.	3	US

EQ11. Have the different implementation modalities and partnerships proven efficient in terms of cost and time to reach the planned objectives? Are there indications that one or more implementation modalities have produced superior results compared to others?

This is a bilaterally funded project implemented through a consortium of private sector bodies. However, the functioning of the consortium is unusual: The winning consortium has effectively subcontracted responsibility for implementation to the national company, with the lead organisation (GFA) playing an essentially back-stopping role. The local company is well connected at both central and municipal level and has good experience in management and top down PFM. However, the scope for the lead company to play a strong directing role has been constrained both by the limited resourcing of that input and by the frequent changes, with 3 GFA team leaders to date. The Hochschule Luzern is primarily involved with P2P and CD approaches, but its role has also been limited by modest resourcing.

The adoption during the inception phase of the project of P2P learning as the centrepiece for capacity development efforts has shown some progress but also met limitations. The wide disparity in the existing capabilities of different municipalities in PFM raises questions about the sustainability of the approach, and the potential lack of incentive for the more advanced municipalities to play a strong pro-active role in P2P. This finding remains, despite the changes made in the selection of municipalities during the inception phase of the project. Given these issues, questions are also raised about the feasibility of the proposed roll-out to all 61 municipalities during the remainder of the project. Several interviewees, including municipality representatives have noted the importance of expert-led coaching in PFM, which has been severely limited both by the impact of COVID-19 pandemic, which has required learning to be conducted online, and by the limited resourcing of external experts from Hochschule Luzern.

It is understood that consideration is being given to increasing the scope and role of the Hochschule Luzern.

Partly in response to the COVID-19 pandemic, increased emphasis is being paid to the development of online learning tools, and the Albanian School for Public Administration is working in collaboration with the MoFE on the development of existing software programmes developed by the MoFE as a basis for accelerated distance-learning and capacity development. But questions remain concerning the willingness of the MoFE to accept continuing responsibility especially after project completion for financing this initiative which raises questions about sustainability.

Transactions costs seem reasonable so far and planned budget is in balance. During inception it was decided to use P2P on a regional basis with 18 pilot municipalities and refrain from full attention to all 61 municipalities during roll out.

The project Steering Group meets and deals with progress/challenges.

4.6 Sustainability

Table 7: Assessment of Sustainability

Assessment	Score	Rating
The project's approach has a good chance to sustain its results. The modality is to some extent building on existing resources and the CD approach is focusing on institutional learning with involvement of national actors (MoFE, ASPA, pilot municipalities) and P2P. The recent changes in the municipal staff due to the municipal elections in 2019 is an inherent risk factor, which is, however, being addressed with repeating some CD to the new managers.	2	S

EQ12. To what extent were the PFM reforms, processes and procedures supported by SECO implemented with a lasting effect? What were the influencing factors (e.g. institutional capacities, financial capacities, implementation modalities, level of ownership etc.)? Are differences observed between interventions at national and subnational levels? To what extent is the sustainability of the PFM Interventions influenced by the relevance, coherence, effectiveness and efficiency of the intervention?

It is, of course, too early to measure directly the lasting effect of the PFM reforms, processes and procedures supported by the project. That measurement will only be possible at a much later stage of implementation or as part of an ex post evaluation. For the moment the evaluation can only hypothesise the likely lasting effect based on the intervention modalities adopted by the project and the degree of buy-in among the beneficiaries and motivation to achieve sustainability.

There are several positive elements. These include:

- The robust project design, strongly evidence-based drawn on the experience from the previous phase and the results of the 5 municipal PEFAs undertaken in the previous phase.
- The planning of a pilot phase of the project, during which important modifications were introduced, especially in the selection of municipalities
- The positive performance of the implementing consortium, (and notably the role of the local consultant), to date, in spite of its unusual structure for managing the project.

- The positive response to the initial training activities was recorded during the evaluation. The topics covered have been selected based on the needs of individual municipalities and the quality of training delivery is recorded as very good.
- The realisation already achieved that substantial roll-out across the 43 municipalities to be supported under the second phase of the project will require new approaches including significant development of the PFM Knowledge Management Platform.
- The good collaborative engagement between the central and municipal levels of government.

Against these positive factors there are some important challenges which will need to be addressed:

- Whether the proposed heavy reliance on P2P learning with a pro-active role for the more advanced municipalities will prove feasible in the face of resource constraints facing municipalities, issues relating to the incentives for the advanced municipalities to play this role, and skilled staffing constraints even in the advanced municipalities.
- The lack to date of a truly national and comprehensive strategy for PFM capacity building.
- The possibility of rivalry between national level institutions, notably MoFE and Ministry of Interior in leading PFM reform at the municipal level given the existing decision of responsibilities for oversight of municipal governance.
- The judgement by a senior official in the MoFE that many of the municipalities to be supported in the second phase are still at too low a level of PFM capacity development to benefit from the project at this juncture, especially in a context where project implementation is planned to rely heavily on the use of P2P modality.

The evaluation concludes that the project will achieve a measure of lasting effect, though it is unlikely to achieve the desired impact across all the 61 municipalities within the current timeframe of the project.

EQ13. Were the major sustainability risks adequately identified during project preparation and implementation? Were the appropriate mitigation measures implemented?

The principal sustainability risk identified in the Credit Proposal is stated as: “The activities conducted as part of the roll-out to all municipalities might not produce sustainable results because the implementation in each municipality cannot be accompanied in a detailed and hands-on manner”. The mitigation measures envisaged at project design stage are based on the project adopting several modalities of operation. These include: combining specific expert support with more general trainings, stimulating peer pressure so that municipalities are incentivised to follow through on implementation and achieve verifiable results; and encouraging the MoFE to strengthen and utilise its national tracking system on development of municipal capacities.

The evaluation believes that the major sustainability risk was correctly identified in the credit proposal and that this risk has been substantially increased by the unanticipated advent of the COVID-19 pandemic which has had a strong adverse effect on the ability for municipalities to receive face to face training from local and external experts.

Nevertheless, there are grounds for a degree of optimism. The municipalities interviewed in the course of the evaluation all reported favourably on the quality and relevance of the training provided by the project experts, in spite of the challenges. Specific areas for training have been identified on the basis of the needs of each municipality and it has been possible at the

municipality level to avoid possible duplication with the efforts of other donors and projects such as the multi-donor support for the Asset Recovery Agency and Asset Management Office

The municipalities interviewed and the MoFE expressed appreciation of the workshops held - which combined central level and municipal officials on the grounds - that these events had strengthened mutual understanding. The MoFE expressed the need to strengthen the role of the Albania Financial Management Information System (AFMIS), an IT system for the management of public sector accounts, in terms of its ability to report comprehensively on the status of municipality finances.

However, reservations were expressed concerning the appropriate implementation modality for the proposed municipal PFM Knowledge Management Platform. Specifically, the question was raised in discussion with both the implementing agency and central government officials whether this should be primarily a support tool for P2P based training, or whether a more centralised approach should be taken, with the MoFE concentrating on an enhanced programme of training of PFM trainers to provide the core resource to underpin roll-out to an expanded number of municipalities under the second phase of the project.

4.7 Overall Assessment

Table 8: Overall Assessment and Scoring

Assessment	Score	Rating
The project is satisfactory. It has a good approach and a high relevance. The recent reorganisation of the inputs from the implementing consortium with more international inputs on P2P approaches and better coordination with SDC are, however, critical to gain momentum and create results. The implementation of good virtual CD approaches is also critical, so the 18 pilots can reach their expected role before the roll out to the other municipalities, which probably will be delayed to 2022.	2.3	S

5. Learning Questions

This section presents the answers to four learning questions as introduced in the evaluation's inception report.

EQ14. How can capacities be built in a sustainable way in a context of high level of job rotation in partner governments/agencies? What are good practices in this regard?

Capacity approaches: In the Credit Proposal the CD approach is presented as providing expertise through expert visits, training of trainers, coaching, P2P, and seminars and workshops. During inception, the focus was adjusted slightly by initially developing capacities in 18 core municipalities and thereafter roll out P2P training in a regional approach with inclusion of the remaining 43 municipalities. It cannot be assessed yet if the approaches were successful.

However, the CD takes place in an environment with an inherent risk for changes of municipal staff at management level every four year after local elections. This happened in 2019 with change of staff at management level in two thirds of the selected municipalities, so CD activities need to be repeated to ensure that capacities are maintained.

EQ15. In which cases is PEFA (which could be characterised as a more top-down solution driven approach) an adequate tool to promote effective PFM reforms and what are the necessary conditions for PEFA to be useful? Are there good vs bad practices in the portfolio under evaluation? How could different approaches (e.g. solution-driven

and problem-driven iterative adaptation approaches (PDIA)) be combined to achieve better results?

PEFA: The five municipal PEFA's are top down conducted by consultants with the support of municipal staff. The draft reports were discussed with municipal staff and the municipalities could also provide comments to the draft reports. The PEFA results were used actively to design the project, and project activities are then discussed further with the municipalities to design municipal action plans.

While the use of municipal PEFA's has proven to be important at the design stage of the project, it is less clear whether further rounds of PEFA assessments would continue to have high value-added. In principle, follow-up municipality-level PEFA's could provide a robust indicator of the degree of objective achievement. However, given the resource cost of undertaking full PEFA's and the time required for their execution and quality assurance it can be argued that subsequent rounds of assessment would not be justifiable. An alternative approach may be to develop simplified assessment routines which could ideally be conducted by the municipalities themselves, at least the stronger municipalities.

EQ16. To what extent shall transversal themes (such as gender, climate, digitalisation, or corruption) be integrated in PFM reforms? Are there emerging evidence or best practices (e.g. with regard to sequencing)? How can SECO position itself with respect to these transversal themes?

The project is not designed to address the **transversal themes**. According to the Credit Proposal, gender and climate change and other transversal issues will be considered later on i.e. during implementation. However, the two progress reports do not include any actions except a little on digitisation i.e. that ASPA and SECO will set up some knowledge learning platforms for municipalities.

EQ17. With regard to change management, what approaches have proven most successful to build institutional capacities in the field of PFM beyond individual training or coaching?

The project does not include a specific **theory of change**. A reconstruction could be along the following lines:

- If good PEFA assessments are developed with involvement and acceptance of the municipalities.
- Then CD can effectively be organised in 18 piloting municipalities, from which P2P learning can be rolled out and their knowledge spread to other municipalities through a regional approach supported by other CD initiative from other national actors (MoFE, ASPA) and project staff.
- Then PFM will be improved in all 61 municipalities.

While it is still too early to reach a definitive assessment of the efficacy of this imputed change management strategy, some indicative findings can be noted: Albania has been very effective in bringing evidence to bear at the stage of design. The extensive learning from the previous phase of the project and the hallmark use of the municipal PEFA assessments support this conclusion. The accumulated evidence at the time of project design was used both to familiarise the beneficiary municipalities and the beneficiaries at the central level on PFM concepts fundamental to the project, and to increase buy-in for the project at both municipal and central level.

However, the emphasis on the use of P2P as a principal instrument for supporting roll-out to a large number of often weaker municipalities, while perhaps the only viable option under the present COVID-19 pandemic and existing constraints on the project budget, remains to be proven as a strong vehicle for achieving sustainability of project results.

6. Lessons Learned

- Quality of project CD activities is higher, if senior management from municipalities are involved along with the staff.
- Participation of MoFE in training activities as trainers enhance the effectiveness of the project with more ownership, intergovernmental understanding and improvements in the relevance of CD activities.
- The COVID-19 pandemic affects the project's CD activities, so application of more virtual learning is essential with the current travel restrictions. The COVID-19 pandemic has reduced or eliminated the possibility of face-to-face training both by external experts and local experts. This is placing an unexpected and dominant role on the use of web-based P2P as the principal mechanism for individual capacity building.
- Different approaches to PFM can diminish potential synergies between projects implemented by SECO and SDC. The project should according to the Credit Proposal clarify thematic division of work between SDC and SECO at sub national level and thereby leverage Swiss donor assistance for sub national reform. During implementation disagreement emerged as SDC is following a service oriented right based approach in terms of people's access to services, while SECO is looking more into available finance and area of process and capacity-building reforms in PFM. Following discussions at the central level, agreement has been reached on the respective roles of SDC and SECO in the field of PFM.

Annex 9: Country studies

- a) Peru
- b) Albania – Strengthening Subnational PFM

Independent Evaluation on SECO Support to Public Financial Management

Country Study Peru: Support to the National Public Finance Management Reform (2nd phase), Public Financial Management TA IMF FAD and Subnational Public Finance Management Strengthening Programme

List of Abbreviations

BIG	Basel Institute on Governance
CEPLAN	National Council of Strategic Planning
DAC	Development Assistance Committee
DecSec	Decentralisation Secretariat
EQ	Evaluation Question
EU	European Union
FAD	Fiscal Affairs Department of the International Monetary Fund
FATI	Short-term Fund for Immediate Technical Assistance
FISCUS	FISCUS Limited
FREM	Medium-term Reform Fund
FTE	Fiscal Transparency Evaluation
HELVETAS	Helvetas Swiss Inter-Cooperation
IMF	International Monetary Fund
MoEF	Ministry of Economy and Finance
OECD	Organisation for Economic Co-operation and Development
OPM	Oxford Policy Management
PEFA	Public Expenditure and Financial Accountability
PCM	Presidency of the Council of Ministers
PFM	Public Financial Management
SECO	State Secretariat of Economic Affairs
SERVIR	The Civil Service Authority
SNG	Sub National Government
TA	Technical Assistance
UECR	Unit of Studies and Reform Coordination
WB	World Bank
WEIN	SECO Infrastructure Financing

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1. Introduction

The present country report presents the evaluation's findings from the country study in Peru. It deals with three projects financed by SECO. Please find a summary of these three in the table below.

Table 1: Projects in Peru for the Country Study

Project Title	Implementation	Objective
Support to the National Public Finance Management Reform, Phase II (<i>National PFM</i>)	2016-2021 (CHF 6.1 million)	To further strengthen and consolidate PFM reforms in Peru, with a stronger and clearer emphasis put on improved coordination, cohesion, integration and sequencing of initiatives between MoEF and the rest of the relevant PFM institutions, including subnational governments.
Public Financial Management (<i>IMF-FAD</i>)	2016-2020 (USD 1.7 million)	a) Comprehensive, credible, and policy-based budget preparation; b) strengthened identification, monitoring, and management of fiscal risks; c) improved coverage and quality of fiscal reporting; and d) improved integration of asset and liability management framework.
Subnational Public Finance Management Strengthening Program, Phase I (<i>Subnational PFM</i>)	2015-2019 (CHF 6 million) + 1 million CHF from recipient	To improve PFM at subnational level in order to allow a more strategic allocation of the available public resources.

The Support to the National Public Finance Management Reform follows the support SECO provided to the Peruvian Ministry of Economy and Finance (MoEF) and to other PFM relevant institutions from 2011 and 2016 during the project's first phase. Several institutions were anticipated as beneficiaries according to the Credit Proposal (CP): a) The MoEF, and more specifically directorates from the Vice Ministry of Finance and the Vice Ministry of Economy; b) The Supreme Audit Institution (CGR); c) The Public Procurement Supervisory Office (OSCE); d) The National Council of Strategic Planning (CEPLAN); e) The Civil Service Authority (SERVIR); and f) The Tax Administration Authority (SUNAT).

The Public Financial Management TA is implemented by the Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF) for a technical assistance (TA) continuing the strengthening of Peru's PFM systems. It follows findings from a Fiscal Transparency Evaluation (FTE)¹ conducted in 2015 by the IMF; and the outcomes of a former SECO financed projects with the IMF FAD, finalised in 2014. It had the objective: to strengthen the treasury and debt management in the MoEF.

The Subnational Public Finance Management Strengthening Programme follows a smaller pilot project from 2012 to 2014 with the participation of five Sub National Governments (SNGs). The project covered five SNGs from this previous pilot and six more following a regional approach with two project regions with respectively four and seven SNGs. Project residential advisers are stationed in each SNG. The national counterpart is the

¹ The FTE is the IMF's fiscal transparency diagnostic. It provides countries with: (i) a comprehensive assessment of their fiscal transparency practices, (ii) rigorous analysis of the scale and sources of fiscal vulnerability, (iii) a more complete picture of public sector activities, by estimating the financial position of the entire public sector, (iv) a visual account of their fiscal transparency strengths and reform priorities and (v) targeted recommendations to improve fiscal transparency and the option of a sequenced fiscal transparency action plan to help (see IMF Fiscal Transparency Evaluation).

Decentralisation Secretariat (DecSec) under the Presidency of the Council of Ministers and a new phase of the project started in early 2020 with the same budget size.

2. Methodology for the Country Study

The first step in the country study was to prepare project review desk reports for the three projects based on relevant information and interviews with the SECO programme managers. Thereafter, in October 2020, a field study was carried out by a local senior PFM expert guided remotely by the evaluation's team leader. Due to COVID-19 and mobility restrictions in Peru, all interviews were conducted virtually. The evaluation's team leader (based in Denmark) participated in some of the interviews online.

For all three projects a set of questionnaires were prepared to deepen the understanding of the project implementation and to verify the preliminary findings of the desk review phase. A comprehensive list of all stakeholders was also prepared for the interview phase.

This preparatory step was followed by a series of interviews with people involved during the formulation and implementation of the projects, including their beneficiaries. Interviewees received a corresponding list of specific questions by email prior to the interview. The PFM programme manager in the Swiss Embassy in Peru supported the evaluation team by providing contact information from interviewees and by sending them introductory letters prepared by the local PFM expert.

After the interviews and the revision of relevant additional information collected by the local PFM expert, three extended versions of the desk reports were produced with information and confirmations received during the interview phase. Finally, the present report was prepared.

The ToR for the evaluation, a list of stakeholders consulted, and all documentation can be found in the evaluation's main report's annexes 1, 4 and 6, respectively.

It should be noted as per the methodology of the evaluation, that the country study is carried out to confirm and provide additional information and findings for the overall evaluation, which is dealing with 19 SECO PFM projects. Therefore, the assessment in the present country report follows the OECD/DAC criteria and not all of the evaluation's 13 accountability and four learning questions are answered fully at country level.

3. Brief National PFM Context

In spite, of shifting governments, recent constitutional crises and shifting political leadership in the Peruvian Government and the Ministry of Economy and Finance (MoEF), the priorities within reforms of national public financial management have been relatively stable during the last ten years focusing on progressing in the effective management of the public finances and achieving the conditions for becoming a member of the OECD. It follows: the *Programa de Mejoramiento Continuo de las Finanzas Públicas (PMC) 2011-2015* and the *Líneas de Acción para la Modernización de las Finanzas Públicas en el Peru 2018-2021*. The strategy is relatively continuous and has been sharpened and upheld by support from international financial institutions and bilaterals including SECO. In September 2018, a new set of PFM laws were approved, which is now defining the Government's PFM strategy. The history with corruption and misuse of public funds remains however a problem with distrust and corruption investigations that sometimes paralyse parts of the public sector, including at the SNG level.

The decentralisation process in Peru initiated in 2003 and by 2013 SNGs were responsible for 43% of public expenditure and almost 70% of public investment. In 2018 the same figures

for subnational responsibilities were reduced to 37% and 62% respectively². A specific fiscal decentralisation strategy does not exist and the capacity and resources for SNGs have not followed the decentralisation process, so Peru is still a relatively centralised nation. The general political context in Peru with minority governments, low representation of national parties at SNG level and regular corruption investigations delay the unfolding of the SNG system. Currently, corruption investigations dealing with misuse of public funds are ongoing in 22 of Peru's 25 regions.

The linkages between the national level and the local government level is weak, while national institutions are represented at regional level. To advance in the decentralisation agenda a better framework is needed including for SNG PFM. The SNG overall framework is under the responsibility of the DecSec under the Presidency of the Council of Ministers, so a specific ministry does not exist for SNGs in Peru as opposed to other countries, where the decentralisation framework is stronger.

4. Assessment against the OECD/DAC Evaluation Criteria

This section summarises the assessment carried out of the three projects following the six OECD/DAC criteria: Relevance, coherence, effectiveness, impact, efficiency and sustainability.

4.1 Relevance

The three projects under the evaluation are highly relevant. Both the National PFM and the IMF FAD projects are aligned with the set of national PFM laws (budget, treasury, accounting etc.) approved in 2018, which have become Peru's PFM reform strategy and part of the efforts to become an OECD member. To implement the PFM strategy the government partners interviewed confirmed that IMF FAD's support is essential for more specific technical items in the budget process. The MoEF officials also assessed the National PFM as crucial to implement new PFM processes mandated by the laws. The government's PFM strategies (see above) are largely determined by what has been developed with the support of SECO projects such as the National PFM (phase 1) and the IMF's support for Treasury matters, as well as IMF FAD's TA to strengthen compliance with fiscal rules.

The three project interventions are all following subsequent phases (inception, phase one and other IMF FAD TAs), which have sharpened their relevance and ensured alignment with counterpart preferences and priorities and access to the government (MoEF). An example is the first phase of the National PFM, which advanced the strategic PFM objectives, which remained relevant for the current second phase (with minor adjustments).

The Subnational project is relevant with the need to support PFM at the SNG level. However, a fiscal decentralisation strategy is needed and the national government, mainly the MoEF, is not providing enough support at political or strategic level. The project's counterpart became the DecSec, which may not be a suitable entity to coordinate interventions or to promote dialogue with other PFM entities. Therefore, a better counterpart of the recently started phase two could be the MoEF to provide some pressure on defining a clearer PFM strategy for SNGs and create stronger relations.

The national 2015 PEFA assessment was not fully accepted by the Government as the MoEF finds that Peru needs a more targeted assessment such as the Fiscal Transparency Evaluation (FTE) conducted by IMF. The IMF FAD project objectives have been defined according to the FTE's recommendations. The FTE and actions within the IMF FAD project

² The figures are from the Credit Proposals for the first and second phase.

were very useful in defining the needed changes accomplished by the net set of new PFM's laws according to MoEF.

PEFA assessments at SNG levels have been important in defining the work agenda within the Subnational project. SECO supported a pilot phase (2013 – 2014) with a bottom-up approach based on PEFA assessments in the five participating SNGs.³ These PEFA's were the baselines for the diagnosis of the PFM situation and used for action plans designed to improve the PFM cycle. The same strategy was used for the Subnational PFM project with 10 PEFA's conducted in 2016 and one in 2017 followed by PEFA's workshops to discuss and further specify work areas in the action plans.

Bilateral agreements between the Swiss Confederation and the Peruvian Government were signed before starting the National and the Subnational PFM projects' implementation including specific objectives of the projects. The company selected for the Subnational project, Basel Institute on Governance (BIG) later formalised the participation of the DecSEC to coordinate the TA provision with PFM authorities⁴ and it also signed agreements with all 11 SNGs to ensure their commitments. These agreements provide a good instrument for the government's commitment to work on PFM reforms. This did, however, not succeed fully with the DecSec, which is not the relevant institution for the PFM agenda, which is under the MoEF⁵.

It is a challenge to achieve a better PFM link from the national to the SNG level. This could be strengthened by having some specific outputs or even sub-projects in the National PFM project directly related to the subnational PFM project.

4.2 Coherence

The three projects are in general coherent and well-coordinated with other development partners' PFM support, other Swiss support and SECO strategies.

The three projects are addressing Objective 1 in SECO's country strategy (Inclusive economic institutions and policies at the national and subnational level).

Clear synergies exist between the IMF FAD project and the two phases of the National PFM project, which in cooperation with the MoEF have improved and sophisticated the Government's PFM strategy and the reform agenda. The next step would be a better integration of the PFM support at subnational level, which is somehow running in parallel.

The IMF FAD project runs with synergies with the National PFM project due to close coordination and the MoEF involvement. The role of a long-term adviser stationed in MoEF under the IMF FAD project (up to the end of 2019) was important to ensure the coordination with the National PFM project and with other projects such as those implemented by the Inter-American Development Bank and the WB.

Other SECO country support initiatives are in process for synergies. One of them is under the leadership of SECO's infrastructure financing section (WEIN) and focuses on the future development of a land registry system, which is highly relevant to improve the collection of property taxes and help public finances mainly at the SNG level. Another initiative, which is

³ It is defined as a bottom-up approach since the identified needs come from the SNGs rather than the national level.

⁴ According to the interview with the BIG's project director, there was only a formal relationship with the DecSEC rather than a working relationship during the project implementation.

⁵ The MoEF found that DecSec was a better partner to include the full decentralisation framework.

under development with the MoEF, is a budget support to SNGs, that will be delivered by transfers from the Budget Directorate to reward the fulfilment of several goals⁶.

Another related activity is the Global Tax Program, where SECO is part of a multi-donor platform aiming at adapting the country's regulatory framework to international tax standards on transparency to help address tax avoidance and evasion. This is also supporting Peru's intention of becoming a full member of the OECD.

According to the PEFA Secretariat, there has been a good interaction between the PEFA Secretariat and the activities at the SNG level, which has helped to develop recent modifications of the PEFA Subnational tool.

The Subnational PFM project is also coherent with interventions of other DPs and SECO. Interventions at the SNG level have been coordinated mainly with GIZ (Germany) as the other important actor. As stated above, it is critical to increase the MoEF's commitment with the SNG's PFM agenda e.g., by adding outputs in the National PFM project in a complementary manner as SNGs are needed to implement the new legal PFM frameworks across public entities. Coordination between the IMF FAD project and the PFM Sub-national project appears to be more difficult to achieve as the IMF's relations are with central governments and therefore the MoEF is the sole beneficiary of this project.

Currently the implementation progress of the Subnational PFM project (now in its 2nd phase) depends heavily on the Basel Institute on Governance (BIG) with limited MoEF involvement. BIG intends to stay in close coordination with agencies at both national and subnational level to ensure that support at the SNG level goes hand in hand with regulatory changes. BIG coordinates also directly with the implementers of the National PFM project (FISCUS/HELVETAS).

4.3 Effectiveness

The three projects' are demonstrating a satisfactory effectiveness with the Subnational project performing slightly better with a solid support from the implementers.

The National PFM is effective for some objectives and government needs. The project's support to the new PFM laws is highly appreciated, mainly in the creation of the new general supply system, and the stakeholders consider the project as crucial to advance next steps in the PFM reforms. There is encouraging progress on the improvement of the multiannual programming of public resources, while progress in other areas is more challenging.

In the current phase focus on sub-project to address the medium-term (FREM) are important, but changes in staff including at management and vice-minister level in the MoEF have weakened progress. Some sub-projects suffered delays and even cancellations, mainly those where beneficiary MoEF's General Directorates had changed director and technical teams. The short-term sub-projects (FATI) have directly supported several needs such as the implementation of the Specialised Public Attorney's Office in Treasury Matters and the special support to the epidemiological surveillance system due to the current COVID-19 health emergency.

The IMF FAD project has been effective, and its four expected outcomes have been partly or fully achieved. A challenge exists for moving from a technical level and understanding to internalisation into the relevant staff in their operational tasks. The implementation model, including a long-term adviser, HQ missions, consultancies and

⁶ The goals are not yet defined, but some will relate to public investment, property tax, and internal controls.

seminars are also functioning, although with a similar setback as the National PFM project in 2019, when the vice minister and key staff in the MoEF were changed.

The Subnational PFM project has been highly effective by reaching most of its specific objectives. The better articulation of the PFM cycle is one of the main progress indicated by SNG's representatives. Progress in transparency and accountability are also encouraging and within the planning and budgeting areas, risk mitigation plans and codes of conduct. The planning process is now following regulations from the central level much better.

The project has deployed several tools for the strengthening of capacities, which is always a big challenge due to the high rotation in SNG's teams, and permanent training activities supported by the project are well-valued by the SNGs. Several internal directives which integrate the PFM processes have been issued in the beneficiary SNGs.

Regarding the objective of promoting dialogue with the central government, progress is uneven. The project has a good relationship with entities such as CEPLAN (planning) and CGR (audit) and facilitating their natural presence at the SNG level. An agreement was signed with the CGR for the development of joint activities on internal control matters; and with the Public Prosecutor on strengthening the misappropriated asset recovery process after several corruption cases.

Some interaction takes place with specific technical units in MoEF e.g., the installation of computer applications (SIGA) that highly facilitate expenditure programming in the SNG's Units of Execution.

For strengthening of institutional PFM capacity, the diploma certificate training is important, delivered by local universities with application of social platforms (Facebook, WhatsApp, Skype and even texting). This has created strong networking among SNG PFM experts and facilitate that capacities of former SNG staff are not lost, but rather applied in other SNGs or through the network. Training courses have also been delivered jointly with national entities and in cooperation with GIZ.

Sustainable Development goals

Except from the subnational project's Credit Proposal the projects' information and reports do not mention any specific contributions towards the 2030 Agenda and the SDGs. The IMF FAD and the National PFM projects are however clearly addressing several of the 17 SDGs. The national projects can also be seen more narrowly to address SDG 16: Peace, Justice and strong institutions and the sub-target 16.6: Develop effective, accountable and transparent institutions at all levels. The indicator for SDG 16.6 is indicator 91: Revenues, expenditures, and financing of all central government entities are presented on a gross basis in public budget documentation and authorized by the legislature.

The Subnational project addresses SDG 11: Sustainable Cities and Communities⁷. Under this SDG exists 11 indicators all relating to making cities and communities inclusive, safe, resilient and sustainable. The Subnational project has also stronger links to sector specific SDGs such as health (SDG #3) and education (SDG #5).

⁷ <https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-11-sustainable-cities-and-communities.html>

4.4 Impact

The three projects will likely have some impact for supporting the implementation of the national and subnational PFM reform agenda, but the National PFM project needs to overcome some challenges.

Most importantly for the National PFM, changes in the MoEF have been a central problem for keeping a good execution pace and only some sub-projects (in the Budget Directorate) have achieved good progress. Other activities in adjacent directorates have been delayed and their impact will likely be limited.

Secondly, the National PFM project has not served other central government PFM entities⁸ making it difficult to achieve its high-level objective “*to further strengthen and consolidate PFM reforms in Peru, with a stronger and clearer emphasis put on improved coordination, cohesion, integration and sequencing of initiatives between MoEF and the rest of the relevant PFM institutions, including subnational governments*”.

The IMF FAD objectives are more pragmatic related to more aggregate fiscal discipline and the likelihood of reaching these is higher. Progress is achieved in critical area (budget formulation processes and transparency of the management of public finances), but a continuation is needed to finalise. The project is ongoing to the end of 2020, but its activities are limited because of the COVID-19 pandemic and travel restrictions on IMF FAD and other international experts. As with the National PFM project, delays occurred because of the staff changes in MoEF. The departure (by the end of 2019) of the IMF FAD long-term adviser located in the MoEF limits the liaison with IMF Head Quarter and coordination with other projects including the National PFM and thereby the overall progress in the PFM reform agenda.

With the continuation in phase two, it is highly probable that the Subnational project will reach its objective, in particular if better strategic alignment with the MoEF is achieved. High rotation of SNG’s staff is mitigated by keeping the accompanying protocols and documents explaining basic PFM processes updated. Progress achieved in the specific objectives should continue in the new phase with better allocation of resources and thereby better service delivery. *Improved service delivery* is a part of the project’s high-level objective (but not the direct objective), and with better management of costs and budget preparation improvements in service delivery should emerge within the next phase.

Coordination of the Subnational PFM project with other entities at the central level has strengthened the project implementation and created important stronger relations to the central level, but unfortunately without MoEF taking a lead. This might however improve in phase if the MoEF becomes more involved.

4.5 Efficiency

The three projects’ efficiency is satisfactory with good and solid implementation modalities in the National and Subnational projects, while the costly but also effective IMF FAD is running well in a TA modality. As stated above it has been difficult to activate MoEF as an effective partner in the Subnational PFM.

For the National PFM, the set-up with international TA and the Unit of Studies and Reform Coordination (UECR) in MoEF, partly financed by the MoEF, to steer the project in cooperation with MoEF is good. The modality with preparation of sub-projects (FATI, FREM) by MoEF and

⁸ E.G. CEPLAN Executive Director has presented several proposals to the MoEF but have not still been able to coordinate them successfully.

other beneficiaries should create solid ownership of the MoEF/Government and assure relevance of the projects. The staff and vice-minister changes in MoEF have delayed implementation, so the model is working slower than expected and only 34% of the total budget has been used after more than two years.⁹

The IMF FAD project's costs are relatively high for international expertise and 50% of the budget is allocated to IMF expertise and the long-term adviser. However, the TA is of high standard and timely, directed to the specific technical needs defined and agreed with the MoEF. It has also proven to be flexible and demand driven, so MoEF officials are satisfied with being able to consult technical aspects and be attended rapidly by international experts.

The transition cost for the international long-term adviser was high during transition to Lima, but once the adviser was better integrated into the Peruvian context, his presence was crucial for the continuous dialogue with the MoEF and coordination.

An alternative modality, and less costly, could have been a TA set up in Lima with a combination of national and international expertise – integrated into or in close coordination with the National PFM project. This set up would, according to the MoEF however not have been able to deliver the very specific technical inputs to MoEF as the IMF FAD did. But the idea of a joint PFM adviser might be feasible for better coverage and to save costs.

The Subnational PFM project has a good application of local resources and has achieved many results within its budget. Project advisers are stationed in the beneficiary SNGs to save travel costs and to secure adjustments of the project to local needs. Capacity development is provided by project staff and to a large degree by national institutions and other donors such as GIZ. Some cooperation is established with national universities to strengthen establishing training (diploma) and to create relations to the formalised training institutions.

4.6 Sustainability

The projects' results and likely impact have some sustainability, but there are some gaps to close for the National PFM project.

The National PFM project is affected by the changes in 2019 at the government level and in the MoEF's staff, which have diminished the chance for sustaining the limited results so far. This also delays the understanding of the project's procedures internally for in particular the sub-projects, which is crucial to catch up to accelerate the PFM reform and implementation of the legislation. The project's governance structure heavily relies on the UECR, and it is critical that this is working more efficiently to internalise the learning.

There are some activities implemented by HELVETAS/FISCUS that are encouraging to improve the sustainability of the project, which may have a better effect on the organisation e.g., the production of a future dashboard for the whole PFM reform.

The same concern on the MoEF staff changes relates to the IMF FAD project, but this project has in contrast already progressed substantially and institutional capacity has increased. Furthermore, a similar project is already emerging, which will continue and sustain the results. The ongoing COVID-19 pandemic and mobility restrictions complicate however the performance of a future TA.

The sustainability of the Subnational project's actions is comprehensive. Several long-lasting effects have been achieved and the fact that some project directors have been

⁹ Progress report prepared by HELVETAS / FISCUS (August 2020)

appointed to senior management positions at the national government level, could enhance and sustain the link between the national and SNG level. It is also a solid recognition of the project from the relevant central government institutions.

The activities to develop local capacities are encouraging and very appropriate to keep staff trained, motivated and employed as previously presented (such as the diploma training and the network among the SNG PFM staff etc.). The current investigations into corruption are a big disturbance for progress as some PFM activities in the SNGs are frozen as mentioned in section 3. This may in particular affect activities in relation to SNG investments, where expected national funds are not available, while the investigations are ongoing.

The political risk in Peru is high with a permanent impeachment risk over the government without any political support in Congress. This is affecting the progress of all three project, but it was difficult to anticipate fully during project preparation.

4.7. Overall Assessments

The table below presents the overall assessment and scoring of the three projects. More details on the assessment of each project are provided in the annexes. The scoring follows the previously defined in the evaluation's inception report: 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU).

Table 2: Overall Assessment of each project and average scoring

Project	Assessment	Score	Rating
National PFM	<p>Overall, the project is satisfactory. The project's relevance is very well judged by the new set of PFM laws and the government's commitment to be an OECD member. The project set up is good with the FREM and FATI modality but many changes in the MoEF have affected the governance structure, management and in particular the UECR performance, which was initially thought as the PFM reform engine. So, execution is slower than expected.</p> <p>Many sub-projects proposed have been important and effective while others have had limited results or are just delayed. It should be noted that the project is in its third year, so the project implementation could still achieve better results, in particular, if the MoEF organisation remains stable and coordination with other public entities is improved.</p>	2.2	S
IMF FAD	<p>The project has proven to be satisfactory overall. The project has made important progress in some aspects of Peru's PFM and has been very useful during the preparation of changes introduced to the set of PFM laws in 2018. The FAD's willingness to quickly react when any need arises is well valued by the MoEF.</p> <p>Despite the absence of the long-term advisor in the project's last year and because of the MoEF's ownership of the PFM reforms, the project is currently well-complemented with other support initiatives in particular the National PFM project and WB initiatives.</p>	1.7	S
Subnational PFM	<p>The project is satisfactory. It has achieved good progress of its expected results, while a future impact is probable in particular, if better strategic coordination with the MoEF is achieved and the delays caused by corruption investigations are reduced.</p> <p>The project is mitigating the high staff rotation problem developing protocols and documents explaining basic PFM processes to apply by new staff. Capacity development approaches have been good to sustain the project's results and for maintaining a solid platform for future CD activities in the project's second phase. The strong network among the PFM experts in the SNGs is an important part of this facilitated by the project's Diploma training.</p>	1.8	S

The individual scores for the six OECD/DAC criteria are listed in the table below and further explained in the individual desk reviews under Annex 8 of the final evaluation report.

Table 3: Scoring of the three projects following OECD/DAC criteria

Project name	Relevance	Coherence	Effectiveness	Impact	Efficiency	Sustainability
National PFM	1	2	2	3	2	3
PFM (IMF FAD)	1	1	2	2	2	2
Subnational PFM	2	2	1	2	2	2

5. Learning Questions

This section presents the answers to the evaluation's four learning questions.

EQ14: Approaches to Capacity Building. *How can capacities be built in a sustainable way in a context of high level of job rotation in partner governments/agencies? What are good practices in this regard?*

All three projects are indeed affected by staff changes including at management level and their approaches to CD are rather different. The experience is that CD shall be broad and repeated to some extent and the relevance of activities increase their benefits. Building strong networks among staff and using several digital platforms for training have been successful and sustained overall capacities at the Subnational level.

In the National PFM project, it was expected that CD should be conducted under the responsibility of the government through SERVIR (civil service), which is one of the beneficiaries of the project, however SERVIR has not been involved as expected. Instead, capacity is built in the preparation of the FREM and FATI sub-projects by the beneficiaries as learning by doing. In some sub-projects' ToR capacity development such as workshops and certifications for the staff is included instead. The IMF FAD is a TA project, where capacities are gradually transferred, when the IMF FAD experts are working directly and in seminars with the MoEF staff. Because of the changes of staff in some directorates, the TAs and provision of recommendations had to be delivered several times.

The Subnational project has been more successful and is using a mix of CD approaches: Topic related (with GIZ), TA and on the job training conducted by residential advisers; and the Diploma training and the following strong networking among experts with application of several social network platforms. P2P is also implemented by interchanges between the five SNGs from the pilot phase and six new participating SNGs. But also, within the strong network from the diploma training.

EQ 15. PEFA Application: In which cases is PEFA (which could be characterised as a more top-down solution driven approach) an adequate tool to promote effective PFM reforms and what are the necessary conditions for PEFA to be useful? Are there good vs bad practices in the portfolio under evaluation? How could different approaches (e.g., solution-driven and problem-driven iterative adaptation approaches (PDIA)) be combined to achieve better results?

The PEFA has been and still is useful to design and drive the PFM reform process but mostly at the SNG level.

At the national level a PEFA assessment was conducted in 2015, which was helpful for some elements of the National PFM project, but according to the MoEF the national PFM system is now more advanced and the preferred tool is the FTE applied by the IMF-FAD project.

PEFAs have been used to design the different phases of the Subnational PFM project, piloting 2011/2012 and first phase 2016/17, to understand key areas for strengthening SNG PFM and to prepare PFM action plans in each of the five and then eleven SNGs. It should be noted that the assessments provided similar results for all SNGs within expected areas, and their main value seem to be that key PFM issues are discussed among the stakeholders. In addition, internal workshops have been performed to discuss relevant topics that did not arise directly from PEFAs, as a problem-driven approach to the project's activities. Action plans and the logical framework of the Subnational project arise from these workshops.

Project adjustment has been allowed for both the National PFM and the IMF FAD relative to the CPs after further discussion with the Government and thereafter included in the formal agreements. The modality with sub-projects (FATI, FREM) is a solid approach to ensure flexibility in the project activities, so they adjust to what is needed and relevant.

EQ16. Transversal Themes. *To what extent shall **transversal themes** (such as gender, climate, digitalisation, or corruption) be integrated in PFM reforms? Are there emerging evidence or best practices (e.g., with regard to sequencing)? How can SECO position itself with respect to these transversal themes?*

The three projects are addressing some of SECO's transversal themes. As a Middle-Income Country with a more advanced PFM system, PFM related transversal themes could be developed further in cooperation with other development partners to be included in the projects.

Within Gender, the National PFM project contributed to more funding for gender activities in the public budget with a specific sub-project to prepare the transversal budget programme for reduction of gender-based violence¹⁰. In the spending review to improve citizen security, issues of gender violence arose because they were repeatedly reported in police stations.

For **digitalisation** a dashboard in charge of the UECR is being prepared to manage the PFM reform. And for training in the Subnational project many activities are ongoing on digital platforms, such as Facebook, WhatsApp, Skype, Zoom etc. Some digitalisation progress has been performed with the IT support for SIGA (facilitation of expenditure programming) at the Subnational level.

The Subnational PFM project is dealing with **anti-corruption** through the development of risk management plans as part of the new internal control process. In addition, there is cooperation with the national juridical cases to recover assets. Some misappropriated assets at the SNG level were successfully recovered by the public prosecutor.

EQ 17. Change management. *With regard to change management, what approaches have proven most successful to build institutional capacities in the field of PFM beyond individual training or coaching?*

¹⁰ Programa Presupuestal orientado a la Reducción de la Violencia contra la Mujer.

The National PFM project's change management strategy is not mentioned specifically in the project documentation. The strategy is that specific sub-projects can be identified, prepared and internalised in the MoEF with some support from the UECR, which thereafter will change their practices. Furthermore, the UECR should guide the PFM reform process and create capacity in MoEF.

The Subnational project's change management strategy is that capacity development in SNGs will develop the skills and thereby the quality of the PFM work in the SNGs. By involving national actors in the CD activities, a more comprehensive national framework can be created, which can drive the changes forward with solid interaction between the national and subnational levels.

The underlying change management strategy for the IMF FAD project is to strengthen counterpart capacities by continuous TAs, which will change their practices gradually like under the National PFM project.

6. Conclusion

By supporting several PFM projects in Peru during the last 10 years including the two phases of the National PFM project, projects implemented by IMF FAD and the support to subnational PFM since 2011, SECO has been able to grasp the PFM dynamics, partners and agenda and understand the complex and changing political context better. Continuous dialogue with project implementers, development partners and the government has fed into this understanding. This has enabled SECO's support to be of high technical standard, relevant and respected by the government and other DPs. Its leadership at the Donor Round Table on PFM has ensured a solid coordination with other developing partners including the WB and the Inter-American Development Bank (although the meetings are infrequent).

The support from SECO to the reform process has been satisfactory and it has been crucial to clarify the emerging national PFM strategy which has substantially improved with the legal framework approved in 2018. However, it has been difficult for the 2nd phase of the National PFM project to pick-up pace from the first phase and progress is limited after three years.

In the subnational agenda SECO is a pioneer donor in support of the implementation of subnational PFM reforms and the project reinforces SECO's presence in the context of a growing decentralisation process in Peru. If the MoEF becomes more involved (or takes directly over as counterpart) for the 2nd phase of the Subnational PFM project, it would be an opportunity to take the assistance further and spearhead the linking of the national and subnational PFM reform. It is critical that a broad involvement of other government actors continues at local level including the DecSec, for a holistic and inclusive approach.

The long-term presence, good coordination and involvement at all levels provide a good basis for informed and well-prepared projects in combination with a broad application of PEFA at the SNG level and the FTE at the national level.

It is evident that the costs for a long-term adviser are high including for the transition period. It seems however like the inclusion of a long-term adviser in the IMF FAD project was a valuable addition not only for internal coordination but also for coordination with other PFM projects and in particular the National PFM project and the general reform. An option for the future would be to field a general SECO PFM adviser to deal with all projects.

It seems like, the sustainability of the projects relies to a large extent on their relevance. The PFM reforms defined by the MoEF and the government are related to the interest in becoming an OECD member. Furthermore, the broad coverage that SECO's PFM support projects has in the country is also of great importance to have long-lasting effects, mainly in the

complementarity and synergies with the IMF-FAD project and to some extent the Subnational PFM, which has strengthening the link between some government agencies and the SNG level.

7. Lessons Learned

- **Bilateral Agreements are good strategies to promote the involvement of the government and SNGs.** Government signature generates commitment, attention and an option for defining the project better. It may also ensure the identification of a relevant counterparts for the project. The bilateral agreements (MoU) with SNGs are also useful in particular to describe the project objectives and work methodologies and to allow resident advisers to legitimate their presence.
- **To ensure ownership and involvement, a project should be a part of the national reform processes.** The national PFM project supports the modernisation of the PFM system approved in September 2018. Once the legal framework was approved, the reform agenda was clearer as well as the overview of important areas. This also increased the critical ownership of the MoEF to push the PFM reforms further.
- **To have a co-ordinating unit such as the UECR with permanent members and well-integrated to the top management of the MoEF could be very useful.** Members should also have substantial experience in PFM matters to easily understand the processes, objectives and the comprehensiveness of the reforms. They need to work as long-term advisers of PFM reforms and participate in daily meetings and collaborating with the technical staff in some assignments to gain their trust but be empowered by the top management.
- **MoEF support is needed for a successful SNG PFM project.** The MoEF is the main PFM authority and the Subnational project could improve its impact if the project activities are strategically coordinated with the General Directorates in MoEF.
- **Some recent progress in PFM reforms can be tested in SNGs using the Subnational PFM project.** New methodologies of multiannual programming can be strongly introduced in SNGs. Spending reviews can be implemented in the 11 SNGs and their recommendations used in the programming of resources, among other tools, which can be used and monitored using the Subnational PFM project resources.

Independent Evaluation on SECO Support to Public Financial Management

Country Study Report Albania: Strengthening
Subnational Public Finance Management

List of Abbreviations

AFMIS	Albania Financial Management Information System
ASPA	Albanian School of Public Administration
CD	Capacity Development
CHF	Swiss Franc
DAC	Development Assistance Committee
EU	European Union
IMF	International Monetary Fund
IFI	International Financial Institution
MoFE	Ministry of Finance and Economy
MTEF	Medium-term Expenditure Framework
OECD	Organisation for Economic Co-operation and Development
OPM	Oxford Policy Management
P2P	Peer to Peer
PEFA	Public Expenditure and Financial Accountability+
PFM	Public Financial Management
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat of Economic Affairs
SNG	Sub National Government
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WB	World Bank

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1. Introduction

1.1 Context of the PFM Reform

Political evolution: In the early 1990s, Albania ended 46 years of isolated communist rule and established a multiparty democracy. The transition has proven challenging as successive governments have tried to deal with high unemployment, widespread corruption, dilapidated infrastructure, powerful organized crime networks, and combative political opponents.

European Union (EU) accession process: The desire to become a member country of the EU has been a key driver for political, economic and judicial reforms in Albania over the past 20 years. The country was officially recognised by the EU as a "potential candidate country" in 2000 and started negotiations on a Stabilisation and Association Agreement in 2003. This was successfully agreed and signed on 12 June 2006, thereafter Albania applied for EU membership on 28 April 2009. On 23 June 2014, the European Council agreed to grant Albania candidate status and 25 March 2020, it was decided to open accession negotiations, which was endorsed by the European Council the following day.

Public finances: Following the democratic reforms in 1990 and 1999, Albania went through a decade of financial crises. These were exacerbated by a major corruption scandal involving fraudulent pyramid selling. Subsequently some order was re-established in public finances, though the public sector deficit remained high and the financial sector experienced high non-performing loans. A three-year IMF program was agreed in 2014, an extended fund facility arrangement, which was successfully concluded in February 2017. The government has strengthened tax collection amid moderate public wage and pension increases in an effort to reduce its budget deficit. The country continues to face high public debt, exceeding its former statutory limit of 60% of GDP in 2013 and reaching 72% in 2016.

The earthquake of 2019 and COVID-19: North-western Albania was struck by a 6.4-magnitude earthquake on 26 November 2019. A total of 51 people was killed in the earthquake, with about 3,000 injured. It was the strongest earthquake to hit Albania in more than 40 years, its deadliest earthquake in 99 years and the world's deadliest earthquake in 2019. The earthquake had a serious impact on economic activity and also led to the government increasing its fiscal deficit to permit relief and reconstruction activities. In 2020, the country experienced the onset of the global Coronavirus COVID-19 pandemic. While infections rose only at a moderate rate between February and July, the country experienced a higher rate in the closing months of 2020 with daily infections peaking at 750 in November 2020.

Swiss cooperation: The stability and prosperity of the Western Balkan countries constitute a fundamental goal of Swiss foreign and security policy. Switzerland's engagement in the region was initiated in the 1990s, by providing humanitarian assistance and refuge for many people. Between 1992 and 1997, Switzerland's cooperation with Albania shifted to a full-fledged programme supporting the transition process.

The overall goal of Swiss cooperation strategy in Albania is to contribute to a functioning democracy, to improved public services and to an inclusive, competitive market economy in support of Albania's European integration. The strategy focuses on four thematic domains, all of which complement each other and are mutually reinforcing. The Swiss Cooperation Strategy 2018-2021 has been developed by the Swiss Agency for Development and Cooperation (SDC) and the State Secretariat for Economic Affairs (SECO), in close consultation with Albanian government offices and civil society partners. Both the SDC and SECO, represented by the Swiss embassy in Tirana, closely cooperate and coordinate in the implementation of their respective parts of the strategy.

1.2 Project Context

Table 1: Albania Project Data Sheet

	Strengthening Subnational Public Financial Management in Albania
Project duration	2018 to 2023
Overall budget	CHF 4.5 million
SECO contribution	CHF 4.5 million
Contribution of other partners	In kind from partners
Financing type	Bilateral
Implementing partner	GFA Consortium Group, Hochschule Luzern (HSLU), EuroPartners Development
Scope of intervention	Targeted Intervention
Level of implementation	Subnational and National
Main activities	1) Support municipalities in improving their PFM capacities and systems; 2) Strengthen knowledge exchange amongst municipalities; 3) Strengthening of the Ministry of Finance and Economy's capacities in dealing with subnational PFM

SECO provides CHF 4.5 million for the Strengthening Subnational Public Financial Management in Albania project, which is implemented by a consortium led by GFA Consortium Group with Hochschule Luzern and EuroPartners Development.

The project is designed to support the further implementation of a large territorial and administrative reform, where the number of municipalities in Albania decreased from 373 to 61. The reform was approved by the Parliament in July in 2014 and was implemented from June 2015 onwards after local elections. The reform included a series of legal and institutional changes and the devolvement of several important functions to the new municipalities, including:

- 61 Mayors, who took office in the newly constituted municipalities,
- a National Crosscutting Strategy on Decentralisation and Local Governance 2015-2020 was formulated and approved by the government in 2015,
- a new Law on Local Self-Governance was passed in 2015, and
- a new Law on Local Finances was approved in May 2017.

With their new functions, municipalities are working under constraints to collecting the necessary financial resources, managing their finances and fulfilling their responsibilities. The project is focusing on PFM at the local level, where PFM capacity is low. The central level has already been supported with several PFM capacity development projects by SECO and other donors.

The project has three components:

- 1) Component 1 is reaching out to all municipalities in an incrementing approach to improve PFM systems and capacities in three thematic clusters: (i) strategic planning

and budget management, (ii) revenue management and (iii) internal control, internal audit and financial reporting.

- 2) Component 2 supports knowledge sharing and peer-learning platforms with exchange of good municipal practices identified through the present and other projects.
- 3) Component 3 aims at supporting the Ministry of Finance and Economy (MoFE) to strengthen the Ministry's capacities in dealing with subnational PFM including development of tools and procedures to monitor the implementation of the new legislation.

In an incrementing approach the project started with 15 pilot municipalities to gain a better understanding of their needs and use the 15 municipalities for peer to peer (P2P) learning, when all 61 municipalities shall be included from 2021. After inception, the approach was however revised to cater for a better regional distribution of municipalities and capacity, so 18 municipalities are now included as pilots.

2. Project Objective

The overall objective of the project is *to contribute to the improvement of the subnational PFM environment to enable financial discipline, and client use of public resources.*

The direct objective is *to support municipalities and the MoFE to develop and apply key PFM processes for more effective and efficient revenue collection, budget formulation, execution and monitoring, as well as internal audits.*

The outcomes are:

- Budget processes (planning, execution, control and reporting) are strengthened and better coordinated at subnational level.
- Municipalities have improved capacities for revenue forecasting, tax collection and compliance with the new property tax system.
- Ministry of Finance and Economy applies processes and tools to ensure adequate monitoring of subnational PFM reform implementation and provide guidance to municipalities.
- Functioning platform/ mechanism for knowledge exchange/dissemination and peer-learning amongst municipalities is established.

3. Evidence and Methodology for the Country Study

The first step in this country study was to prepare a desk report based on relevant available information and an interview with the SECO programme manager. The documentation available for the desk review includes the Credit Proposal, PEFA assessments from five municipalities (drafts and final), e-mails with comments to the draft PEFAs from stakeholders (WB, PEFA Secretariat, EU, SECO, USAID and municipalities) and project progress reports from inception and up to March 2020 (Annex 6 of the evaluation report).

In October 2020, the local PFM expert reviewed the documentation used during the desk review phase. This preparation step was followed by a series of interviews with people involved during the formulation and implementation of the project, including its beneficiaries.

Due to COVID-19 and current mobility restrictions all interviews were conducted virtually during October 2020. The evaluation's PFM expert (based in Kenya) participated in those interviews that were conducted in English.

SECO's country office supported the evaluation team by providing contact information for interviewees and by sending them introductory letters prepared by the local PFM expert.

Complete lists of available documentation and persons interviewed are presented in annexes 6 and 4 of the evaluation report, respectively.

4. Assessment against the OECD/DAC Evaluation Criteria

This section summarises the assessment carried out following the six OECD/DAC criteria. It introduces a set of tables where each includes the score applied in the evaluation. This is in accordance with the scale previously defined in the evaluation's inception report: 0=not assessed (N/A); 1=highly satisfactory (HS); 2=satisfactory (S); 3=unsatisfactory (US); 4=highly unsatisfactory (HU).

The assessment is based on the information gathered from documents and interviews described in section 3. It follows the six OECD/DAC evaluation criteria and the evaluation's 13 accountability questions determined in the evaluation's inception report. Each table is followed by answers to each evaluation question (EQ) under the DAC criteria to further understand the assessments

4.1 Relevance

Table 2: Assessment of Relevance

Assessment	Score	Rating
The project is highly relevant. It is designed to support the municipal reform initiated in 2014 following the National Crosscutting Strategy for Decentralisation and Local Governance 2015-2020 and Albania's PFM Reform Strategy 2014-2020. It is also following results from several PFM projects at the national level. Its relevance was also enhanced by designing the project based on five municipal PEFA assessment from 2016 and early 2017, which identified weaknesses in the municipal and intergovernmental PFM system including areas where municipalities need to enhance their capacities.	1	HS

EQ1. How is the provided assistance aligned with priorities of the government in partner countries (i.e. beneficiaries of assistance)?

The project follows the National Crosscutting Strategy for Decentralisation and Local Governance 2015-2020 and Albania's PFM Reform Strategy 2014-2020, which is now extended to 2022, The project is in line with the sequencing in the municipal reform program from 2014 and forward and the PFM reform programme from national to municipal level.

EQ2. To what extent has the evidence-based approach, based on assessments such as PEFA and TADAT contributed to promote dialogue, coordination and ownership from the key stakeholders, identified the relevant weaknesses and priority reforms in SECO's priority countries and contributed to their needs?

The project design was strongly based on evidence: Five municipal PEFA assessments were conducted jointly with USAID. SECO: Tirana, Berat and Tropoja; USAID: Fier and Kuçova between July 2016 and March 2017. The results serve as a basis for the design of the proposed support following core PFM areas where the municipalities scored low.

Following the completion of the PEFA assessment a week-long workshop was conducted with municipalities, which provided an opportunity for broadening the understanding of the municipalities of PFM concepts and the significance of the specific findings of the assessments. Municipalities provided comments to draft, including disagreements with some

of the PEFA findings and scoring of indicators. These comments were taken into account in the final version of the PEFA assessments.

There was wide dissemination of the PEFA assessments with the other donors including the EU, UNDP, WB (PEFA Secretariat) and SDC, which were involved on the peer review process. The EU, the WB and municipalities provided many comments, which were incorporated in the final report.

4.2 Coherence

Table 3: Assessment of Coherence

Assessment	Score	Rating
The project is coherent with other programmes and projects, but full coherence is challenged by the presence of other donors in the project areas. With a coverage of all 61 municipalities in Albania, some overlaps with municipal projects implemented by SDC were identified i.e. the SDC "Bashki te Forta" (strong municipalities) project. The coordination with SDC has been difficult as SDC provides bottom up/human right approach to service delivery, which put pressure on the municipal budgets, while SECO is supporting an overall financially responsible municipal PFM system. SDC had already implemented one project with PFM in the former municipal system from a service delivery perspective.	2	S

EQ3. How does the evaluated portfolio fit with other related interventions of the Swiss international cooperation as stipulated in the strategic objective 1 'Effective institutions and services'¹ for the period 2017-2020, in particular with interventions from the SECO infrastructure financing, which is active at sub-national and municipal levels, and the Swiss Agency for Development and Cooperation (SDC) which is also sometimes active in the same countries (e.g. Albania, Serbia, Kyrgyz Republic)?

The project follows SECO/WE strategic outcome 1: Effective Institutions and Services from the Message on International Cooperation 2017-2020.

Synergies with WEMU's ongoing and comprehensive support to PFM reforms at national level (public accounting) exist.

The relationship of the Albania SSPFM project and the SDC programme in Albania has been problematic with Albania being one of SDC's priority country as well as being a SECO focus country. An SDC funded project, Bashki te Forta, (Strong Municipalities) was launched in 2018 aiming at improved transparency of service delivery by municipalities especially in waste management and education. A focal point of emphasis of the Baskhi te Forte project is the strengthening of the availability of statistics on municipal operations and the project is undertaken in collaboration with both the Albanian Institute of Statistics (INSTAT) and the Swiss Federal Office for Statistics. Bashki te Forta is engaged in all 61 new municipalities. Discussion on coordination between SECO and SDC were held prior to the subsequent commencement of the SECO Albania SSPFM project.

In principle it should have been possible to establish a strong collaborative relationship between SECO's SNPFM and the SDC Bashki te Forta project given the differentiation of their main thrusts. There was in fact close coordination between SECO and SDC at the time of the preparation of the SECO SNPFM project. However, in the event differences developed between the two initiatives. The evaluation understands that these differences have been

¹ <https://link.seco-cooperation.org/pis>

addressed between SECO and SDC and an agreement reached on their respective activities aimed at avoiding overlap as the projects continue.

On a more general note, the evaluation finds that the increasing involvement of SECO at the subnational level, which is now a feature of several important projects in the SECO PFM portfolio, requires that increasing attention be paid to coordination between SE

CO and SDC, which traditionally has a more bottom-up approach to development support with focus on service delivery. The project sought to clarify the thematic division of work between SDC and SECO at subnational level and strengthen the use of complementarities with SDC. However, synergies with the SDC "Bashki te Forta" (strong municipalities) project to strengthen municipal administrations and service delivery are only emerging in 2020 following an agreement on roles and responsibilities including the approach to PFM..

EQ4. To What extent are the interventions complementary and coordinated with other donors? Where has SECO proven its added value?

The Swiss Embassy co-chairs a donor coordination group on subnational PFM with the MoFE and with participation by Sida (Sweden), USAID, EU, WB, IMF, Switzerland and UNDP. This group is a platform for coordination. The PEFA assessments undertaken in the previous phase of the project were coordinated with the other donors involved in support for PFM. However, this group has not met for many months, given the outbreak of COVID-19.

EQ5. To what extent does the support to the PEFA global program and its bilateral support for PEFA assessments complement each other?

The Albania SSPFM provides a prime example of the strong complementarity between SECO support for the PEFA initiative at the global level through its contribution to and participation in the PEFA Secretariat, and the application of PEFA methodology as a key instrument in the development and understanding of the reform agendas in PFM in SECO beneficiary countries. From the review of SECO support to the PEFA Secretariat under the PEFA Phases IV and V, the evaluation has determined that SECO has played an important role both in terms of financing of the PEFA Secretariat, and more specifically in the advocacy and support for the extension of the PEFA methodology to embrace the conduct of PEFA assessments at the sub-national level.

In the Albania SNPFM Phase I SECO played an important role in respect of the roll-out of PEFA methodology at the subnational level in five municipalities. SECO both participated in the conduct of the assessments in three of the selected municipalities and also played an active role in the dissemination of the results of the municipal level assessments through multiple engagements with the Albanian authorities at both central and subnational levels, including arranging workshops with participation by both the central agencies and the municipalities concerned in the discussion of the results achieved from the five assessments and their implications for PFM reform focus and sequencing.

4.3 Effectiveness

Table 4: Assessment of Effectiveness

Assessment	Score	Rating
The project has not been effective so far with many delays in implementation. The focus on a regional approach with P2P between municipalities, involvement of MoFE in capacity building and a first phase with 18 municipalities still need to show effectiveness. The recent delays in CD activities and preparation of municipal action plans are mainly due to external factors (natural disasters and COVID-19 pandemic), but also because four pilot	3	US

<p>municipalities were eliminated as pilots due to poor results, and it took time to activate seven new municipalities instead. The June 2019 local elections also had the effect that managers in about 40 municipalities with new mayors were changed. The 18 municipalities have not been able to perform a full PFM cycle in 2020, which is a precondition for roll out in 2021 to more municipalities. Virtual CD is difficult and some of the 18 municipalities (e.g. Tirana) are not willing to take their leading role. The selected implementing consortium with two international companies has experienced difficulty in exercising overall directoral control with only a limited role being played by the external companies, while the bulk of delivery has been undertaken by the local partner. This problem has been exacerbated by frequent changes in the position of the overall project director in the external lead organisation. As of December 2020, no less than four people have held this position.</p> <p>There is no specific focus on the SDG agenda, but the project is clearly targeting SDG 11: Sustainable Cities and Communities and SDG 16: Peace Justice and Strong Institutions.</p>		
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EQ6. To what extent has the provided support to PFM reforms, processes and procedures contributed to achieve its intended objectives in its partner countries ?

The project continues to be at an early stage of implementation and had to overcome several challenges including the impact of the earthquake in November 2019 the effects of the COVID-19 related lockdown starting in March 2020, the change of government and many transfers or changes in the beneficiary institutions personnel, both at central and at municipal level. However, the inception went smoothly in spite of the need to change the number and selection of the initially targeted municipalities. While the initial plans were for 15 municipalities, it was decided to increase the number to 18 municipalities, in order to achieve a better regional balance and a combination of more and less developed municipalities. As a result, actual project delivery in relation to PFM reforms only started relatively recently in several of the pilot municipalities, and several municipalities are still at the planning stage for their project activities, with the implication that assessment of effectiveness in terms of results achievement is still premature. However, the changes made to the selected municipalities are expected to improve the medium and longer term effectiveness of the project.

The final effectiveness of the project will depend in large measure on the capacity development component of the project which in the light of the COVID-19 pandemic is heavily dependent on P2P learning based on web-based technology.

It will be difficult for the 18 pilot municipalities to complete a full Medium-Term Budget Planning cycle in 2020 with delays in key Capacity Development (CD). As a result, the target of including all 61 municipalities in the remaining phase of the project is now generally believed to be over-ambitious.

EQ7. To what extent has the provided support contributed to reach or implement their SDG agenda (e.g. data collection)?²

In common with the other projects falling under this evaluation, the project under review was not specifically oriented towards the achievement of SDG targets, let alone specific SDG targets. However, that is not to say that the project has no relevance for, and will have no impact on SDG objectives. In an overall sense the project is oriented towards improved budgeting by the municipalities, which is appropriately seen as a precondition for the municipalities to be able to use available resources more effectively and the achievement of a netter focus on the prioritisation of the use of those resources towards priority areas of public

² NB: The portfolio was originally not designed with a specific SDG angle

service delivery, which can be expected to focus on SDG targets. Secondly, the project emphasis on transparent and timely budget reporting by the municipalities should provide the requisite basic data series relating to municipal spending which has a direct bearing on the attainment of SDG objectives. More narrowly the project is clearly targeting SDG 11: Sustainable Cities and Communities³. Under this SDG exist 11 indicators all relating to making cities and communities inclusive, safe, resilient and sustainable.

4.4 Impact

Table 5: Assessment of Impact

Assessment	Score	Rating
The project only initiated in April 2019, so it is too early to assess impact.	NA	NA

EQ8. Did the project reach its high-level objective?

NA. It is too early in the implementation of the project to make a judgement on this evaluation question.

EQ9. To what extent has the provided support enabled more efficient, transparent and accountable processes and institutions?

It is too early in the implementation of the project to make a judgement on this evaluation question.

However, information provided by selected municipalities in the course of this evaluation point to important on-going areas of technical support, which can be expected to have a lasting effect. Interviews with municipal officials pointed to useful support from the project experts in several areas, including preparation of the Medium-term Budget Planning cycle prepared as part of the 2019/20 budget; support to strengthening of financial management system including the internal audit function, identification of potential areas for municipal revenue enhancement, development of a financial risk management and associated risk mitigation strategies, and revenue planning in the context of the negative impact of the earthquake in early 2020 and the COVID-19 pandemic.

At the central level the project is credited with supporting enhancement of the budget reporting processes, especially as these relate to provision of documentation of the status of municipal budgets. Such improvements should contribute to both increased transparency of government operations and increased accountability.

EQ10. Is there evidence that PFM reforms supported or initiated by the division have enabled more aggregate fiscal discipline, strategic allocation of public funds, and/or efficient service delivery at national or sub-national level? Did the evaluation observe any other positive or negative, intended or unintended, higher-level effects linked with SECO's interventions, such as better inter-institutional coordination for instance?

It is too early in the implementation of the project to make a judgement on this evaluation question. However, one effect of the project has been to establish discussion forums. In this context it is noted that a result of the project, which is already occurring, has been the planned bringing together of officials from the central level and the municipalities, which is believed to

³ <https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-11-sustainable-cities-and-communities.html>

have had beneficial effect on the relations between the central level and the municipal level on matters relating to municipal budgeting.

Training related to the local development of Medium-Term Budgetary Planning framework, delivered through hands-on support by the local project team, has progressed in some municipalities in the context of the 2019/20 budget preparation. This form of training has the potential, if carried forward over the lifetime of the project and extended to cover all municipalities, to contribute significantly to overall fiscal discipline, both by improving the overall budgeting process in individual municipalities leading to reduced incidence of unplanned municipal budget arrears and by reducing the fiscal risks appearing at the municipal level (mainly spending arrears) in the formulation of national budgetary strategy.

4.5 Efficiency

Table 6: Assessment of Efficiency

Assessment	Score	Rating
The project implementation modality is partly efficient. The project is well designed with a logical sequencing and after some redefining towards a more regional approach with relevant municipalities, it includes a regional approach with P2P and inclusion of national actors from MoFE and likely also the Albanian School of Public Administration (ASPA) for capacity building activities. The preparation has been thorough, so the project can focus on relevant activities, but it has taken time. The selected consortium has so far not provided the promised inputs among the three international partners and left implementation to a local company.	3	US

EQ11. Have the different implementation modalities and partnerships proven efficient in terms of cost and time to reach the planned objectives? Are there indications that one or more implementation modalities have produced superior results compared to others?

This is a bilaterally funded project implemented through a consortium of private sector bodies. However, the functioning of the consortium is unusual: The winning consortium has effectively subcontracted responsibility for implementation to the national company, with the lead organisation (GFA) playing an essentially back-stopping role. The local company is well connected at both central and municipal level and has good experience in management and top down PFM. However, the scope for the lead company to play a strong directing role has been constrained both by the limited resourcing of that input and by the frequent changes, with 3 GFA team leaders to date. The Hochschule Luzern is primarily involved with P2P and CD approaches, but its role has also been limited by modest resourcing.

The adoption during the inception phase of the project of P2P learning as the centrepiece for capacity development efforts has shown some progress but also met limitations. The wide disparity in the existing capabilities of different municipalities in PFM raises questions about the sustainability of the approach, and the potential lack of incentive for the more advanced municipalities to play a strong pro-active role in P2P. This finding remains, despite the changes made in the selection of municipalities during the inception phase of the project. Given these issues, questions are also raised about the feasibility of the proposed roll-out to all 61 municipalities during the remainder of the project. Several interviewees, including municipality representatives have noted the importance of expert-led coaching in PFM, which has been severely limited both by the impact of COVID-19 pandemic, which has required learning to be conducted online, and by the limited resourcing of external experts from Hochschule Luzern.

It is understood that consideration is being given to increasing the scope and role of the Hochschule Luzern.

Partly in response to the COVID-19 pandemic, increased emphasis is being paid to the development of online learning tools, and the Albanian School for Public Administration is working in collaboration with the MoFE on the development of existing software programmes developed by the MoFE as a basis for accelerated distance-learning and capacity development. But questions remain concerning the willingness of the MoFE to accept continuing responsibility especially after project completion for financing this initiative which raises questions about sustainability.

Transactions costs seem reasonable so far and planned budget is in balance. During inception it was decided to use P2P on a regional basis with 18 pilot municipalities and refrain from full attention to all 61 municipalities during roll out.

The project Steering Group meets and deals with progress/challenges.

4.6 Sustainability

Table 7: Assessment of Sustainability

Assessment	Score	Rating
The project's approach has a good chance to sustain its results. The modality is to some extent building on existing resources and the CD approach is focusing on institutional learning with involvement of national actors (MoFE, ASPA, pilot municipalities) and P2P. The recent changes in the municipal staff due to the municipal elections in 2019 is an inherent risk factor, which is, however, being addressed with repeating some CD to the new managers.	2	S

EQ12. To what extent were the PFM reforms, processes and procedures supported by SECO implemented with a lasting effect? What were the influencing factors (e.g. institutional capacities, financial capacities, implementation modalities, level of ownership etc.)? Are differences observed between interventions at national and subnational levels? To what extent is the sustainability of the PFM Interventions influenced by the relevance, coherence, effectiveness and efficiency of the intervention?

It is, of course, too early to measure directly the lasting effect of the PFM reforms, processes and procedures supported by the project. That measurement will only be possible at a much later stage of implementation or as part of an ex post evaluation. For the moment the evaluation can only hypothesise the likely lasting effect based on the intervention modalities adopted by the project and the degree of buy-in among the beneficiaries and motivation to achieve sustainability.

There are several positive elements. These include:

- The robust project design, strongly evidence-based drawn on the experience from the previous phase and the results of the 5 municipal PEFAs undertaken in the previous phase.
- The planning of a pilot phase of the project, during which important modifications were introduced, especially in the selection of municipalities
- The positive performance of the implementing consortium, (and notably the role of the local consultant), to date, in spite of its unusual structure for managing the project.

- The positive response to the initial training activities was recorded during the evaluation. The topics covered have been selected based on the needs of individual municipalities and the quality of training delivery is recorded as very good.
- The realisation already achieved that substantial roll-out across the 43 municipalities to be supported under the second phase of the project will require new approaches including significant development of the PFM Knowledge Management Platform.
- The good collaborative engagement between the central and municipal levels of government.

Against these positive factors there are some important challenges which will need to be addressed:

- Whether the proposed heavy reliance on P2P learning with a pro-active role for the more advanced municipalities will prove feasible in the face of resource constraints facing municipalities, issues relating to the incentives for the advanced municipalities to play this role, and skilled staffing constraints even in the advanced municipalities.
- The lack to date of a truly national and comprehensive strategy for PFM capacity building.
- The possibility of rivalry between national level institutions, notably MoFE and Ministry of Interior in leading PFM reform at the municipal level given the existing decision of responsibilities for oversight of municipal governance.
- The judgement by a senior official in the MoFE that many of the municipalities to be supported in the second phase are still at too low a level of PFM capacity development to benefit from the project at this juncture, especially in a context where project implementation is planned to rely heavily on the use of P2P modality.

The evaluation concludes that the project will achieve a measure of lasting effect, though it is unlikely to achieve the desired impact across all the 61 municipalities within the current timeframe of the project.

EQ13. Were the major sustainability risks adequately identified during project preparation and implementation? Were the appropriate mitigation measures implemented?

The principal sustainability risk identified in the Credit Proposal is stated as: “The activities conducted as part of the roll-out to all municipalities might not produce sustainable results because the implementation in each municipality cannot be accompanied in a detailed and hands-on manner”. The mitigation measures envisaged at project design stage are based on the project adopting several modalities of operation. These include: combining specific expert support with more general trainings, stimulating peer pressure so that municipalities are incentivised to follow through on implementation and achieve verifiable results; and encouraging the MoFE to strengthen and utilise its national tracking system on development of municipal capacities.

The evaluation believes that the major sustainability risk was correctly identified in the credit proposal and that this risk has been substantially increased by the unanticipated advent of the COVID-19 pandemic which has had a strong adverse effect on the ability for municipalities to receive face to face training from local and external experts.

Nevertheless, there are grounds for a degree of optimism. The municipalities interviewed in the course of the evaluation all reported favourably on the quality and relevance of the training provided by the project experts, in spite of the challenges. Specific areas for training have been identified on the basis of the needs of each municipality and it has been possible at the

municipality level to avoid possible duplication with the efforts of other donors and projects such as the multi-donor support for the Asset Recovery Agency and Asset Management Office

The municipalities interviewed and the MoFE expressed appreciation of the workshops held - which combined central level and municipal officials on the grounds - that these events had strengthened mutual understanding. The MoFE expressed the need to strengthen the role of the Albania Financial Management Information System (AFMIS), an IT system for the management of public sector accounts, in terms of its ability to report comprehensively on the status of municipality finances.

However, reservations were expressed concerning the appropriate implementation modality for the proposed municipal PFM Knowledge Management Platform. Specifically, the question was raised in discussion with both the implementing agency and central government officials whether this should be primarily a support tool for P2P based training, or whether a more centralised approach should be taken, with the MoFE concentrating on an enhanced programme of training of PFM trainers to provide the core resource to underpin roll-out to an expanded number of municipalities under the second phase of the project.

4.7 Overall Assessment

Table 8: Overall Assessment and Scoring

Assessment	Score	Rating
The project is satisfactory. It has a good approach and a high relevance. The recent reorganisation of the inputs from the implementing consortium with more international inputs on P2P approaches and better coordination with SDC are, however, critical to gain momentum and create results. The implementation of good virtual CD approaches is also critical, so the 18 pilots can reach their expected role before the roll out to the other municipalities, which probably will be delayed to 2022.	2.3	S

5. Learning Questions

This section presents the answers to four learning questions as introduced in the evaluation's inception report.

EQ14. How can capacities be built in a sustainable way in a context of high level of job rotation in partner governments/agencies? What are good practices in this regard?

Capacity approaches: In the Credit Proposal the CD approach is presented as providing expertise through expert visits, training of trainers, coaching, P2P, and seminars and workshops. During inception, the focus was adjusted slightly by initially developing capacities in 18 core municipalities and thereafter roll out P2P training in a regional approach with inclusion of the remaining 43 municipalities. It cannot be assessed yet if the approaches were successful.

However, the CD takes place in an environment with an inherent risk for changes of municipal staff at management level every four year after local elections. This happened in 2019 with change of staff at management level in two thirds of the selected municipalities, so CD activities need to be repeated to ensure that capacities are maintained.

EQ15. In which cases is PEFA (which could be characterised as a more top-down solution driven approach) an adequate tool to promote effective PFM reforms and what are the necessary conditions for PEFA to be useful? Are there good vs bad practices in the portfolio under evaluation? How could different approaches (e.g. solution-driven

and problem-driven iterative adaptation approaches (PDIA)) be combined to achieve better results?

PEFA: The five municipal PEFAs are top down conducted by consultants with the support of municipal staff. The draft reports were discussed with municipal staff and the municipalities could also provide comments to the draft reports. The PEFA results were used actively to design the project, and project activities are then discussed further with the municipalities to design municipal action plans.

While the use of municipal PEFAs has proven to be important at the design stage of the project, it is less clear whether further rounds of PEFA assessments would continue to have high value-added. In principle, follow-up municipality-level PEFAs could provide a robust indicator of the degree of objective achievement. However, given the resource cost of undertaking full PEFAs and the time required for their execution and quality assurance it can be argued that subsequent rounds of assessment would not be justifiable. An alternative approach may be to develop simplified assessment routines which could ideally be conducted by the municipalities themselves, at least the stronger municipalities.

EQ16. To what extent shall transversal themes (such as gender, climate, digitalisation, or corruption) be integrated in PFM reforms? Are there emerging evidence or best practices (e.g. with regard to sequencing)? How can SECO position itself with respect to these transversal themes?

The project is not designed to address the **transversal themes**. According to the Credit Proposal, gender and climate change and other transversal issues will be considered later on i.e. during implementation. However, the two progress reports do not include any actions except a little on digitisation i.e. that ASPA and SECO will set up some knowledge learning platforms for municipalities.

EQ17. With regard to change management, what approaches have proven most successful to build institutional capacities in the field of PFM beyond individual training or coaching?

The project does not include a specific **theory of change**. A reconstruction could be along the following lines:

- If good PEFA assessments are developed with involvement and acceptance of the municipalities.
- Then CD can effectively be organised in 18 piloting municipalities, from which P2P learning can be rolled out and their knowledge spread to other municipalities through a regional approach supported by other CD initiative from other national actors (MoFE, ASPA) and project staff.
- Then PFM will be improved in all 61 municipalities.

While it is still too early to reach a definitive assessment of the efficacy of this imputed change management strategy, some indicative findings can be noted: Albania has been very effective in bringing evidence to bear at the stage of design. The extensive learning from the previous phase of the project and the hallmark use of the municipal PEFA assessments support this conclusion. The accumulated evidence at the time of project design was used both to familiarise the beneficiary municipalities and the beneficiaries at the central level on PFM concepts fundamental to the project, and to increase buy-in for the project at both municipal and central level.

However, the emphasis on the use of P2P as a principal instrument for supporting roll-out to a large number of often weaker municipalities, while perhaps the only viable option under the present COVID-19 pandemic and existing constraints on the project budget, remains to be proven as a strong vehicle for achieving sustainability of project results.

6. Lessons Learned

- Quality of project CD activities is higher, if senior management from municipalities are involved along with the staff.
- Participation of MoFE in training activities as trainers enhance the effectiveness of the project with more ownership, intergovernmental understanding and improvements in the relevance of CD activities.
- The COVID-19 pandemic affects the project's CD activities, so application of more virtual learning is essential with the current travel restrictions. The COVID-19 pandemic has reduced or eliminated the possibility of face-to-face training both by external experts and local experts. This is placing an unexpected and dominant role on the use of web-based P2P as the principal mechanism for individual capacity building.
- Different approaches to PFM can diminish potential synergies between projects implemented by SECO and SDC. The project should according to the Credit Proposal clarify thematic division of work between SDC and SECO at sub national level and thereby leverage Swiss donor assistance for sub national reform. During implementation disagreement emerged as SDC is following a service oriented right based approach in terms of people's access to services, while SECO is looking more into available finance and area of process and capacity-building reforms in PFM. Following discussions at the central level, agreement has been reached on the respective roles of SDC and SECO in the field of PFM.