Getting the PFM basics right (A study of PEFA scores awarded over the 2016 and 2011 Frameworks)

By David Fellows and John Leonardo

Introduction

The Public Expenditure and Financial Accountability (PEFA) programme provides a framework for assessing and reporting the strengths and weaknesses of public financial management (PFM). The current 2016 Framework refines the previous 2011 Framework and is structured under a hierarchy of 6 Pillars, 31 Indicators (PIs) and 94 Dimensions. The PEFA Field Guide

explains the components of the 2016 Framework and describes how an assessment team should score each dimension on a scale of A to D, a D score representing the lowest level of performance.

An initial assessment of the latest PEFA reports for countries published under the 2016 Framework suggested that many countries were not getting the PFM basics right. This led to a comparison of recent results with those from earlier PEFA reports prepared under the 2011 Framework to examine performance over time and the lessons for PFM improvement that such a comparison may offer (termed the 'dual study'). It was decided to focus on dimension scores since the demands of PFM can change markedly depending on the aspects of the subject matter under consideration and the evident variations of score for the same country at dimension level within a range of PIs.

It was decided to confine this initial study to the analysis of D scores at the dimension level given the frequency of D scores, the very poor performance they represent and the importance of raising performance to a higher level. The Field Guide requires a D score when: 'the feature being measured is present at less than the basic level of performance or is absent altogether, or that there is insufficient information to score the dimension'.

For the purpose of this study, D scores include dimensions marked D*, NR and some NA scores where evidence suggests a breakdown in PFM activity. It seemed evident that these attributions are often applied inconsistently and serve to obscure the extent of the poor performance of some countries by avoiding the use of justifiable D scores. A summary of all scores for the 2016 Framework and the dual study evaluations, as discussed in this report, can be accessed at Annex 1.

2016 Framework analysis

The 2016 Framework analysis consisted of the latest published evaluations for the 63 countries for which there were published reports at the time of this study. The D scores represent 32% of all dimension scores in this data set, 39% amongst low-income countries.

D scores were widely distributed throughout the framework with 45 of the 94 dimensions having an above average number of D scores.

The study also defined and assessed the key factors (termed descriptors) that contributed to PFM performance. The results, summarised at Annex 2, suggested that most D scores can be explained by the absence of 'Management Effectiveness', 'Integrity' and in one case of 'High Level Technical Knowledge' although poor "System Design" was another potentially important contributing factor.

Annex 3 provides a full list of the 2016 Framework dimensions and D score data together with the descriptors contributing to each dimension.

Dual framework

Following the results of the 2016 Framework D score study it was decided to undertake a review of 45 countries that have undertaken at least one PEFA evaluation under both the 2011 and 2016 frameworks (the earliest and the latest studies we

used for countries with more than two studies). This enabled a country's performance to be compared over a five-year period.

The 2011 and 2016 PEFA frameworks differ in many respects. An equivalence table published by PEFA suggests that the two frameworks can be aligned to 37 "equivalent" dimensions on the basis that the respective dimensions were either "directly comparable" or "indirectly comparable".

The PEFA equivalence table identifies 28 dimensions (or in some cases subsets) from the 2011 framework as "non-comparable (subject only)" to 2016 counterparts suggesting that the dimension descriptions and scoring routines differ markedly while the general area of relevance to the dimensions are similar. This leaves only 37 pairs of comparable dimensions.

On examination, the study team decided that 26 of the 28 pairs of dimensions judged "non-comparable (subject only)" were in fact very similar to the 2016 counterparts, the main difference being the way in which the later guidance is translated into clear-cut scoring criteria but that a good PEFA evaluator should have made reasonably similar judgements for both frameworks when reviewing all but two of these dimensions.

This exercise, therefore, recognises 63 equivalent dimensions while also providing results for PEFA's 37 equivalent dimensions. It is suggested that the D score characteristics of both data sets are sufficiently similar to provide a reasonable validation for the larger 63 dimension equivalence thereby extending the usefulness of inter-framework comparisons. Details of the PEFA and PFMConnect equivalence tables are set out at Annex 4. The dual study of 2016 and 2011

Framework with D score data at dimension level is set out at Annex 5.

The dual study is highly concerning in terms of the lack of improvement amongst those dimensions receiving D scores. These data are further summarised and commented on below.

Table 1: Dual Framework Study Comparison of Results at Dimension Level for the relevant 45 countries

Data Set	Average D-score across all dimensions		Dimensions with above Average D scores		Dimensions with fewer D scores in 2016 compared with 2011	Countries with fewer D scores in 2016 than 2011
	2016 Framework	2011 Framework	2016	2011		
	%	%	%	%	No.	No.
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
PEFA's 37 comparable dimensions	26	23	49	46	13	17
PFMConnect's 63 dimensions	28	23	43	41	16	10

The dual framework study reveals a deteriorating performance with most dimensions exhibiting a greater number of D scores in the later evaluations. Only 13 (35%) of dimensions from the 37 dimensions study and 16 (25%) from the 63 dimensions study experienced reductions in D scores between evaluations.

When the dual evaluations for the same country were compared, see Annex 6, it was noted that most countries recorded a higher proportion of D scores for the same dimension in both evaluations demonstrating a reasonably consistent poor performance. A few countries displayed less consistent results.

Few countries in the 63 dimensions set recorded reductions in the number of D scores in 2016 framework results compared with the 2011 framework results. The top performers where significant PFM reform activities had been undertaken between the dual framework studies included: Philippines, Maldives, Mongolia and Tajikistan.

Table 2: Comparing above average D scores for both frameworks

Data Set	Dimensions with above average D scores			
	Total for 2016 framework No.	Total for 2011 framework No.	Common to both frameworks[i] No.	(%)
(i)	(ii)	(iii)	(iv)	(v)
PEFA's 37 comparable dimensions	18	18	13	(72)
PFMConnect's 63 dimensions	25	25	20	(77)

NB: Column (iv) shows that of PEFA's 37 equivalent dimensions 13 (35%) have above average D scores common to both frameworks or 20 (32%) for PFMConnect's 63 equivalent dimensions.

The results for the proportion of dimensions with above-average D scores that are common to both framework dimensions sets is concerning. Approximately one third of all dimensions had above-average D scores that were common to both frameworks for the same country for both datasets. In addition, over 70% of the above-average dimensions in both datasets were common to both frameworks showing limited improvement in the worst scoring areas over a five-year period.

Dimensions with regular poor performance are widely distributed (titles in red at Annex 6). This suggests pockets of poor management that remain in place without effective challenge and this is consistent with the descriptor analysis.

Conclusions

This study offers a range of findings that pose questions about the approach, effectiveness and sustainability of PFM reforms instituted by national and subnational governments often in collaboration with development agencies. The concerns about management effectiveness and integrity highlighted in this study must be seen to question the most basic aspects of any organisation.

The study focusses on D score analysis, but it could be useful to extend the analysis to C-level scores where the performance of countries still remains below good international standards. This could reveal new characteristics of national PFM performance and extend the range of analytical techniques applied to performance data.

The data analysis evidences the credibility of PFMConnect’s extended 63 dimension equivalence model that offers significant potential for more detailed studies of specific countries or regions.

Further work on descriptors to reveal contributory factors to variations in performance seems worthy of further development.

The failure of some governments to publish PEFA studies in full reinforces concerns about the need for greater attention to integrity. Another improvement that could be readily and widely implemented is legislative scrutiny of audit reports (PI 31).

Recommendations

We recommend that country-specific studies should be undertaken based on PEFA assessment reports (both 2016 Framework studies for the full 94 dimensions and dual studies where the data are available) examining D scores at dimension level to establish potential causes of poor performance and identify ways in which performance may be improved. Issues to consider with respect to areas of poor performance, include:

- The commitment to personnel development and support, including: in-service training, management development, oversight, feedback on performance, and system design.
- The adequacy of transparency and accountability and evidence of corrupt activity.
- The quality of relevant communication and support levels among different departments and units of the finance ministry.
- The reasons for persistently poor or erratic performance and the fit with other findings.
- The observations of managers and staff on reasons for poor performance and barriers to improvement.

We recommend that country studies should be designed as the initial phase of PFM development programmes. In this context, a report by the Swedish International Development Cooperation Agency (SIDA) offers some observations about the conditions for effective PFM reform. These include the importance of change agendas being aligned with Government priorities and the need to treat PFM reform as a learning process with strong emphasis on coordination and systematic evaluation of the activities performed by teams responsible for delivery.

Groups of countries or subnational bodies may wish to collaborate in reform programmes enabling challenges and learning to be shared and systems of mutual support developed. We have previously advocated the use of digital communication as a cost-effective and time-saving way of sharing knowledge and ideas between nations (incl. expert advisors).

Any country, region or development institution wishing to participate in further work in this field is invited to discuss their interest with the authors.

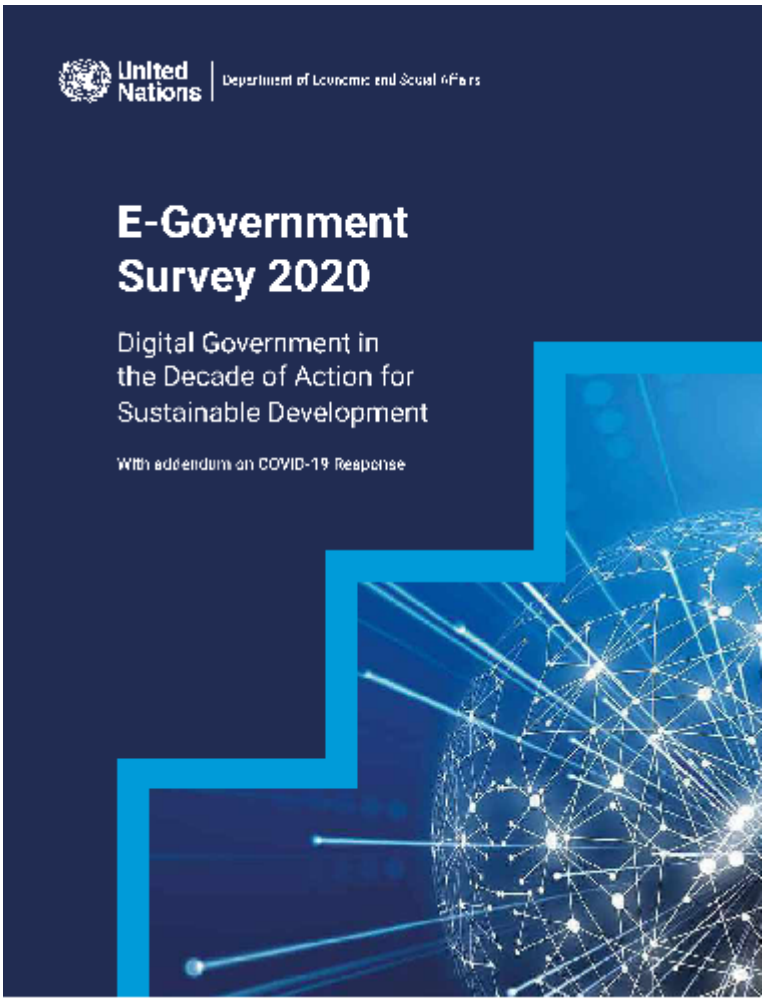
An article based on this study has been published by the IMF's PFM Blog.

PFMConnect is a public financial management consultancy with a particular interest in the use of digital communication to support learning and sharing expertise amongst the international development community.

David Fellows began his career in UK local government where he became President of the Society of Municipal Treasurers and a pioneer of digital government. He has held appointments in the UK Cabinet Office and the National Treasury of South Africa (david.fellows@pfmconnect.com).

John Leonardo is a PFM expert with extensive worldwide experience. He has undertaken PFM assignments in Africa, Asia, the Caribbean and the Pacific where he undertook PEFA assessments. Both authors are directors of PFMConnect, a public financial management consultancy (john.leonardo@pfmconnect.com).

World e-government coverage remains limited



World e-government coverage remains limited according to the 2020 edition of the United Nations E-Government Survey which was released on 10 July 2020 (1). This is in spite of most countries and municipalities currently pursuing digital government strategies, many with innovative initiatives.

The 2020 ranking of the 193 UN Member States in terms of

digital government – capturing the scope and quality of online services, status of telecommunication infrastructure and existing human capacity – is led by Denmark, the Republic of Korea, and Estonia, followed by Finland, Australia, Sweden, the United Kingdom, New Zealand, the United States of America, the Netherlands, Singapore, Iceland, Norway and Japan.

Among the least developed countries, Bhutan, Bangladesh and Cambodia have become leaders in digital government development, advancing from the middle to the high E-Government Development Index (EGDI) group in 2020. Mauritius, the Seychelles, and South Africa are leading the e-government ranking in Africa. Overall, 65 per cent of Member States are at the high or very high EGDI level.

In responding to the health emergency, governments have put in place new tools, such as dedicated COVID-19 information portals, hackathons, e-services for supply of medical goods, virtual medical appointments, self-diagnosis apps and e-permits for curfews. Many countries were quick to deploy tracking and tracing apps, and apps for working and learning from home.

Innovative digital government responses to COVID-19 include online dashboards in Canada and Australia to share information and track emergency responses. In China, chatbots are used to assess patients' risk of being infected. A community engagement app in Estonia allowed local governments to directly interact with their constituents, including through sharing COVID-19 information, posting photos and videos and even organizing virtual events. In Croatia, a "virtual doctor" is powered by artificial intelligence and developed by technology firms in cooperation with epidemiologists. In London, the use of cameras, sensors and AI algorithms,

normally intended to control traffic, now measures distance between pedestrians to control social distance.

E-government progress still hindered by digital divide

As a development tool, the E-Government Survey examines countries' strengths, challenges and opportunities, and informs policies and strategies. The 2020 edition found that progress has been made across all regions, even in the least developed countries. Over 22 per cent of countries were promoted to higher levels of e-government development.

Yet, despite the gains and major investments in e-government by many countries, the digital divide persists. Seven out of eight countries with low scores are in Africa and belong to the least developed countries group. The regional average index scores for countries in Africa are almost one third lower (at 0.3914) than the world average EGDI of 0.60.

Alongside these trends, the COVID-19 pandemic has now not only reinvigorated the role of digital government in its conventional delivery of public services and in ensuring business continuity, it has also brought about innovative ways in managing the crisis, such as in contact tracing, e-health, online learning, and remote working.

About the UN E-Government Survey

The UN E-Government Survey, published by the UN Department of Economic and Social Affairs (UN DESA), is prepared over a two-year period following an established methodology. It looks at how digital government can facilitate integrated policies and services across 193 UN Member States. The Survey supports countries' efforts to provide effective, accountable and inclusive digital services to all and to bridge the digital divide and leave no one behind.

(1) This blog is an amended version of the accompanying UN press release

---

Policy Frameworks and Municipal Effectiveness

By David Fellows [1]

Introduction

Local governments, referred to here as ‘municipalities’, tend to be smaller scale, face less complex challenges, and have less diversity amongst stakeholders when compared to national governments. This relative simplicity should be regarded as their defining strength. It eases the path to identifying their core mission and prioritising service developments within resource constraints and national mandates.

A common problem with capitalising on this strength is that municipal strategic policy agendas are often asserted without sufficient regard to their consistent articulation, internal coherence or supporting administrative sub-structure. It is the author’s contention that without these attributes municipal leadership will always lack clarity of direction; delivery competence; and full hearted community support. In addition, the media will have grounds for scepticism and its criticisms will probably intensify over time.

This piece outlines the elements of an effective municipal policy framework and the need for its periodic review and realignment.

The Policy Framework

The fundamental elements and principles of the policy framework are outlined below:

1. Policy objectives should be set at a long-term level with more detailed expression at shorter timescales. This policy cascade must be consistent. The policy cascade must be achievable in a practical sense and there must be sound and clearly expressed reasons to expect the necessary resources (finance, skills and materials) to be available in the timescale envisaged by the policy objective.
2. Operational changes must be supported by realistic development plans and external expert support should be sought to help develop internal capacity where necessary.
3. There should be a medium term budget reflecting the stated policy system over a minimum 3 year policy timescale. All budgets should contain both revenue and capital provision that should be consistent between the two, realistically achievable. Where policies are changed the budget must change accordingly.
4. No spending commitment must be made until budget provision has been allocated as a priority above all competing demands that would otherwise make funding untenable.
5. Service delivery arrangements and underpinning administrative processes must be set out clearly and

there must be adequate training plans to achieve the intended outcomes.

6. The budgetary control must be exercised to ensure that expenditure and revenues are consistent with the budget and where this is not achievable then modifications to policy, practice and budget must be made appropriately. The overall responsibility for containing spending within budget must be imposed on departmental heads without the option of delegation to a lower level.
7. Benefits realisation strategies for new developments must be used to guide successful outcomes and risk management strategies used to anticipate and mitigate possible challenges.
8. Civil servants must have performance contracts for achieving service outputs and outcomes within budget.
9. There must be public engagement in the development process and transparency about its outcomes.
10. The logical chain of policy, delivery practice, supporting administrative processes, development plans and budgetary provision must be understood by politicians and administrators at all levels.

This type of policy framework could be said to be applicable to anywhere within to anywhere within the public service but in municipalities it is more tangible in terms of proximity between the administration and the community as a whole, more easily comprehended as a working system that encompasses the entire municipality and more capable of being used by the political leadership as an envisioning and executive tool. This sentiment was echoed by Mr Armand Beouinde, Mayor of Ouagadougou, Burkina Faso at the UN-Habitat Conference in Marrakesh last November.

Review

Periodic reviews of the policy framework offer an opportunity to improve coherence and effectiveness. They can also lead to a better understanding of municipal capacity and critical areas of weakness that must be addressed if ambitions are to be fully realised. It may be useful for such reviews to be undertaken independently and shared with the community for comment prior to finalisation.

Conclusion

Municipalities are well placed to make crucial contributions to community well-being and development. Better governance based on coherent policy frameworks and sound development plans can help them deliver on their potential. In the author’s view development partners can be too keen to rush developing countries into adopting practices that are unsustainable before the necessary organisational capacity has been achieved.

End note

We should be pleased to discuss the ideas in this piece with those who believe that they may have relevance to their situation.

[1] *David Fellows began his career in UK local government where he became President of the Society of Municipal Treasurers and a pioneer of digital government, he followed this with stints in the UK Cabinet Office and the National Treasury of South Africa. He is a director of PFMConnect.*

Using Digital Technology to Improve Sustainable Development Goal (SDG) Delivery

by David Fellows and Glyn Evans[1]

The SDGs

The United Nation's SDGs present an array of complex social, engineering, medical, scientific and managerial challenges for member states set in different contexts and mostly requiring very significant investment, organisational capacity and

community involvement. Nations have made commitments to this agenda and it is accepted as guiding the key purposes of international development work worldwide. It is a hugely ambitious enterprise yet we suggest that current development work could be more successful.

The need for a powerful learning system

At a general level perhaps the greatest challenge is the creation of a learning system that is powerful enough to develop and distribute relevant knowledge and an understanding of how that knowledge can be best applied in the very different circumstances that exist across the world. As SDG performance criteria are finalised and adopted a report by ESCAP makes it clear just how difficult it is going to be to make a real difference.

We are not suggesting a great deal of organisation to create this necessary learning system. We propose a loose system of networking between experts based on digital communication. This would enable advice to be made available to community-based projects with greater levels of expertise being made available to the development of major programmes and projects. It would also facilitate feedback on project progress and performance. The use of digital technology would also improve the public information base and support public engagement.

Learning system features

The basis of this networking would be a digital communication system that would be largely self-driven by those in the field

and a support network that will evolve around them. Key aspects of this digital communication system are illustrated below.

At national and local level:

- *Provide* feedback on progress made at local level within the country
- *Request the public to identify key factors to be taken into account when designing SDG initiatives*
- *Seek feedback on the regulations required to support SDG initiatives*
- *Engage in shared learning (perhaps amongst scattered populations) between ordinary people who are trying to cope with SDG challenges on limited resources*

At regional level:

- *Undertake shared research programmes*
- *Share experiences of adapting recognised approaches to particular circumstances*
- *Improve monitoring techniques*
- *Share monitoring and advisory services*
- *Encourage the development of problem-solving support networks*
- *Undertake peer reviews of projects and governance arrangements*

At international level:

- *Build worldwide expertise to address fundamental scientific, engineering, economic, social and implimentation challenges*
- *Identify and promote successful strategies and initiatives*
- *Recognise issues for which effective solutions remain elusive*
- *Create networks capable of addressing significant and urgent challenges*
- *Develop modeling tools to help design solutions*

Supporting technology would include:

- *Websites including chat rooms, website messaging, on-line data monitoring and*
  online questionnaires
- *Video-conferencing for expert dialogue and advisory sessions*
- *Cloud-stored databases and shared document development*
- *Email for public interactions(newsletters), dispatch of documents,*
  technical & administrative correspondence and technical update circulars
- *Learning management systems to support training programmes that*
  develop skills and expertise
- *Application software to assist the gathering of performance data*
  including the collection of data from administrative sources (ESCAP Report ibid:
  page x)
- *Text messaging and social media for public dialogue*
- *Massive open online courses to raise general awareness*

In general such a system would require relatively unsophisticated technology dependent only on fairly low level digital communication. Expert dialogue would tend to benefit from good connectivity at reasonable bandwidth to support video conferencing although this is not absolutely essential. Proprietary software is readily available for most of these applications although bespoke monitoring, modelling and assessment tools could be created as the approach gained traction.

Examples from around the world

Our blog 'An International eCollaboration Route to Public Service Reform'
(also published by the Australian National University's DEVPOLICYBLOG in July 2017) considers the diverse power of digital communication technologies. Examples of this technology used in ways relevant to this proposition are, as follows:

1. An example of 'Shared Learning' is set out in the UNESCO publication Digital Services for Education in Africa. UNICEF has reported that in Vietnam 40% of children in rural areas used the internet for educational purposes, rising to 62% in urban areas.

2. Communities of practice have already been established in Canada for green climate purposes

3. Social media has been used by PFMConnect for the past three years to raise public awareness on public financial management and governance topics reaching significant numbers of people

in more than 50 countries.

Conclusion

This is not a system requiring heavy oversight and regulation. We seek cultural change to the way programmes and projects are developed. A more inclusive approach at expert and community level could be usefully supported by major development agencies and could become a requirement on contractors. For instance, these proposals could help the Green Climate Fund which appears to be heavily engaged in process issues at the expense of shared innovation.

Is it time to experiment with change?

End note

We should be pleased to discuss the ideas in this piece with those who believe that they may have relevance to their situation.

---

[1] *David Fellows is a specialist in public financial management and digital government reform and is a director of PFMConnect. He is a recipient of the Swedish Prize for Democratic Digital Service Delivery. Glyn Evans is the Vice President of the Major Cities of Europe IT Users Group and former CIO of various major cities.*