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255

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Public Expenditure and Financial Accountability (PEFA) - Lessons from Uganda's Integrated Fiduciary Assessment Process

Country Integrated Fiduciary Assessment Process

The effective management of a government's financial resources consists of a number of separate but related processes, involving a variety of different stakeholders and levels of government. The Public Expenditure and Financial Accountability (PEFA) Program aims to diagnose the country public expenditure, procurement and financial accounting systems and develop reforms and a capacity building program to strengthen the effective management and accountability of public resources. The 2004 Country Integrated Fiduciary Assessment (CIFA) in Uganda was the first exercise by key development partners and the government to adopt an integrated and holistic approach to the assessment of Public Financial Management (PFM), along the lines of the PEFA program.

In Uganda, the CIFA has involved the coordination and consolidation of four separate Bank diagnostic processes: the Country Procurement Assessment Report (CPAR); the Country Financial Accountability Assessment (CFAA); the Local Government Integrated Fiduciary Assessment (LGIFA); and the Public Expenditure Review (PER). Two additional assessments supplemented the diagnostic exercises: the Tracking of Poverty Reducing Spending Assessment conducted by the World Bank and International Monetary Fund and the Fiduciary Risk Assessment conducted by the Department for International Development (DFID) of the UK.

The overall CIFA process in Uganda took place over a period of nine months, with each individual assessment being conducted over a period of two to three months and the PER process being carried out during the entire financial year. The CIFA task was launched in October 2003 with an identification/preparation mission. The mission held discussions on each of the components with relevant stakeholders (budget department, Accountant General's Office, the Public Procurement and Disposal of Assets Authority and the Ministry of Local Government). A wrap-up meeting was held with the Permanent Secretary and the Secretary to the Treasury, during which the program for the CIFA work was defined and agreed. The work on each component then proceeded in tandem. Funding for this extensive analytical work was provided by the World Bank and several bilateral partners.[1]

The CIFA has benefited from strong coordination between the various government-donor diagnostic processes and the lengthy consultations with key stakeholders throughout the process. The good working relationship with the government and excellent coordination between the development partners has played an important part in the overall success of this process. This was the first analytical study of this kind in Uganda produced in close collaboration with donors.

Report	Time Period	Donor Support
PER	Oct 2003 – June 2004	World Bank, DFID, Netherlands, SIDA
CFAA	Oct 2003 – April 2004	World Bank, DFID, AfDB, SIDA.
CPAR	Oct 2003 – April 2004	World Bank, DANIDA, Netherlands
LGIFA	Dec 2003 – April 2004	World Bank, PEFA
CIFA	Oct 2003 – June 2004	All of the above (PEFA)

Benefits of the exercise

The integration of the various processes has clearly highlighted the links between them, and helped to minimize duplication. The CIFA has helped to improve government and other stakeholders' understanding of PFM issues, as it provides a more comprehensive overview of the situation. It has also highlighted the dependencies within the PFM framework and the links to other reform programs. The preparation of a proposed integrated action plan and assessment of fiduciary risk will provide the government with a sound basis to address the challenges of improving PFM in Uganda.

The inclusion of a specific local government component has been of considerable value, especially in the decentralized service delivery environment prevailing in Uganda. The use of a quantitative benchmarking exercise by the LGIFA allows for a comparative assessment of the performance of different local governments. This will also allow stakeholders to track the comparative performance of local governments over time. The use of "yes-no" benchmarks mitigates the subjectivity of the assessment for many critical PFM areas. However, given the large number of local governments in Uganda, it would be important to design the study to ensure that selected local governments are representative of those in the country as a whole.

Remaining issues

A number of concerns have been raised about the overlap between the PER and the CIFA and about the inclusion in the CIFA of normative expectations regarding budget allocations rather than just analyses of static and dynamic processes of budget formulation and execution. Future exercises will need to review this issue. In addition, the process of trying to eliminate overlap on the budget sections of the CFAA and PER created difficulties, particularly in the CFAA chapter on budgeting. Future exercises may wish to consider leaving budget formulation issues to the PER. The analysis of financial management in this CIFA has also tended to concentrate on the Ministry of Finance and local government finance functions, and has not always addressed issues at the sector level, either in the finance or the service departments. Other concerns include the need for a more detailed assessment of PFM issues related to Uganda's wide variety of state-owned enterprises and other semi-autonomous organizations and the feasibility of focusing on particular areas of concern, e.g., pay and payroll management. These issues will need to be addressed in future exercises.

The CIFA exercise highlighted both the commonalities and the differences between the different levels of government. In retrospect, a more in-depth analysis at the local government level would have provided a clearer understanding of the causes of the problems rather than merely the symptoms. The inclusion of a procurement specialist in the LGIFA or better coordination with the CPAR could also have assisted in providing an in-depth understanding of the problems of local-level procurement.

1. "The European Union's Public Expenditure and Financial Accountability (PEFA) Trust Fund and the World Bank budgetary resources funded the LGIFA and the CIFA report and action plan. The World Bank funded the PER report, while the Royal Netherlands government supported the release study, which was carried out in the context of the PER. The CPAR was jointly funded by the World Bank, the Danish International Development Agency, and the Royal Netherlands Government. The CFAA was funded by the World Bank with additional support from DFID, the African Development Bank, and the Swedish International Development Cooperation Agency (SIDA).

The government has recommended that any future exercises be more aligned with its budget process - this would allow the CIFA's recommendations to be reflected on a timely basis. Other commentators have suggested that more time should be provided for the exercise. The CIFA action plan enables the government to prioritize its actions and to recognize the interdependencies within the PFM framework and between different reform initiatives.

Some stakeholders have proposed that annual exercises be carried out on the basis of PEFA's PFM performance measurement framework—which uses 25 government indicators and two development partner indicators to assess the state of PFM in the country—thus monitoring the progress in implementing the government's action plan. This will form the basis for future work, once the PFM performance measurement framework currently being developed through the PEFA, is complete. Over time, it is anticipated that the need for separate assessments such as the Tracking Poverty Reducing Spending Assessment and the Fiscal Transparency Report on the Observancy of Standards and Codes will be eliminated. This will reduce transaction costs by reducing the number of separate action plans and having specific monitoring arrangements.

Lessons for the future

A number of important lessons have been learned in relation to the management of the process by the Bank. These include the following.

- Extensive consultations from the beginning with the government and with development partners helped to promote their ownership of the process and content of the CIFA report.
- Extensive planning and consultations at the outset between the task team leaders of the four separate tasks helped to reduce overlap.
- Time spent in setting out and agreeing on the concept paper and report outline was worthwhile as it contributed to the streamlining of the report preparation process.
- The use of an independent person (not one of the task team leaders) to consolidate the drafting of the CIFA resulted in a well balanced report.
- Assignment of overall management to one task manager and three cluster leaders in the Bank helped to ensure that the process was completed within a tight timetable.

Conclusions and Key Challenges

Considerable knowledge and experience has been gained in carrying out this exercise. The CIFA advances on past reports of PFM by providing an integrated action plan and a broad assessment of fiduciary risk. These can help the government to address in a clear and focused way the challenges in achieving sound PFM.

A number of issues and challenges remain, however, regarding how such exercises should be conducted in the future and how traditional ways of working within the Bank's technical groups can and must evolve and develop. Key issues to be agreed both internally and with the government and other stakeholders include:

- Frequency and content of the exercise—should the CIFA be conducted every three years like CFAA and CPAR or every year like a PER?
- Relationship between the CPAR, PER, CFAA, CIFA and the emerging PFM performance measurement framework being developed through the PEFA.
- Relationship of the CIFA action plan with other reform initiatives, in particular the PRSC and other capacity building projects.
- Extent to which the Public Expenditure Management Committee (PEMCOM) can or should take the lead in taking the process forward.
- Role of other stakeholders including line ministries, NGOs, and development partners in future exercises.
- Ensuring that the action plan addresses comprehensively the key issues facing the government, without being self-defeating by presenting an overwhelming set of issues.

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