QUALITY OF FIDUCIARY ESW

(January 2000 – June 2001)

A QAG ASSESSMENT

February 14, 2002
**ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>AFR</td>
<td>Africa Region</td>
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<tr>
<td>CAS</td>
<td>Country Assistance Strategy</td>
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<tr>
<td>CFAA</td>
<td>Country Financial Accountability Assessment</td>
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<tr>
<td>CPAR</td>
<td>Country Procurement Assessment Report</td>
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<tr>
<td>DFID</td>
<td>Department For International Development</td>
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<td>EAP</td>
<td>East Asia and Pacific Region</td>
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<tr>
<td>ESW</td>
<td>Economic and Sector Work</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>FM</td>
<td>Financial Management</td>
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<td>FMS</td>
<td>Financial Management Specialist</td>
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<tr>
<td>FY</td>
<td>Fiscal Year</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HIPC</td>
<td>Highly Indebted Poor Countries</td>
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<tr>
<td>IADB</td>
<td>Inter-American Development Bank</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>IDA</td>
<td>International Development Association</td>
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<tr>
<td>IDF</td>
<td>Institutional Development Fund</td>
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<tr>
<td>IGR</td>
<td>Institutional and Governance Review</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>MDB</td>
<td>Multi-lateral Development Banks</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<tr>
<td>PER</td>
<td>Public Expenditure Review</td>
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<td>PR</td>
<td>Procurement</td>
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<td>PREM</td>
<td>Poverty Reduction and Economic Management Network</td>
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<td>PRSC</td>
<td>Poverty Reduction Support Credit</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PSAL</td>
<td>Programmatic Structural Adjustment Loan</td>
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<td>PSM</td>
<td>Public Sector Management</td>
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<td>PWD</td>
<td>Public Works Department</td>
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<td>QAG</td>
<td>Quality Assurance Group</td>
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<td>QER</td>
<td>Quality Enhancement Review</td>
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<tr>
<td>RFMA</td>
<td>Regional Financial Management Adviser</td>
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<tr>
<td>ROSC</td>
<td>Report on the Observance of Standards and Codes</td>
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<tr>
<td>RPA</td>
<td>Regional Procurement Adviser</td>
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<tr>
<td>SAL</td>
<td>Structural Adjustment Loan</td>
</tr>
<tr>
<td>SAR</td>
<td>South Asia Region</td>
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<tr>
<td>TA</td>
<td>Technical Assistance</td>
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<tr>
<td>TTL</td>
<td>Task Team Leader</td>
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<tr>
<td>UNCITRAL</td>
<td>U. N. Commission on International Trade Law</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>USAID</td>
<td>U.S. Agency for International Development</td>
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<tr>
<td>RVP</td>
<td>Regional Vice-President</td>
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**ACKNOWLEDGEMENTS**

This report is a synthesis of findings arrived at by QAG panels as part of the fiduciary ESW assessment. The report was written by Praveen Kumar with contributions from Jamil Sopher. Useful comments were provided by Paul Birmingham, Armando Araujo, David Shand, Jean-Jacques Raoul and Pamela Bigart. An early draft of the report was discussed at meetings with panelists and task team leaders, as well as with the participants at two workshops sponsored by the FM and Procurement Sector Boards to discuss future directions for the CFAAs and CPARs. Leila Cruz and Dora Adoteye formatted the report.

Prem Garg, Director Quality Assurance Group, guided the overall effort.
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EXECUTIVE SUMMARY

1. Country Procurement Assessment Reports (CPARs) and Country Financial Accountability Assessments (CFAAs) are diagnostic tools designed to enhance the Bank’s knowledge of procurement systems and financial accountability arrangements in client countries. Both of these instruments have developmental as well as fiduciary objectives. Since July 2000, they have been grouped together as ‘Fiduciary ESW’ and are included among the core diagnostic ESW that the Bank needs to do business in a country.

2. This is the first assessment of CPARs and CFAAs, carried out at the request of the Procurement and Financial Management Sector Boards. It covered all fiduciary tasks completed between January 1, 2000 and June 30, 2001 – a total of 30 tasks (20 CPARs and 10 CFAAs). The main objective was to learn from a quality assessment of the completed tasks and develop robust quality benchmarks for future evaluations.

3. The tasks were assessed following the framework used for mainstream ESW. That framework includes an assessment along four quality dimensions: (i) Scope and Strategic Relevance; (ii) Internal Quality; (iii) Dialogue and Dissemination; and (iv) Likely Impact. The Overall Quality rating was based on these four dimensions. The framework also included a separate set of judgments on Bank Inputs and Processes. The result of this assessment should be interpreted against the background that these tasks were not initiated or carried out as an ESW, but were assessed against ESW-like standards.

4. The main findings of this assessment are:

   • Overall, 67% of the tasks were rated Satisfactory or better\(^1\). CPARs (70%) fared marginally better than CFAAs (60%). Three tasks (10%) were rated as Highly Satisfactory.

   • As development tools, both products were seen as covering important issues relevant to public sector reform. However, many of the assessed tasks were inadequately integrated into the corresponding country programs. Country teams often perceived them as technical exercises that were of interest only to specialists. The sample had some good examples of integration into the country programs, which can be emulated.

   • Prepared under clear guidelines for country risk assessment, CPARs generally did a good job of assessing country fiduciary risk. In contrast, CFAA guidance was weaker in laying down a clear methodology for risk assessment. Both products showed weakness in assessing specific risks posed to the Bank programs and funds.

   • 80% of CFAAs - including all among the most recent cohort, and 70% of CPARs were rated Satisfactory on Scope and Strategic Relevance.

   • 75% of CPARs and 50% of CFAAs were rated Satisfactory for Internal Quality, and panelists found considerable scope for improvement on this dimension. The main

\(^1\) Satisfactory or better denotes the total of Highly Satisfactory tasks and Satisfactory tasks. In future references, unless specified, the phrase ‘or better’ is dropped and only Satisfactory is used to denote this total.
weaknesses were inadequate analysis and empirical underpinning, and inadequate tailoring of analysis and recommendations to the country circumstances.

- **85% of CPARs and 60% of CFAAs were rated Satisfactory for Dialogue and Dissemination.** CPAR teams produced well-written reports, and interacted effectively with key stakeholders in the country. CFAA teams were more effective in their outreach to partners. Both products, CFAA in particular, have scope to improve their follow-up and monitoring of implementation progress.

- **Likely Impact.** Both products were considered likely to be effective in enhancing Bank’s knowledge of financial accountability and procurement systems in the country. However, they were seen less likely to have an impact on the client.

- **Bank Processes** were rated Satisfactory in 63% of the tasks. Major issues were: narrow skill-mix of the task teams - specifically weak on PSM skills, inadequate task budget in relation to size and complexity of task, and weak interaction with the country teams. Most tasks did not follow standard business processes, such as a Concept Paper review as part of Quality at Entry.

**CONCLUSIONS AND RECOMMENDATIONS**

5. The quality of fiduciary ESW has been quite mixed. Many of the weaknesses are temporary problems associated with new products. In terms of next steps, a reasonable target should be 90% Satisfactory – the current level for other ESW. At present, the Procurement and FM Sector Boards are addressing two key challenges: (i) how to improve the quality of CPAR/CFAA, while at the same time scaling up their production; and (ii) how to integrate these products better into the country work programs. The following recommendations address these two challenges:

6. **Revisions to Guidelines.** The Sector Boards have indicated that they are in the process of updating their respective guidelines for CPAR/CFAA. These revised guidelines should address the following issues:

   - Clarify core objectives of these products with respect to other public accountability products of the Bank and Fund;
   - Specify standard scope/coverage as fiduciary products;
   - Strengthen guidance on:
     - institutional assessment in both CPAR and CFAA;
     - risk assessment in CFAA;
     - analysis of contract administration in CPAR; and
     - private sector coverage in both CPAR and CFAA.

7. **Business Processes.** The FM and Procurement anchors and the regional quality teams should work together to align the processes for CFAA/CPAR with regional processes for other ESW. These new processes should include:

   - Two decision points – a concept paper review and a draft report review.
• Delineation of managerial responsibility for ensuring (i) integration of these products into country work programs; (ii) adequate budget, (iii) appropriate skill mix; and, (iv) quality assurance.

8. CPAR/CFAA teams should coordinate their work between themselves and with other PSM and anti-corruption work going on in the Region.

9. **Skill Mix.** The Sector Boards should revisit staffing and skill needs in view of the findings of this assessment. In particular,

• task teams should include the perspectives of staff with country knowledge and public sector management skills, either by adding to the teams or through the review process, depending on the scope of the task; and

• training for CFAA/CPAR task managers should focus on understanding the new guidelines and processes, and the analytical and content requirements of these products.

10. **Partnerships.** The move to intensify work with partners is a salutary way of leveraging the Bank’s budgetary and human resources. Sector Anchors should work with Bank’s partners to harmonize standards for these products.

11. **Knowledge Management.** The Sector Anchors should strengthen knowledge management of country-level procurement and financial accountability issues covering cross-country experiences, analytical techniques and toolkits, and examples of good practice.
I. OBJECTIVES AND APPROACH

A. CONTEXT

1. Country Procurement Assessment Reports (CPARs) and Country Financial Accountability Assessments (CFAAs) are diagnostic tools designed to enhance the Bank’s knowledge of procurement systems and financial accountability arrangements in client countries. In the process, they are expected to generate a dialogue with the government focused on needed reforms. Since July 2000, they have been grouped together as ‘Fiduciary ESW’, and are included among the core diagnostic ESW. Though new and yet evolving, they are being produced in significant numbers. This assessment was taken up in response to a request from the Financial Management and Procurement Sector Boards who were interested in a feedback on the quality of these products.

2. CPARs and CFAAs have both fiduciary and developmental objectives (Box 1). The fiduciary role consists of providing an assessment of the adequacy and transparency of (i) budget implementation systems, including procurement, and (ii) systems for monitoring, reporting, and auditing public financial flows. The developmental role consists of drawing up an agenda for reform and building capacity of these systems and associated institutions. The CPAR and CFAA are considered especially relevant for non-project operations such as adjustment lending, debt relief, and other budgetary support. For these operations, they provide fiduciary comfort regarding risk to the Bank funds, since loan proceeds are spent as part of the general government spending. Both, the CPAR and CFAA, are a de facto prerequisite for PRSCs in IDA countries.

B. OBJECTIVES OF ASSESSMENT

3. The purpose of the QAG assessment was to evaluate the quality of completed tasks and to learn, what adjustments were needed for these tasks to fulfill their role. Accordingly, QAG assessment had the following specific objectives:

- Identify systemic strengths and weaknesses in fiduciary ESW and promote appropriate changes in policies and procedures to improve the effectiveness and impact of future products.
- To draw lessons from experience and identify examples of ‘good practice’.
- Provide management and staff working on these tasks with robust quality benchmarks for future evaluations.

4. The process of assessment should also provide greater visibility to these instruments and help gain better appreciation of their usefulness among Bank managers and staff.
Quality of Fiduciary ESW

C. APPROACH

5. Assessment Standards: The quality indicators for CPAR and CFAA had not been established previously; therefore, the existing QAG indicators for ESW were used. The two Sector Boards were closely involved in developing a common questionnaire that was further modified following a pilot study to test the appropriateness of the indicators. Evaluating these tasks through an ESW lens meant that these were looked upon as more than snapshots of procurement/financial management practices in the country at a given time; rather, they were considered as exercises with an impact objective in mind. Therefore, the questionnaire examined the Bank’s efforts to create ownership and build coalitions favoring change, dissemination activities, and what was the likely impact of the task in the view of the panelists. The application of these standards clearly expanded the expectations from these tasks beyond what had governed their conduct. While this approach might have caused some tasks to show in poorer light than expected, it followed a conscious decision taken by the Sector Boards who were interested in learning what needed to be done to make these products useful sector work that could feed directly into the country program.

6. In addition, the tasks were not performed to homogeneous standards. While all the assessed CPARs followed the guidelines issued in June 1998, there were evolving interpretations of those guidelines. The situation was more blurred with respect to the CFAAs. Six CFAAs, out of the ten assessed, had been initiated prior to the issue of guidelines in September 2000; and the guidance available to them in the form of a checklist of questions was inadequate.

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BOX 1. OBJECTIVES OF CPAR AND CFAA

1. The CPAR has evolved from an earlier instrument that sought to assess the extent to which a country’s procurement law and processes were consistent with the Bank’s policies. The current guidelines were issued in 1998 and stated the following objectives:

- To promote dialogue with the government on the reforms necessary to make their procurement systems and the general commercial environment more efficient and transparent and more in tune with international practice.
- To review existing legislation and its compatibility with Bank policies to detect practices not acceptable under Bank-financed projects, assess actual compliance with the country laws and regulations on the ground, and gauge the efficiency, transparency and integrity of the procurement system.

The guidelines also stipulated that if there was no agreement with a government that a CPAR be carried out, the Bank would still conduct its own Operations Procurement Review (OPR) to provide “the necessary input for decisions on the supervision approach by the Bank”.

2. The first CFAAs were done in 1998, and have evolved as to purpose and content since then. The first set of formal guidelines for CFAA was issued in September 2000. The guidelines stated the following objectives of CFAA:

- To facilitate a common understanding by the borrower, the Bank and where possible development partners, of the country’s financial management arrangements in both public and private sectors, thus facilitating the design and implementation of capacity building programs.
- ‘…(To) support...the exercise of the Bank’s fiduciary responsibilities…by identifying the strengths and weakness of accountability arrangements in the public sector and the risks that these may pose to the use of Bank funds’.
7. The panelists were conscious of the gap between the guidance available to the tasks at the time they were conducted and the standards being used to assess them. While they were not deliberately lenient, they did give the task teams the benefit of the doubt in assigning ratings, especially in areas poorly covered by the guidelines. Panelists noted the issue of non-homogeneous standards explicitly in their reports. Thus, it is possible that the bar for any future assessments will be higher than the present one.

8. Experienced and credible professionals, with the relevant technical and/or geographic expertise, carried out the QAG assessments. Each task was assessed by a panel of two - a seasoned development practitioner with extensive experience in operations, and a senior technical specialist from a list provided by the Sector Boards. Since serving on panels provides valuable learning experience, all procurement and financial management Regional Advisers were encouraged to work as panelists. The Financial Management Sector Board also arranged panelists from IMF and DFID to participate in the assessment of CFAAs. Since the volume of fiduciary ESW produced so far is small and the primary objective of the assessment was learning, it covered all fiduciary ESW completed between January 1, 2000 and June 30, 2001 – a total of 30 tasks, including 10 CFAAs and 20 CPARs (Annex 1).

9. Apart from a review of the task file provided by the TTL, which included documents covering full range of task activities from the concept through the final report, the panel held interviews with the Task Team and the Country Director or Country Anchor, to assess how the task linked into the Bank’s overall country program. To improve consistency in ratings each panel was facilitated by a moderator. The panelists and moderators are listed in Annex 2.

10. Quality Dimensions: Each task was evaluated along the following four dimensions of quality (Approach Paper in Annex 3):

- **Scope and Strategic Relevance**: How clear were the objectives, how adequate was the scope and coverage of the task; and how well placed was the task in terms of the Bank’s assistance strategy for the country, timeliness and client interest?
- **Internal Quality**: How well did the task meet the standards of technical analysis and advice?
- **Dialogue and Dissemination**: How well did the task team interact within the Bank and with outside stakeholders to achieve the task’s developmental objectives?
- **Likely Impact**: Anticipatory judgments about the potential impact of the exercise on Bank’s knowledge and operations, and, on policies and procedures in client countries.

11. The assessment also included a separate set of questions seeking to evaluate the quality of the Bank’s own processes in preparing the CPARs and CFAAs. This component assessed areas such as resource availability, efficiency of resource use, and the contribution in terms of ideas/guidance from Bank management (Regions, Networks, peers, etc). The ratings for Bank inputs and processes were not considered when arriving at the overall assessment for a particular task.

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2 A task was considered completed when the Country Director sent the report to the government. Since the CFAAs and CPARs were not all recorded in SAP, QAG relied on the FM and Procurement Boards to provide the list of completed tasks.
12. Ratings were assigned on a four-point scale:

- **Highly Satisfactory** – Outstanding in several areas and no major deficiencies.
- **Satisfactory** – Solid work without major deficiencies.
- **Marginal** – Major deficiencies in some areas.
- **Unsatisfactory** – Broad pattern of deficiencies.

13. Much effort has gone into ensuring the objectivity, consistency, and fairness of quality assessments of fiduciary ESW. QAG believes that the findings are robust and provide a good measurement of quality of these products. Nevertheless, in interpreting and using the assessment results, it needs to be kept in mind that the assessment is essentially a desk-based process. Panels had systematic consultations with the task teams and country managers. However, assessments of *Likely Impact* remain early judgments on often slowly unfolding changes. QAG reviews have always stressed that ratings of individual tasks by themselves are not sufficient for individual accountabilities; it is more so in this review. The review was conducted with a clear understanding that learning was the primary objective of this exercise.

14. In line with learning as the primary objective of this exercise, QAG carried it out in a highly participatory manner with the Sector Anchors – the immediate clients for the review. As mentioned before, the Anchors were closely involved in the pilots, and provided valuable guidance on development and final adjustments to the questionnaire. Anchor staff and Regional advisers were invited to attend interviews with task teams as observers; they were also invited to attend feedback and stocktaking sessions with the panelists during the conduct of the exercise. Early drafts of the Synthesis Report were shared with the Anchors, and their comments taken into account in subsequent revisions. During the same period, each Anchor held a workshop to discuss the findings of this review with their sector staff. Following the discussion of an advanced draft of this Synthesis Report, both Sector Boards sent written reactions to this assessment. Those are attached as Annex 7.
II. ASSESSMENT FINDINGS

A. OVERALL ASSESSMENT

15. The overall quality of fiduciary ESW assessed was mixed, and weaker than mainstream ESW. Only 67% of the 30 tasks were rated Satisfactory, in contrast with around 90% for other ESW in a parallel exercise. For the most part, mixed overall quality was a result of evolving nature of these products during the period covered by the review. For CFAAs, generally, the tasks done with the benefit of previous learning and improved guidance had better quality. The CPARs fared marginally better than the CFAAs; they are also more settled as products. It was encouraging to note that both CPARs and CFAAs included tasks with elements of ‘best practice; two CPARs and one CFAA were rated Highly Satisfactory. None of the tasks were rated Unsatisfactory (Figure 1).

16. While there was considerable scope for improving the quality, the panelists had no doubts about the importance of the issues covered by these products. They found the products to be potentially useful for public sector diagnosis and for developing a governance reform agenda in the countries studied. The CPAR appears particularly useful since there is large scope, not yet fully appreciated by country teams, for sizable improvements in the efficiency of public procurement, and thereby in public expenditure. CFAAs, taken together with PERs, were seen as helping improve the efficiency of public spending in the countries studied.

17. As to their fiduciary roles, the panelists found that the CPARs did a good job of assessing country fiduciary risk. However, both CPARs and CFAAs could do a better job in assessing risks to Bank funds and programs.

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3 The four tasks (2 CFAAs and 2 CPARs) in the pilot study are not included in these results. All four were rated Satisfactory. If these were included, the overall quality would be 71% Satisfactory (with CPARs at 73% and CFAAs at 67% Satisfactory). That would be comparable with the average quality of other ESW in FY98 (71%) at the time of first QAG assessment of ESW.
18. The review found that the products were weakly integrated into the country programs. Despite the efforts of Sector Boards, the tasks were often perceived by the country teams as technical exercises of interest only to specialists. The process of integration has now begun. The two Sector Boards have recently issued guidelines for their staff on treatment of Procurement and FM in CASs. The awareness about the products has greatly increased since they became a part of the core diagnostic set of ESW that each country must have in place by the end of FY04. Yet an organic integration will depend on the leaders of these tasks (i) effectively demonstrating how these products are directly relevant to the country work program as part of a public sector reform strategy; and (ii) improving their quality.

19. **Relation with other Public Sector Management Activities.** The review suggests that in order for these products to become an integral part of a cohesive public sector reform strategy, they would need to be produced in close collaboration with other similar activities. Their scope and content would need to be defined carefully to ensure that they are complementary with other Bank and Fund activities in this area. Already there is an increased coordination between Public Expenditure and Financial Management programs. Such coordination would also need to include procurement and anti-corruption work. How these exercises come together would vary from Region to Region, but concurrent timing, overlapping field missions, close interaction between the teams doing them, and producing an integrated report are some of the directions that are being explored.

20. The panel also assessed the process of carrying out these tasks, although that rating was not factored into the overall assessment. The rating on **Bank Processes**, measuring managerial attention, budget, skill mix and quality assurance system, was **Satisfactory** in about 63% of the sample. The major weakness was in Quality at Entry i.e., quality of decisions and processes at the time of launching the task. Many of the processes common to other ESW, such as a concept paper, institutional review of the draft report, and the use of peer reviewers, were not followed in producing the reports. Section III of the report deals with these issues in greater details.

21. Table 1 lists the tasks that were found to be particularly strong; they had at least two dimensions rated as **Highly Satisfactory** and none rated less than **Satisfactory**. These tasks provide a clear message that features of excellence are built on the foundation of strong strategic relevance and clear objectives and scope. All four of the listed tasks were well integrated into the country program, and actively involved the clients.

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**Table 1. Examples of Good Fiduciary ESW**

<table>
<thead>
<tr>
<th>Region</th>
<th>Country</th>
<th>Task Title</th>
<th>Scope and Strategic Relevance</th>
<th>Internal Quality</th>
<th>Dialogue &amp; Dissemination</th>
<th>Likely Impact</th>
<th>Bank Processes</th>
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<tr>
<td>SAR</td>
<td>Bangladesh</td>
<td>CFAA</td>
<td>1</td>
<td>2</td>
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<td>1</td>
</tr>
<tr>
<td>EAP</td>
<td>Vietnam</td>
<td>CFAA</td>
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B. **RESULTS BY QUALITY DIMENSION**

22. Figure 2 shows relative performance of the CPARs and CFAAs along the four quality dimensions used in the questionnaire. Annex 4 provides a copy of the questionnaire used for this assessment, with the detailed ratings for each dimension and question. The CPAR had better ratings than the CFAA on each dimension except *Scope and Strategic Relevance*. These results reflect the narrow and specific nature of the CPARs and their better-defined guidelines, which imparted greater clarity to task teams in conducting their work and sharing their findings with counterparts and key stakeholders. In turn, because of its greater breadth, the CFAA seems better suited for tailoring to the needs of the Bank’s country strategic dialogue.

**FIGURE 2. PERFORMANCE BY QUALITY DIMENSIONS**

![Performance by Quality Dimensions](image)

**Scope and Strategic Relevance**

23. 80% of CFAAs - including all among the most recent cohort, and 70% of CPARs were rated *Satisfactory* on this dimension.

24. *Objectives and relevance.* The panels generally found the stated objectives of these exercises to be clear, largely because those were taken directly from the guidelines or Terms of Reference. Almost all the tasks were seen as useful in improving Bank’s knowledge of financial accountability environment or procurement systems in the country. 90% of the CPARs were seen as relevant in initiating and moving ahead the dialogue with the country on procurement issues. 90% of the CFAAs were seen as relevant to the Bank’s assistance strategy for the country. However the potential for impact was not realized in many cases. This happened where there was no clear demand for the tasks from the country unit or the clients. Many task teams were not clear about how these products relate to the CAS or to the country program. This disconnect was partly to be expected in case of new products, but it was also partly driven by the Sector Boards’ desire to achieve delivery targets.
25. **Selection of Countries.** The supply push had an impact on the selection of countries. Some CPARs were done in countries where the Bank had little lending, or were about to graduate. These CPARs were seen as having little fiduciary relevance to the Bank. In a few other instances, a CPAR was done closely following the completion of a previous one in the same country, with little evidence of government follow-up on the recommendations or of a change of circumstances in the country. However, there were some very good examples too; in Nigeria and Indonesia, the CPAR became an integral part of the overall country dialogue which was focused on governance-related issues. The panelists saw the Vietnam and Bangladesh CFAA also as highly relevant to the country dialogue. Because these assessments are now required for all countries on a regular basis, in future the issue of selectivity across countries may surface more as an issue of timing, and scope and coverage of the tasks.

26. **Scope and coverage:** The scope of a fiduciary ESW product would depend primarily on the country being reviewed, and the Bank program in the country. For example, the treatment would differ between IDA/IBRD, large/small, HIPC/non-HIPC countries. Most importantly, it would depend on the extent of governance and accountability problems in the country. However, in the absence of clarity about what the tasks were expected to achieve, task teams often relied on generic guidelines to determine the scope of the tasks. The task teams treated the coverage suggested in the guidelines as though prescribed. For a number of CPARs and earlier CFAAs, the coverage tended to be comprehensive rather than tailored to country circumstances and the Bank’s program in the country. The issue was more important for the CFAA than for the CPAR, because CFAAs have areas of overlap with other studies of public accountability, so the coverage of CFAA needed to be carefully delineated at the outset. (see para 48)

27. **Timeliness and Client Interest:** Timing was an issue for a number of studies, which were done according to the Bank’s timetable rather than the client’s. In some instances the task teams were able to turn around the initial skeptical reaction from the clients, but in a number of instances the government remained less than enthusiastic, or else an early enthusiasm dissipated following a change in the government. As a result, there was minimal follow-up for extended periods following the issuance of the report. The panelists noted some other instances where opportunities were missed to schedule CPARs so that they might inform other important Bank or IMF activities (e.g., HIPC decision points, IMF review missions).

28. Most of the issues discussed above were essentially in the nature of one-off problems associated with new products trying to find their niche and balance, but they hold lessons for the future. As fiduciary ESW gets more integrated into the business model, it will become more demand-driven and issues related to objectives and relevance will get largely resolved. However, due to the fiduciary objective of these products, there will always be an element of ‘Bank-drivenness’ to their timing and scope. As these products become a prerequisite for policy-based lending, they will need to be updated regularly. The task teams frequently raised the question: what should be their response to a lukewarm reception from the government? The Sector Boards need to provide guidance on this issue. But the lesson from this review is that CPARs/CFAAs produced without the government’s active involvement and buy-in into the developmental objectives of the exercise are not likely to have a substantive, favorable impact.

**Internal Quality**

29. The analytical framework that underpins the *Internal Quality* dimension of this assessment is provided in Annex 5. It is the same framework that is normally used in connection
Quality of Fiduciary ESW

with mainstream ESW and other operational work. The review found 75% of the CPARs and 50% of the CFAAs to be of Satisfactory Internal Quality. The panelists found that most of the tasks clearly identified the critical issues for analysis. The information collected by the CPARs in the form of questionnaires was comprehensive and had good quality. The teams also made good use of knowledge from outside the Bank, notably from within the country. However, there were many areas in which the Internal Quality was judged weak. Many of the weaknesses can be traced to a lack of familiarity with the above framework among the managers and staff working on CPARs and CFAAs.

30. Quality of the Analysis. The analysis and information collection could be considerably strengthened for both the CPAR and the CFAA. The main issues were: (i) weak analysis of institutions in terms of gaps between formal rules and procedures and actual outcomes and the reasons for those gaps; (ii) insufficient use of quantitative information and analysis; (iii) inadequate risk assessment; and (iv) lack of prioritization, and realism, of recommendations and action plans.

31. A general weakness was the analysis of how institutions actually worked – i.e., getting a good sense of the gap between formal systems and actual outcomes. While a number of CPARs did very good analysis of what was missing in the law, and most of CFAAs discussed weaknesses in the accounting and auditing procedures, they neither identified the observed failures of the existing system nor discussed the reasons for these failures. Such an analysis would focus on issues of capability/technical competence, governance environment, and incentives that obtain in the agencies being analyzed, over and above the analysis of formal structure of laws, rules, regulations, and procedures. Such an analysis would also provide the right grounding for recommendations and action plan, carefully tailoring them to the country situation.

32. The panelists suggested a number of examples where good qualitative analysis could be strengthened with the support of quantitative analysis (Box 2). Such quantitative analysis would also provide indicators against which progress on reforms could be monitored later. However, at times, such analysis could require additional data collection and analytical efforts, resulting in increased costs of these exercises.

**Box 2. Quantitative Indicators**

In a CFAA, a comparison of actual expenditures with those authorized through the Budget, drawn from the PER or otherwise developed, could provide an overall indication of the level of performance and the scale of problems related to financial accountability. Other indicators could be devised, such as the scope and nature of unauthorized expenditures detected through audits, measures relating to adequacy of rules and procedures, processes and systems (as they actually work), institutional arrangements and capacity.

A CPAR could provide a broad order of magnitude – say in terms of percent of GDP - of the total procurement in the country and how it is distributed across different tiers of government, between government and parastatals, and within central government. This would be done by drawing on concurrent Bank PER work, and would draw in the country economist. A CPAR could also develop measures of the efficiency of procurement.
33. **Assessing risk to Bank funds and operations:** Both the CPARs and CFAAs were weak in assessing risks to the Bank funds and programs; only 70% of CPARs and 60% of CFAAs were rated *Satisfactory* on this count. For CPARs the weakness was that many assessments failed to draw lessons from previous Bank experience in projects. But for CFAAs, the weakness was more fundamental. Most CFAAs lacked an explicit risk assessment - both in macro-terms and for the different types of Bank lending/disbursements. This was partly the result of unclear guidance on what risks were to be assessed, but also methodological weakness. Both CPARs and CFAAs also showed a lack of clarity on how corruption risks should be covered in the reports. Several panelists shared the view that collecting and analyzing information about corruption would be beyond the scope of the CPARs and CFAAs. At the same time, the analysis, conclusions and recommendations should carefully factor in information available on corruption issues, from previous Bank work in the country or through the work of objective bodies in and outside the country.

34. **Recommendations and Action Plan:** Most of the CPARs provided a clear set of ‘ideal’ policy prescriptions. However, the sameness of recommendations across a large variety of countries raised concerns among panelists. They missed a clear link between the recommendations and the country-specific analysis on which the recommendations should have been based. Also, a majority of these recommendations were geared towards long-term institutional changes. While not questioning their importance for long-term, panelists questioned their feasibility in the immediate country circumstances. Recommendations presupposed a strong degree of government commitment and institutional capacity. In addition, such long-term recommendations were often found to dampen the enthusiasm of counterparts for reform because most of such reforms take years to put in place and are politically sensitive.

35. By contrast the CFAA recommendations were less generic in nature. Some of the early CFAAs produced *recommendations* that were too numerous to be realistic. Later CFAAs are much more focused in their recommendations and action plans.

36. Recommendations need to be prioritized and action plans sequenced with a clear impact strategy in mind. A key criterion for prioritization could be political feasibility within a given timeframe. This could help distinguish between short-, medium-, and long-term recommendations. For example, in the short-term the government could focus on practical, doable measures related to modernization, enforcement, and capacity building, while longer-term institutional changes take their political course. There was also a perceived need for action plans to include an estimate of implementation costs, partly to test their feasibility and also to enable the Bank to assist in raising the funds. In fact, the Yemen CPAR offered very good examples of short-term measures capable of providing some quick wins and the Bank helped the government raise Dutch government financing for one important recommendation. Also, the Vietnam CFAA included a modest and affordable action plan that focused on improving accounting and auditing standards and proposed selective training for key institutions in government.

37. For both the CPAR and CFAA, there is a need to develop an explicit *risk management* approach to both analysis and policy recommendations. The attempt should be to identify areas where risks are high and concentrated, and well-designed interventions would have considerable impact. For example, a starting point for CPAR could be to combine the procurement spending of the main agencies and *departments* (typically: power and water utilities, telecom if not privatized, education, health, works, and defense), with data from corruption perception surveys or anecdotal evidence from public and private sector interviews. This could provide estimates of the amount
of funds being ‘lost’ due to lack of transparency and prevalence of corruption and help identify priority agencies/departments where targeted initiatives would have the largest impact. This would, in turn identify areas/sectors for more intensive analysis by the Bank teams.

**Dialogue and Dissemination**

38. In the aggregate, 77% of fiduciary ESW was rated as Satisfactory or better on the issues of client participation, partnership with donors, dissemination efforts, follow-up, and presentation of the main report. This included 85% of CPAR and 60% of CFAA. CPAR teams produced well-written reports, and interacted effectively with key stakeholders in the country. CFAA teams were more effective in their outreach to partners – several CFAAs in the sample had effective collaboration with the partners. Both products have scope to improve their follow-up and monitoring of implementation progress.

39. The guidelines for both CPAR and CFAA encourage TTLs to conduct these exercises in a participatory fashion, and the governments participated in virtually all of the exercises. CPAR teams were apparently able to get more cooperation from the technical procurement staff in the countries than CFAA teams could get from their counterparts at Ministry of Finance. The panelists gave high marks to Indonesia CPAR for the open and inclusive manner in which the exercise was carried out. Throughout, the exercise drew upon an exceptionally wide range of stakeholders, including other leading donors. The team went beyond the guidelines on dissemination by publishing the CPAR for distribution to the public. The proposed Fiduciary Newsletter to be issued by the country office is an innovative approach to disseminating information, and is appropriate in light of the emphasis on governance issues in Indonesia.

40. **Working with Partners.** The sample included some CFAAs where the Bank collaborated closely with other development partners. In case of Tanzania, the Bank piggybacked onto a similar FM accountability review being conducted by the DFID. In Vietnam, the Bank team made use of a similar study done by ADB, as its starting point. In Bangladesh, the Bank collaborated actively with UNDP to produce a joint CFAA. More CFAAs are being prepared jointly in partnership with donors, particularly in Africa.

41. Since all donors share similar fiduciary concerns, the CFAAs/CPARs provide good opportunities for exploiting the benefits of partnership. The partnership could take many forms such as direct funding by other donors, using work done by them, and follow-up on the Bank’s recommendations by the partners. Coordination with donors is also essential from the point of view of sending non-conflicting signals to the clients. At the same time, the Bank team needs to ensure that the Bank’s own requirements are met adequately and the tasks are completed in a timely fashion. The key challenge for successful partnership is to complement each others’ work, align timetables, and keep out of competing situations.

42. The extent of partnership with donors was somewhat limited in CPAR exercises that were reviewed under this assessment. Some panelists noted that possibilities of collaboration

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4 According to the FM sector board, the Bank is developing external partnerships with other donors in a significant way. 10 CFAAs have been completed or are under way jointly with other donors. Both the MDB and OECD-DAC harmonization groups are chaired by the Bank. Both have committed to preparing a good practices reference note on donor collaboration with respect to CFAAs in the first quarter of 2002. Also, the Bank is taking the lead in supporting the setting of accounting standards for the public sector (to which CFAAs will refer in the future) and an accounting standard for development assistance.
Quality of Fiduciary ESW

with other MDBs were worth exploring, and that the Nigeria and Indonesia CPARs provide good examples of how this could be achieved. The collaboration in CPARs could also provide an opening to harmonization of procurement processes, which might differ in detail but are rooted in essentially the same principles. Subsequently, the Procurement Board has emphasized greater collaboration with partners, and several recent CPARs were done with broad participation from IADB.

43. **Dissemination of the Report.** There are several categories of users of the CFAA among the government, the Bank and other development partners. This has implications for the coverage and presentation of the report. For example, when the government has had a major, or even leading role in the CFAA, it may be difficult to include a Bank-centered assessment of risk to Bank funds in the report. The current CFAA guidelines provide for a Bank-internal supplementary memo on the fiduciary dimension, with a restricted distribution, but it is not widely used. In one case where such a memo was used, it was well received by the panelists.

44. The current CPAR guidelines are ambivalent about disclosure. The guidelines treat Volume 1, containing main findings about the effectiveness and transparency of the procurement system and critical recommendations, as a confidential document that follows the CAS disclosure policy. Volume 2, which contains the raw data, detailed analyses and technical annexes, is accessible to all those inside and outside the Bank with a legitimate interest in the procurement system and how it operates in the country. The issue of disclosure is expected to be revisited as part of the current revision to the guidelines.

**Likely Impact**

45. The dimension of Likely Impact judged how well the task was designed and carried out for high impact. 67% of all tasks were rated as Satisfactory. This included 75% of CPARs and 50% of CFAAs. Likely Impact on both the Bank and the client was assessed. In general, impact on the Bank in terms of enhancing Banks’ knowledge, promoting dialogue with the country on financial accountability/procurement systems, and informing Bank-funded operations was judged better than the impact on the clients. Instances of low likely impact on the client were often related to lack of client interest. In fact, in nine of the eleven instances where client interest was rated less than Satisfactory, the aggregate rating for likely impact was also rated less than Satisfactory. Another reason for low likely impact on the client was insufficient follow-up to the recommendations and action plans.

46. **Bank Follow-Up.** The follow-up by the Bank on recommendations was found weak among both CPARs and CFAAs. For CFAAs, the lack of follow-up was exacerbated by action plans that were seen as diffuse and needing prioritization. In future, the problem may not be serious for tasks that are tied to PRSCs since the PREM unit would do the follow-up in the context of preparing and supervising the Credit. However, while developmental objectives are pursued at a strategic level by the country team, technical details would still need to be followed by specialists, and funds should be made available for such a follow-up. Box 3 lists the instruments, which are being used for following-up on CFAA/CPAR recommendations.
C. ISSUES/FINDINGS SPECIFIC TO CPARs

47. The assessment generated following issues/findings that are specific to CPAR.

- Several panelists took issue with what came across as generic, ‘ideal’ policy prescriptions namely enactment of a UNCITRAL based comprehensive procurement law, establishment of an independent oversight authority, and upgrading the procurement profession through broad-based training. They questioned the relevance and feasibility of these recommendations in the given country circumstances. Specifically, the recommendations did not take account of the ‘initial conditions’ relating to the stage of development of procurement system in the country. For example, a new law would likely be the right recommendation in transition countries in Europe; but elsewhere; enforcement and updating of existing rules and regulations may achieve the desired results. Annex 6 includes commentary from one of the panelists on this issue.

- The risk assessment for the Bank in CPAR remains inadequate without the results from ex-post procurement reviews. There was a feeling that these should be done routinely as an input to the CPAR. Also one of the objectives of the CPARs should be to produce learning related to the Bank’s procurement rules and their application in the country studied.

- CPAR guidelines require task teams to evaluate procurement practices in the private sector. Panelists questioned the value added of such a broad requirement. In the view of panelists, much more aligned with the core purpose of the CPAR would be a request to

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**BOX 3. INSTRUMENTS FOR FOLLOW-UP ON CFAA/CPAR**

- **PSALs.** PSALs typically focus on capacity and institution building in the public sector – strengthening governance, budgetary processes, and efficiency of service delivery, in a medium-term framework. Colombia and Guatemala CPARs, and the Bangladesh and Jordan CFAAs in the sample are being followed-up through PSALs.

- **Other policy-based loans.** PRSCs support the action programs of CFAA/CPAR in IDA countries. Other policy-based loans can be used as vehicles for carrying forward the recommendations of CFAA/CPAR. For example, plans are underway to use an upcoming support credit to finance some actions under the Maldives CFAA.

- **Bilateral/Multilateral Donor Funds.** DFID led the preparation of Tanzania CFAA. DFID’s interest continued after the report was completed, and they participated in follow-up missions. Implementation of e-Procurement website recommended in the Yemen CPAR was supported with official Dutch financing. Also, USAID has had an ongoing interest in fiduciary activities.

- **IDF Grants.** These grants can be used for institutional development activities, and each one has its own budget for supervision; however, the grant amounts are small, the number of grants per country is limited, and an IDF grant cannot be obtained if other means of finance are available. An IDF Grant supported some follow-up to the Vietnam CFAA.

- **Non-Lending Technical Assistance.** This involves using the Bank’s budget or the proceeds of a Trust Fund for capacity building efforts conducted jointly with the clients. These are stand-alone activities not tied to any lending projects, ESW, or other country- or Network-based services. These may include on-the-job training, courses, seminars, and long-term fellowships.
assess: (i) state of competition in the private sector for government contracts; (ii) sophistication of the private sector when it comes to bidding for government contracts.

- Very few CPARs explored the possibilities of e-procurement. This area has the potential for Bank assistance to countries.

- While a transparent and competitive bidding process is the foundation for sound contract administration, a comprehensive risk management approach would require that the CPAR pay as much attention to downstream contract administration as they currently do to the contract bidding process. A critical area to explore would be budget execution, since a budget which fails to deliver voted funds to departments and agencies supervising contracts will set up a cycle of arrears and contractors’ claims, and, in many cases, lead to corruption.

- There may be a need to rethink the balance between Volume 1 and Volume 2 of the CPAR. Volume II were generally found to contain a number of interesting findings that did not find any mention in Volume I. As an alternative, the Sector Board could consider a usual presentation of ESW reports – one volume with a good self-standing executive summary, and detailed inputs, analysis of the questionnaire results in annexes.

D. ISSUES/FINDINGS SPECIFIC TO CFAA

48. The assessment generated following issues/findings that are specific to CFAA:

- The fiduciary functions of a CFAA are not clearly laid out in the guidelines. The guidelines do not elaborate on ‘risk to the Bank funds’ in case of budgetary support. They list the areas that a CFAA might look into, but do not lay down the standards of what would constitute an adequate national system of accounting, reporting and auditing of the kind that would protect the Bank’s interest. These ambiguities showed up in weak risk assessments in half of the reviewed CFAAs.

- Unlike the CPAR, scope and coverage were found to be a crucial issue for the CFAA since it overlaps with a number of other products (Box 4). The most evident was the potential overlap with PER. The PER can extend downstream to consider issues of budget execution, while the CFAA may start with budget preparation before moving on to the core financial management areas. As a consequence, both the PER and CFAA may attempt to cover institutional and systems aspects of much of the budget cycle. The CFAA guidelines recognize this issue; while they suggest the areas to be covered in a full-scope CFAA, they leave it to the teams to customize what they cover based on the particular circumstances of each case. There is a need for further guidance on what is the minimum scope of a CFAA for it to be a satisfactory fiduciary assessment. Then there is a need for closer collaboration between the CFAA and PER teams.

- The CFAA is largely an integrative document that brings together available information on public financial accountability. Some task teams struggled with how much coverage to

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5 The balance achieved in the Nigeria CPAR is a good practice example of the current, two-volume format.
6 The FM Sector Board is working on a proposal to create a Public Expenditure Management and Financial Accountability (PEFA) program aimed at improving collaboration among group responsible for analysis of governance, economic analysis, financial management, and procurement.
give to procurement issues, corruption issues in general, and civil service reform issues. The FM Sector Board needs to provide better guidance on these matters.

- Apart from the public sector, the CFAA guidelines suggest coverage of private sector financial accounting and auditing practices. This review found that it is not always clear as to how the recommendations on private sector would be followed through. The FM sector board is aware of the issue and is likely to revisit it when revising the guidelines.

### BOX 4. PRODUCTS WITH OVERLAPPING COVERAGE WITH CFAA

There are a number of products available that deal with financial accountability and related issues. CFAAs have potential to overlap with the following products:

- **PER – Bank.** A PER analyzes public sector issues in general, public expenditure issues in particular, with a focus on the efficiency and efficacy of resource allocation. Topics include—but are not restricted to—analysis and projection of revenue, determination of the level and composition of public spending, inter- and intra-sectoral analysis, financial and non-financial public sector enterprises, structure of governance, and the functioning and efficacy of public institutions. The Bank carries out 20 to 25 PERs every year.

- **IGR – Bank pilot.** Reviews the quality of accountability, policy-making and service delivery institutions.

- **ROSC – IMF.** A ROSC summarizes the extent to which countries observe certain internationally recognized standards. The IMF has recognized 11 areas and associated standards as useful for the operational work of the Fund and the World Bank; fiscal transparency; banking supervision; corporate governance; accounting; auditing are some of the relevant ones for CFAA.

- **Safeguards assessments – IMF.** Assessments of the internal control environments in central banks.

- **Red cover reports – IMF.** They examine government financial management and are produced at the request of governments. Available for several countries.

- **Financial Management and Governance Issues – ADB.** Available for several countries.

- **Audit and Accounting Assessments – Bank operational activities.**
III. BANK PROCESSES

49. 65% of the CPARs and 60% of the CFAAs had Satisfactory ratings on Bank Processes. Although the panels’ assessments of Bank Processes were not factored into the Overall Rating, the two ratings correlated directly for 80% of the tasks.

50. **Team composition and skill mix:** The review found the skill-mix of the teams to be overly narrow. Both the CPARs and CFAAs address PSM issues at the level of a country. They require good knowledge of the government systems. While a large number of procurement and FM staff have built up their knowledge of government systems through individual Bank projects, this knowledge needs to be supplemented with broader system-wide knowledge. Also the analytical skills required for addressing PSM issues are different from those required for ensuring that transactions follow prescribed rules. The Sector Boards are aware of the skill mix issue relating to fiduciary ESW teams and are taking steps to address it.  

51. **Budget:** The reported budget of the reviewed tasks varied between $30K and $285K. There is enough evidence that the scope and depth of analysis of some of the tasks may have been restricted by the available budget. In fact, all the CPAR rated less than Satisfactory had a budget of less than $75,000. For CFAAs, the results were not as clear, since they are less standardized products than CPARs. Follow-up to the recommendations also suffered due to insufficient budget. Based on feedback from the task teams, the panelists judged that budget for follow-up activities was Too Little for fully 50% of the tasks. The clear lesson is that these exercises need to be resourced adequately if they are to realize their assigned objectives.

52. **Close coordination with the country team:** Within the Bank, the country team is the main client of both the CPAR and CFAA. The review found that eventual impact of such products depended on active country team participation. This is crucial for customizing the scope and focus of the task to the country needs and Bank programs; moreover, the country team could also help in interactions with the counterparts; and most importantly, it could help in following up, because adjustment lending is the main vehicle for carrying forward the recommendations of these instruments. The CPARs in Nigeria and Indonesia, and, the CFAAs in Vietnam and Bangladesh are good examples where close interaction with the country team helped improve the quality of the task.

53. **Coordination with other public sector management and governance work:** The review also highlighted opportunities for better coordination among different teams involved in public sector management and governance work. Some of these possibilities are coordination of schedules, overlap between field missions, close interaction between the teams, and, in the extreme, producing joint or integrative products.

54. **Decision Processes.** Business processes are important for both accountability and quality assurance. As fiduciary ESW is mainstreamed, the Regions are likely to extend business processes applicable to other ESW to fiduciary ESW. Most of the other ESW in all the Regions goes through two decision stages - the Concept Paper review and a decision draft review. The

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7 The FM Sector Board has changed the accreditation criteria for FMSs to allow for staff with more public sector experience to be recruited. In fact, public sector skills will be the dominant criterion in new recruitment. Also FM training courses have been launched and run specifically targeting CFAAs and public sector FM issues.
Sector Boards may need to provide some initial guidance to task teams on how these processes will work.

55.  *Concept Paper and Quality at Entry*: ESW reviews have found that Quality at Entry is a good predictor of final quality and development impact. This review confirms that this finding applies to fiduciary ESW as well. A Concept Paper brings together all the elements of good Quality at Entry into one place and enables consultation and decision-making on issues of scope, methodology, timetable and budget. Box 5 lists the elements of an effective concept paper.

**BOX 5: ELEMENTS OF AN EFFECTIVE CONCEPT PAPER**

Issuance and review of a concept paper offers an opportunity for early consultation and decision on key aspects of an ESW task. In some Regions, a concept paper is mandatory for ESW tasks > $50,000.

- **Key components:**
  - Objectives; context/rationale; intended audiences/stakeholders
  - Key issues to be addressed; areas for recommendations
  - Methodology: data to be used; knowledge bases to be accessed; analytical techniques
  - Success indicators – measures of impact

- **Core process elements:**
  - Mobilizing a balanced skilled team
  - Quality assurance: peer reviewers/QER
  - Timetable with key milestones: intermediate/ final reviews for larger tasks
  - Clear role for the client and for partners
  - Dissemination plan and strategy for impact
  - Budget
IV. RECOMMENDATIONS

56. The quality of fiduciary ESW has been quite mixed. Many of the weaknesses are temporary problems associated with new products. In terms of next steps, a reasonable target should be to reach the current level of about 90% Satisfactory for other ESW. At present, the Procurement and FM Sector Boards are addressing two key challenges: (i) how to improve the quality of CPAR/CFAA, while at the same time scaling up their production; and (ii) how to integrate these products better into the country work programs. The following recommendations address these two challenges:

57. **Revisions to Guidelines.** The Sector Boards have indicated that they are in the process of updating their respective guidelines for CPAR/CFAA. These revised guidelines should address the following issues:

- Clarify core objectives of these products with respect to other public accountability products of the Bank and Fund;
- Specify standard scope/coverage as fiduciary products;
- Strengthen guidance on:
  - institutional assessment in both CPAR and CFAA;
  - risk assessment in CFAA;
  - analysis of contract administration in CPAR; and
  - private sector coverage in both CPAR and CFAA.

58. **Business Processes.** The FM and Procurement anchors and the regional quality teams should work together to align the processes for CFAA/CPAR with regional processes for other ESW. These new processes should include:

- Two decision points – a concept paper review and a draft report review.
- Delineation of managerial responsibility for ensuring (i) integration of these products into country work programs; (ii) adequate budget, (iii) appropriate skill mix; and, (iv) quality assurance.

59. CPAR/CFAA teams should coordinate their work between themselves and with other PSM and anti-corruption work going on in the Region.

60. **Skill Mix** The Sector Boards should revisit staffing and skill needs in view of the findings of this assessment. In particular,

- task teams should include the perspectives of staff with country knowledge and public sector management skills, either by adding to the teams or through the review process, depending on the scope of the task; and
- training for CFAA/CPAR task managers should focus on understanding the new guidelines and processes, and the analytical and content requirements of these products.

61. **Partnerships.** The move to intensify work with partners is a salutary way of leveraging the Bank’s budgetary and human resources. Sector Anchors should work with Bank’s partners to harmonize standards for these products.
62. **Knowledge Management.** The Sector Anchors should strengthen knowledge management of country-level procurement and financial accountability issues covering cross-country experiences, analytical techniques and toolkits, and examples of good practice.
ANNEX 1

LIST OF TASKS

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ANNEX 2

MAIN CONTRIBUTORS

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PANELISTS

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<thead>
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<th>GENERALISTS</th>
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<td>Anand Seth</td>
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<td>Sri-Ram Aiyer</td>
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<td>Jean-Jacques Raoul</td>
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<td>Jean-Louis Ginnisz</td>
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<td>Jorge Claro</td>
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<td>Nadjib Sefta</td>
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<td></td>
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<td>Robert Hunja</td>
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</table>

PUBLIC SECTOR MANAGEMENT

| Anand Rajaram        | Ian Lienert (IMF)             | James Brumby (IMF)           |
| Jit Bahadur S. Gill  | Mike Stevens                  |                             |

SECTOR BOARD COUNTERPARTS

<table>
<thead>
<tr>
<th>David Shand (Fin Management)</th>
<th>Pamela Bigart (Procurement)</th>
</tr>
</thead>
</table>

Budget And Administrative Support:  Leila Cruz
Logistics:  Ann Walters  Dora Adoteve
             Lora Marshall  Susan Crisostomo
Report Production:  Dora Adoteve  Leila Cruz
Quality of Fiduciary ESW

APPENDIX PAPER

FIDUCIARY ESW ASSESSMENT

Origin of this Assessment

1. There is an increasing appreciation of the direct relationship between the standards of governance within a country and the effectiveness of that country’s development programs. This has led the Bank to increase its emphasis on ensuring that its operations comply with its fiduciary policies and to include financial management and procurement issues in its country dialogue.

2. As the principal media for country level discussion of financial management and procurement issues, the Regions and the OCS network have enhanced the frequency and focus of the Country Financial Accountability Assessment (CFAA) and the Country Procurement Assessments Report (CPAR); and the respective Sector Boards have issued new guidelines for their preparation. These have been reclassified as fiduciary ESW since July 2000; in turn, fiduciary ESW is emerging as part of the core diagnostic ESW that the Bank needs to have in place to do business in a country. For each of these assessments, the regions are responsible for the quality of specific tasks, while the respective sector boards are responsible for the policy framework for these products and identifying actions to improve quality where appropriate. To help fulfill this mandate, the Financial Management and Procurement Sector Boards are working together with QAG to assess the quality of CFAAs and CPARs.

Objectives of the Assessment

3. The quality assessment program for fiduciary ESW is designed to:

- Promote accountability by providing management with robust quality indicators, and providing staff with credible, independent assessments of individual tasks.

- Identify systemic strengths and weaknesses in fiduciary ESW and thereby identify the need for appropriate changes in the policies and practices related to the conduct and processing of CFAAs and CPARs.\(^8\)

- Learn from experience about what is needed for CFAAs and CPARs to have a greater impact on borrower policy and practice while gaining broader acceptance for the usefulness of these instruments for Bank strategy and lending among Bank managers and staff.

Because the CFAAs and CPARs are relatively new instruments that are intended to have an enhanced role in the future, and because this exercise will provide the first evaluation of these products, the objectives of identifying systemic issues and learning from experience are expected

---

\(^8\) This assessment is not expected to yield empirical data adequate to draw conclusions about systemic strengths and weaknesses of the Bank’s policies related to financial management and procurement. However, panels will be competent to recognize and report on compelling issues related to the policies that may arise in the context of this assessment.
Quality of Fiduciary ESW

to receive greater emphasis in the context of this year’s assessment. While all QAG assessments are expected to promote accountability, the regions and sector boards will determine how the results of this exercise are used for that purpose. It is important to recognize that the methodology (desk-based with limited client consultation) is not designed to provide a definitive judgment on any individual task.

4. A Synthesis Report detailing the broad findings from this assessment exercise will be prepared and reviewed with Management; the coverage of that report will be similar to the one QAG normally produces for ESW (the latest ESW Synthesis Report covering FY00 was issued in April 2001 and is available on the QAG website).

Approach of the Assessment

5. Coverage: Because the volume of fiduciary ESW is small and a primary objective of this assessment is to learn as much as possible from that population, this first exercise will review all fiduciary ESW that was completed between January 1, 2000 and June 30, 2001 (future fiduciary ESW assessments are likely to cover a more standard, partial sample). A CFAA or CPAR is deemed completed when a report is cleared by the Country Director for release to the government. Since the CFAAs and CPARs are not yet being systematically recorded in SAP, QAG will rely on the Financial Management and Procurement Sector Boards to provide the list of completed studies.

6. Quality Dimensions: Assessments will follow a guidance questionnaire that is adapted from the one used for other ESW. It focuses on whether these studies have the right scope and coverage and whether they have been done well, following an approach that enables them to have optimal impact with Bank management and staff and country officials. The assessments are structured along the following four dimensions:

- **Objectives, Scope and Strategic Relevance:** This section seeks to establish if the objectives and the audience for the particular fiduciary ESW are well-defined, and whether the scope of the study and the issues addressed are appropriate in view of the objectives and the country circumstances.

- **Internal Quality:** This section looks at the workmanship quality of the task. Does the report clearly specify the issues being addressed? How good are the analyses and the supporting empirical evidence? Does the analysis lead to substantive conclusions? Are the recommendations operational and consistent with the conclusions? Are they realistic in the light of social, political and administrative constraints?

- **Dialogue and Dissemination:** This part of the questionnaire examines the quality of engagement of the client and other key stakeholders. It explores how well they were involved in defining issues, providing inputs and analysis, and disseminating the findings. It also considers the Bank’s effectiveness in building ownership with its country-partner. This is also the section for assessing the quality of presentation, in terms of clarity of arguments, the adequacy of the summary, and the transparency and readability of the report from the perspective of clients and other non-specialists.

- **Likely Impact:** This section seeks anticipatory judgments about the potential impact of the exercise. Three audiences are recognized: officials in the client country, Bank managers and staff concerned with meeting the Bank’s fiduciary responsibilities with respect to their operations, and the broader development community.
7. The assessment also makes a separate set of judgments on Bank Inputs and Processes, seeking to evaluate the quality of the Bank’s own managerial contribution as the fiduciary ESW was carried out. This component assesses areas such as resource availability ($, people), efficiency of resource use, the contribution in terms of ideas/guidance from key elements of Bank management (regions, networks, peers, etc).

8. Ratings: The relevance and relative importance of the above dimensions varies with the nature of the exercise and the country context. The panelists use their judgment in deciding on the relative weights to be given, first to the individual sub-ratings, then between the four assessment dimensions. While a rating is awarded for Bank inputs and processes, that dimension is not considered when arriving at the overall assessment for a particular task. The exercise of balanced judgment in assigning ratings is a key responsibility of the panelists.

9. QAG rates quality on a four-point scale (plus Not Applicable, as appropriate). This scale will be retained for the assessment of fiduciary ESW:

   1 = Highly Satisfactory – Best practice in several areas and no major deficiencies
   2 = Satisfactory – Good solid piece of fiduciary ESW without major deficiencies
   3 = Marginal Satisfactory – Major deficiencies in some areas
   4 = Unsatisfactory – Broad pattern of deficiencies
   NA = Not Applicable

In arriving at their ratings, panelists recognize that the depth of analysis can reasonably be expected to differ with country context/circumstances.

10. Panel Process: The assessment of CFAA and CPAR will follow a single-stage process. Two assessors will review each sampled task, using the guidance questionnaire as the framework. Their work starts with a review of the task file, a set of background documents relating to the task assembled by QAG and the TTL. These documents cover the full range of task activities from the concept through the final report, including comments by peer reviewers, minutes of decision/review meetings and summaries of discussions with the client. The task team is encouraged to provide a short note describing the context of the task and any salient features that they believe are not covered adequately by the documents. Based upon this background material review, the panel prepares a list of issues for discussion with the Task Team.

11. The central element in the assessment is a meeting with the Task Team. After that meeting, the panel will meet with the Country Director/Country Anchor, to assess how the task linked into the Bank’s overall country dialogue and/or assisted staff working on operations involved in that country. In addition, if the assessors consider it of added value, they could discuss the study with counterparts in the host country. Following these discussions, the assessors will prepare their consensus ratings and a narrative report, to be shared as a draft with the TTL. The draft assessment will be formally transmitted to the Task Team, regional fiduciary manager and quality director, and the appropriate sector board.

12. Following the circulation of the panel’s draft report, the region will have the opportunity to review it and provide comments. In addition, the task team will have the option to meet again with the panelists, who will be available to discuss their ratings and evaluations. After discussion of the draft, the panelists will prepare a final report that takes account of the written comments received and discussions held. For tasks that were rated less than Satisfactory, the region will also have the opportunity to append a brief rejoinder to the panel’s report.
13. Moderator: A moderator, appointed by QAG will facilitate each panel. The moderator will ensure consistency of approach between panels and across regions. The moderator is independent of the panel, and is thus able to serve, inter alia, as the channel for communication between the task team and the panel.

14. Panel Composition: The panel and its members are at the heart of QAG’s assessment approach. These assessments are carried out by experienced, credible, senior professionals, with the relevant technical and/or geographic expertise. Panelists would normally include one senior staff member or retiree with deep experience in leading operations, who would serve as panel leader, and one senior technical specialist who has been certified by the sector board. To avoid any potential conflict of interest, anybody who (i) has recently worked on activities in the country covered by, or has commented substantively on, a particular CFAA or CPAR, as manager or otherwise; or (ii) is currently a staff member of the Region, will not be selected to serve as a panelist on that task. To improve consistency in ratings, QAG will attempt to involve each panelist in several assessments, across a range of similar tasks.

15. Synthesis Report: At the end of the exercise, QAG will produce a Synthesis Report, which will provide an overview/analysis of the assessment’s findings, examine systemic issues, highlight patterns of strengths and weaknesses of the CFAAs and CPARs, and make recommendations for further improvements in quality. The draft Synthesis Report will be reviewed with participants and other interested observers of the QAG process, then with senior regional/network staff involved with fiduciary issues. It will be sent to the Managing Directors, Regional VPs, and Network VPs for formal approval, prior to broad distribution to staff.

Cost of the Assessment

16. Panels for each rapid assessment of an ESW task is estimated to require an average of 4 staff-days. Based on an assumption of some 35 assessments (approximately 12 CFAAs and 23 CPARs), the total direct assessment time would amount to about 140 staff-days. Additional costs are represented by the work of moderators and the QAG overhead in management and logistics. The Synthesis Report, with its supporting analytical work, is the other core cost center involving senior QAG staff and specialist support. Based on these items, the total estimated costs for the FY01 ESW program as outlined in this document is $240,000.

17. QAG will cover direct costs of the assessments, as above. Under the new Bank-wide guidelines for cross-support, QAG would plan to provide reimbursements to staff for time billed as panelists or on special tasks. These costs do not include the time spent by Regional staff in preparing for and interacting with assessment panels. At about 3 staff-days for each assessment, these costs will be around $60,000. The new budget guidelines now make explicit provision for these costs in Regional budgets.

Schedule of Key Activities

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<tr>
<th>Activity</th>
<th>Timeline</th>
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<tr>
<td>Issue Approach Paper</td>
<td>Late May</td>
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<td>Notify task managers</td>
<td>last week of May</td>
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<tr>
<td>Panels meet</td>
<td>mid-June - late August</td>
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<tr>
<td>Synthesis report, completed by</td>
<td>late September</td>
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Annex 1. QAG Fiduciary ESW Guidance Questionnaire
FIDUCIARY ESW ASSESSMENT QUESTIONNAIRE

OVERALL QUALITY

General Guidance: The overall assessment of the quality of the task is not meant to be a simple average of the ratings on four dimensions listed (which in turn, are not simple averages of respective underlying sub ratings). The Panel should use its judgment in weighing the relative importance of each component after factoring in the size of the report and any particular circumstances. The panel may note that they are to assess the task in its broader sense i.e., not just the documents per se but also the quality of process around its creation notably the engagement of the client ('dialogue and participation' is an independent dimension of quality). The panelists should also note that CPAR/CFAA are still evolving as a product and some in the sample may have been done before the respective sector boards issued the guidelines.

1. SCOPE AND STRATEGIC RELEVANCE

Guidance: For scoring this section, look at the Initiating Memorandum or a similar document. Where such a document is not available, the information could be sought during discussions with the task/country team.

1.1 Clarity of the task’s objectives

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<td>95</td>
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1.2 Appropriateness of coverage/scope of the task

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Guidance: Look at issues such as comprehensive vs. selected topics, center vs. states, all sectors vs. selected sectors, public vs. both public and private etc. Assess with reference to i) linkage with existing/prior work, say, from the Fund or previous work within the Bank; ii) particular circumstances of the country, e.g., capacity in the country; and iii) the planned size and nature of the Bank’s country program.

1.3 Relevance of the task in view of Bank’s assistance strategy for the country:

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Guidance: The questions below should be answered with reference to objectives and scope of the task as set out at the beginning. These are not impact questions.

a) lending program and other operations in the country

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b) initiating/moving ahead the dialogue with the country on financial accountability/procurement issues

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c) informing strategy development (CDF/ PRSP next CAS)

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d) improving Bank’s knowledge of financial accountability environment /procurement systems in the country

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<td>93</td>
<td>100</td>
<td>90</td>
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1.4 Timeliness of the review

Guidance: In relation to Government’s potential readiness to introduce relevant reforms; timeliness in relation to Bank’s own program in the country.

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<td>70</td>
<td>80</td>
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1.5 Clients’ interest in the review

Guidance: External – An agreement/understanding with the government?
Internal – demand for the review from the country team

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<td>67</td>
<td>60</td>
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2. INTERNAL QUALITY

**General Guidance**: Questions below may not be equally relevant for all tasks. Panelists should score NA where a question is not relevant

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<tr>
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<tr>
<td><strong>2.1</strong></td>
<td>Clear identification of critical issues</td>
<td>67</td>
</tr>
<tr>
<td><strong>2.2</strong></td>
<td>Quality of information/empirical evidence</td>
<td>90</td>
</tr>
<tr>
<td><strong>2.3</strong></td>
<td>Quality of the analysis</td>
<td>83</td>
</tr>
<tr>
<td><strong>2.4</strong></td>
<td>Discussion of issues/topics is in the appropriate context and takes account of linkages with other issues/topics</td>
<td>63</td>
</tr>
<tr>
<td><strong>2.5</strong></td>
<td>Analysis of risks posed by the financial accountability arrangements/procurement system to Bank’s programs and funds</td>
<td>90</td>
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<tr>
<td><strong>2.6</strong></td>
<td>Use of knowledge available inside and outside the Bank</td>
<td>50</td>
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<tr>
<td><strong>2.7</strong></td>
<td>Extent to which the conclusions are substantive, follow from the analyses and offer insights</td>
<td>50</td>
</tr>
<tr>
<td><strong>2.8</strong></td>
<td>Clarity and realism of the recommended measures/Action Plan for improvements in financial management or procurement procedures:</td>
<td>50</td>
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<tr>
<td>a)</td>
<td>sufficiently precise and prioritized to permit assessment and subsequent implementation</td>
<td>43</td>
</tr>
<tr>
<td>b)</td>
<td>based on the report’s conclusion, in particular the nature and level of the assessed risk</td>
<td>73</td>
</tr>
<tr>
<td>c)</td>
<td>appropriate in the light of social, political and administrative constraints</td>
<td>70</td>
</tr>
<tr>
<td>d)</td>
<td>reasonable estimate of the implementation cost</td>
<td>29</td>
</tr>
<tr>
<td>e)</td>
<td>appropriate identification of agencies and institutions (e.g. government, regulatory, judicial, private sector) responsible for implementing the recommended changes.</td>
<td>77</td>
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<tr>
<td><strong>2.9</strong></td>
<td>Clarity of recommendations and follow-up actions for the Bank</td>
<td>50</td>
</tr>
<tr>
<td><strong>2.10</strong></td>
<td>Country fiduciary risk assessment appropriately reflects the review findings of:</td>
<td>50</td>
</tr>
<tr>
<td>a)</td>
<td>political risks</td>
<td>77</td>
</tr>
<tr>
<td>b)</td>
<td>institutional risks (both in terms of incentives and technical competence)</td>
<td>68</td>
</tr>
<tr>
<td>c)</td>
<td>corruption risks</td>
<td>70</td>
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3. DIALOGUE AND DISSEMINATION

**General Guidance:** All questions may not be equally relevant to all tasks. The panelists should take capacity of the borrower and other country circumstances into consideration. Please score NA where appropriate.

3.1 Extent and effectiveness of Government’s involvement in:

a) defining the scope of work

b) carrying out the analyses

c) formulating the recommendations and conclusions

3.2 Consultation with other key stakeholders during the review (process e.g. civil society, local governments and private sector companies)

3.3 Quality of partnership arrangements with other donors:

a) extent of donors’ participation in the Review

b) consideration of other donors’ requirements and needs

3.4 Where the institutional capacity is deficient, appropriateness, realism and precision of the capacity building measures covering:

**Guidance:** This question refers to capacity building measures that might have been undertaken as part of carrying out the task – such as study trips, training sessions, workshops etc.

a) institutional capacity assessment

b) technical assistance arrangements

c) staff and management training

3.5 Appropriateness of the actual or planned arrangements to Disseminate the review’s findings in line with Bank policy on dissemination or as agreed with the Government

3.6 Appropriateness of arrangements to follow-up and monitor implementation progress.

3.7 Quality of presentation of the main report:

a) is well-written (i.e. well organized, concise, with a clear flow of arguments and facts, leading to clearly stated conclusions)

b) includes an adequate self-contained executive summary

c) analysis is accessible to the general reader
4. LIKELY IMPACT

4.1 Likely Impact on the Bank:

- a) on design and assessment of Bank-funded operations in the country and their implementation
  - Guidance: The panelists should take into account the available stock of knowledge and assess enhancement made by the review to that stock
  - Score:

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- b) enhancing Bank’s knowledge of financial accountability arrangements/procurement system in the country
  - Score:

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- c) on operational policy and procedures
  - Guidance: Reference is to Bank policy and procedures. Of course, most tasks will not have this as an objective. Score NA in such cases. Treat this as an extra credit question.
  - Score:

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- d) on promoting dialogue with the country and other partners on financial accountability/procurement issues
  - Score:

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<td>73</td>
<td>60</td>
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- e) on design and implementation of capacity-building programs
  - Score:

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<td>69</td>
<td>70</td>
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4.2 Likely impact on the client:

- a) introducing policy changes and institutional reforms in the public sector
  - Score:

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- b) where appropriate, promoting the development of efficient practices in the private sector (mainly for CFAA)
  - Score:

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- c) promoting joint action with other stakeholders and donors
  - Score:

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- d) building coalitions for change in order to promote adoption or implementation of recommendations
  - Score:

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### FIDUCIARY ESW ASSESSMENT QUESTIONNAIRE (cont’d)

#### A. BANK PROCESSES

**INPUTS**

1.1 Elapsed Time (Months):

   a) Decision to Undertake the review – Fact Finding Mission
      - BANK: 3
      - CFAA: 4
      - CPAR: 3

   b) Fact finding mission – Completion of Draft Report
      - BANK: 5
      - CFAA: 5
      - CPAR: 5

   c) Completion of Draft Report – Agreement With Government
      - BANK: 3
      - CFAA: 3
      - CPAR: 3

1.2 Preparation/Processing Cost ($000)

   a) BB
      - BANK: 75
      - CFAA: 67
      - CPAR: 78

   b) TF

   c) Other Donors

   d) Government

   e) Other (incl. in-kind contributions)

   f) Total
      - BANK: 90
      - CFAA: 84
      - CPAR: 93

**Managerial Attention**

1.3 How appropriate was the time taken to complete the review given its complexity and urgency?*

   % of TOTAL for the Bank

   **Too Little** | **Too Much** | **About Right**
   --- | --- | ---
   a) Processing time
   - BANK: 13
   - CFAA: 17
   - CPAR: 70
   b) Time spent in country
   - BANK: 23
   - CFAA: 0
   - CPAR: 77

1.4 How adequate was the total funding in view of the objectives and scope of the review?*

   a) for review preparation
      - BANK: 23
      - CFAA: 4
      - CPAR: 73

   b) for follow-up activities
      - BANK: 50
      - CFAA: 0
      - CPAR: 50

**BANK** | **CFAA** | **CPAR**
--- | --- | ---
1.5 Task team’s composition, considering task complexity? (Skill-mix, continuity, experience, staff/consultants mix?)
   - BANK: 80
   - CFAA: 80
   - CPAR: 80

1.6 Overall efficiency in use of available resources
   - BANK: 76
   - CFAA: 60
   - CPAR: 84

* Check appropriate box.
**Quality of Fiduciary ESW**

### Fiduciary ESW Assessment Questionnaire (cont’d)

1.7 Attention to Quality at Entry

**Guidance:** Extent of shared understanding between managers and the team on the objectives, methodology, key milestones, etc; an appropriate understanding on roles of core participants at the time of launching the task - through an Initiating Memorandum or otherwise.

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<tbody>
<tr>
<td>a) by fiduciary manager</td>
<td>80</td>
<td>70</td>
<td>85</td>
</tr>
<tr>
<td>b) by Country Director/Team</td>
<td>63</td>
<td>60</td>
<td>65</td>
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1.8 Attention during carrying out/follow-up of the review.

**Guidance:** Appropriate monitoring of quality/milestones, promotion of cross-fertilization, best practices, etc. Did the management provide adequate guidance and mentoring? Were decisions and mid-course corrections provided timely? Was it ensured that comments on drafts are appropriately reflected? Was it ensured that the available information was sufficiently used? Did the management participate in the processes around dissemination and dialogue?

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<tr>
<td>a) by fiduciary manager</td>
<td>73</td>
<td>60</td>
<td>80</td>
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<tr>
<td>b) by Country Director/Anchor</td>
<td>70</td>
<td>80</td>
<td>65</td>
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1.9 Quality Enhancement contributions of the Sector anchor

**Guidance:** Score NA if the team did not seek any support from the anchor. For CPARs this includes advice from the legal department too

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<tr>
<td>a) Quality of inputs</td>
<td>94</td>
<td>50</td>
<td>100</td>
</tr>
<tr>
<td>b) Impact on final output</td>
<td>67</td>
<td>100</td>
<td>64</td>
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1.10 Quality Enhancement contributions of the peer reviewers

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<tbody>
<tr>
<td>a) Quality of inputs</td>
<td>90</td>
<td>70</td>
<td>55</td>
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<tr>
<td>b) Impact on final output</td>
<td>81</td>
<td>69</td>
<td>92</td>
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1.11 Quality of information on the task in SAP

**Guidance:** Completeness/accuracy of budget information, task description, task objectives, milestones etc.

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<td>75</td>
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1.12 Identify any major factors beyond task team’s control, which had a significant negative influence on quality: [Yes/No]

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<tr>
<td>a) Management changes</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>b) Internal organizational changes</td>
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<td>95</td>
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<tr>
<td>c) TM changes</td>
<td>90</td>
<td>100</td>
<td>85</td>
</tr>
<tr>
<td>d) Change in country circumstances</td>
<td>77</td>
<td>90</td>
<td>70</td>
</tr>
<tr>
<td>e) Change in relations with other partner-donors</td>
<td>97</td>
<td>100</td>
<td>95</td>
</tr>
<tr>
<td>f) Other (specify) ______________________________</td>
<td>83</td>
<td>80</td>
<td>85</td>
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INTERNAL QUALITY
UNDERLYING ANALYTICAL FRAMEWORK

1. The Internal Quality dimension of the guidance questionnaire that was used for this exercise presumed the following analytical approach, which is commonly used in connection with most mainstreamed operational work:

   • Provide salient information on the country. This should provide a reader with the contextual basis for why this task is important and relevant.

   • Provide information about sector specific practices, including a general discussion of the problems related to prevalent practices in the sector.

   • Synthesize the identified sector problems into a set of strategic issues. Ensure that those issues are embedded in the country strategy issues identified in the CAS, or explain how the CAS will need to be adjusted to accommodate a newly identified strategic issue.

   • Before doing field based research, define the analytical framework that will be used in resolving the issues.

   • Gather country and sector specific empirical data that relate to the identified strategic issues.

   • Conduct an in depth analysis of the empirical data within the defined logical framework.

   • Derive conclusions from the analysis about the best way to address the strategic issues.

   • Develop a clearly defined action plan of recommendations that are based on the derived conclusions. The action plans need to be sufficiently precise and prioritized to ensure that the intended audience is clear about the Bank’s thinking and understands what is important. The recommendations should be clear about who will be responsible for their implementation. There should also be a cost estimate to ensure either that the action plan is affordable or that the necessary financing can be sought.

   • Define the Bank’s role in the follow-up. This needs to be sufficiently detailed so that managers can determine whether the needed resources are available.

2. At each step of the analytical approach described above, the task team would validate their thinking against country circumstances – in particular, the political and social constraints in that country are taken into account. The outcome of this approach is a study, which takes account of country circumstances, presented in a framework that is familiar to most Bank staff.
1. The Bank may have become a little too complacent on best practice for public procurement. When CPARs bank wide make the same recommendations (new law and regulations, regulatory agency, and professionalization of staff) we should take a step backwards and reflect. From a public management perspective, there are stages in the evolution of public procurement systems.

2. Stage 1 (in an Anglo setting) is the colonial practice of using the Crown Agents for supplies and the PWD for works, with little recourse to consultant services in those days. The period ended with the drafting of procurement regulations for newly independent governments, that are fundamentally sound, but possibly too discretionary for many tastes nowadays.

3. Stage 2 is the public procurement of the development state, typically entailing the establishment of a national procurement agency replacing overseas procurement agents, the formation of a parastatal National Construction Company, and the introduction of local preferences. Flexibility in the rules to choose between open, selected and negotiated tendering is exploited for suppliers credit and design and build deals, often with large payoffs to the political leadership. Centrally planned economies had a extreme version of this model - the state order system for domestic goods, and barter under bilateral trade agreements for imports.

4. Stage 3 is what we see now, the policy prescriptions consequent on the structural adjustment era - open competitive bidding, clear legal framework, and shifting procurement decisions back to professional staff.

5. Stage 4 we see in NPM OECD countries, a shift from emphasizing process to performance. Detailed procedural rulebooks are replaced by best practice guidance, which permit flexibility in return for demonstrated value for money and an audit trail. Use of private sector approaches, E-procurement and supply chain management. Combining design with supply and requiring performance guarantees (eg: for power stations) is seen as yielding substantial time and cost savings, compared to the tradition model of separate detailed consultant design.

6. I believe Stage 3 is broadly the right public procurement paradigm for the bulk of our borrowers. Stage 4 works only if a lot of other systems are working to support performance, and there is a strong accountability framework across government. But the right set of policy recommendations for a given country is probably more differentiated than the sample of CPARs we have been reviewing would have us believe.

7. The present Bank procurement reform model needs to pay more attention to the administrative traditions of a country. Transition countries with a civil law tradition and no living memory of public procurement outside of the state order system are prime candidates for the UNCITRAL model law. Anglo tradition countries, contrary to what CPARs aver, do have a legal framework governing public procurement, in the form of regulations issued by the Minister of Finance under the organic Finance Act. The problem in many such countries is not that there is no law, but that the regulations have been allowed to become out of date, with, in some cases, thresholds that no longer make sense because of intervening inflation, and references still to
Crown Agents purchasing. The issue here is modernization and enforcement, not necessarily a new law. There is a case for elevating procurement to the status of statute, but the arguments in such countries are more evenly balanced than CPARs allow. Likewise a regulator. In Anglo countries the Minister of Finance has a constitutional/statutory duty to supervise financial management across government, and procurement in such countries (rightly or wrongly) is seen as a dimension of financial management. Locating the regulator outside the MF undermines that responsibility. Of course, in many countries the finance minister accords (or is allowed politically) little weight to that function. But that is surely an enforcement issue. If a country in this administrative tradition balks at an UNCITRAL law, and is prepared to update and enforce organic finance act derived regulations, we should not press change to the point of loan conditionality.

8. The CPAR procurement reform model was undeniably the right message to give a country like Poland, which was making the transition from a centrally planned economy, and evinced a strong desire to bring public procurement up to international standards to secure EU membership. (Once in the EU, Poland can explore moving progressively to stage 4). In other countries, the commitment to procurement reform may be more rhetorical than deeply rooted. The stage 3 model, in such circumstances, might need to be nuanced, with greater emphasis on measures which increase the transparency of public procurement, which, over time, could help build external pressure for more accountability. Present CPAR prescriptions include transparency, but only as one of many attributes of a good procurement system. Also in such countries, a CPAR that identifies high-risk areas could suggest specific measures as well as system-wide reforms (eg: greater use of procurement agents, creation of stakeholder oversight bodies). I am not a fan of no bribery pledges/integrity pacts, but there might be a middle income large project context in which the device (allowed in the Bank's procurement guidelines) could be tried.
ANNEX 7

COMMENTS OF SECTOR BOARDS

I. PROCUREMENT

A. General Comments:

1. The QAG review was initiated at the request of the PR and FM Sector Boards to provide the sectors with feedback on the quality of the CPAR and CFAA as assessed against a fairly standard ESW product rating system. This review was intended as means of contributing to our own continuing efforts to increase the quality and relevance of the CPAR and the CFAA with regard to improving governance/public sector management systems in our client countries and meeting growing institutional demands to develop a base of knowledge about the fiduciary systems and controls in our client countries.

2. We found the process followed by QAG to be very collaborative and helpful and appreciated the willingness to work closely with the Board and the Anchor in defining the parameters of the assessment.

3. QAG integrated the suggestions of the sector by modifying the questionnaire, by ensuring that the resulting report would serve as a basis for learning and by including internal and external experts from the sector in the review process alongside seasoned Bank staff, even though this complicated completion of the review.

4. We expected and received a candid report from QAG that will enable us to better address a number of quality issues that were already being tracked by regional and sector management. We also appreciate the guidance on developing greater consistency with the existing guidelines and standards for Bank ESW. Although there have been individual discussions with QAG concerning specific product ratings and there may be some differences of opinion remaining, we accept the overall rating of 70% Satisfactory which increases to 73% when including the two products assessed during the pilot.

5. As a result of the process, the clear understanding of the objectives of the review and the willingness of QAG to work with the sector, we feel that the resulting report has provided important recommendations, data and lessons that will lead to improving the quality and effectiveness of our ESW internally and increase the overall impact and contribution of this work in our client countries.

6. We are also appreciative of the willingness of QAG staff to participate in a number of follow-on activities related to the continuing efforts to improve quality including participation in training.

B. Response to Recommendations

7. Revision to Guidelines. As recommended the revised instruction on CPARs will address the following:

   • Preparation and content of an initiating concept memorandum
• More guidance on the breadth and depth of the analysis

• Defining how the CPAR will relate to and be better integrated with other assessments (such as the CFAA and PERs)

8. Business Processes. It is agreed that the business processes for CPARs will be aligned with those defined for other ESW. We especially see the value of the initiating concept memorandum and a well defined peer review process. Both of these have already become the practice in advance of the revised instruction based on our interaction with QAG.

9. The issue of integration into the country work programs began to be addressed prior to the QAG review by the interim guidelines issued jointly by the PR and FM sector boards on the treatment of fiduciary issues in CASs. We will continue to monitor this and participate in the revision of CAS guidelines to ensure that this is reflected in the new guidelines.

10. The RPAs are responsible for the quality of CPARs undertaken in their regions. Accountability and budgetary guidelines will be strengthened in the revised instruction.

11. Skills Mix: We agree that the quality of the products will be enhanced by broadening the skill mix of the task teams, but this has budgetary implications. This will be handled in the revised instruction through several methods including the peer review procedures and identification of specific skills needed in the initiating concept memorandum, which may require additional resources.

12. We will continue to train Bank staff to improve and broaden their skills with regard to public sector procurement, and public sector management and governance systems. The revised guidelines will be introduced and training on CPARs will be conducted during the planned Fiduciary Forum in March 2002.

13. Partnerships. The assessment notes the significant amount of work undertaken jointly with external partners but focuses more on CFAAs. We would like to have it noted that several CPARs have been conducted with the participation of external organizations including IADB (Nicaragua and the Dominican Republic) and the Asian Development Bank (Indonesia). One CPAR was done by the IADB (Guatemala) and adapted by the Bank and one by International Trade Center (ITC) that contributed to the Uganda CPAR, which was reviewed during the pilot exercise. The need to increase partnerships and coordination with other related diagnostics when conducting CPARs will be an area of emphasis in the revised instruction.

14. Knowledge Management. We agree that greater sharing of cross-country experiences, including good practice examples would enhance the resources available for staff and help improve the overall quality of reports. Each region currently posts their completed CPARs and we intend to provide some electronic links in the revised instruction to good practice examples.
C. RESPONSE TO ISSUES/FINDINGS SPECIFIC TO CPARs

15. Use of Generic Recommendations: We agree that many of the assessments contained what appeared to be generic recommendations that may not have reflected specific country conditions. Some of this is due to the general understanding of staff on internationally acceptable standards for public procurement and the existence of international models such as UNCITRAL. We will continue to work with staff to ensure a higher degree of analysis of specific country conditions, including consideration of the existing domestic legal framework that would lead to specific recommendations. In addition, we will emphasize the increased use of a variety of peer reviewers to help provide a "reality" check for the recommendations and the action plan. However, the conditions found in many of the regions are similar and the recommendations that result from similar conditions will have a tendency to be the same. We will focus on improving prioritization of the action plan and reducing the prescriptive nature of some of the recommendations to provide for greater differentiation on implementation options.

16. Risk assessment in the CPAR for Bank-financed procurement remains inadequate. We fully agree with this statement. We will provide better guidance on risk assessment in general in the revised instruction. We will require the use of available information on performance in Bank-financed project, including ex-post reviews and consultation with task managers. In addition, we intend to provide guidance on risk assessment in general that will help link findings related to national procurement systems to potential impact on Bank financed projects. Reducing risk by improving the implementation of the national public procurement system will have a direct impact on Bank-financed projects.

17. Coverage of Private Sector: We generally agree with the need to re-direct the coverage of the private sector to more useful areas. However, discussions within the Sector Board indicate the need to cover private sector practices in certain countries where private/public investment projects and other similar types of projects that may rely on private sector procurement are envisioned. We feel this can be handled by the revisions to the instruction and in the Initiating Concept Memorandum, which is now used to identify specific focus areas for the CPAR.

18. E-Procurement. This is an area of growing importance which was not recognized during the earlier CPARs conducted in FY00/01. This will be covered in the revised instruction. It is also seen as an area for possible direct country assistance.

19. Contract Administration. We agree that this is an area that needs more attention. We will cover this in the revised instructions.

20. Organization of Report. We agree that this needs clarification. Our plan is to have an executive summary, a main report and annexes. This will help with regard to disclosure by making the whole report with annexes subject to the Bank's disclosure policy.
II. FINANCIAL MANAGEMENT

GENERAL

1. The QAG review has been a very useful external assessment, raising the awareness of CFAA teams on how the quality and impact of CFAAs can be improved. In working with the QAG secretariat the FM Board was a strong supporter of QAG panelists being drawn from a range of external sources, including PREM, IMF and DFID, to provide a rigorous external perspective.

2. The review will provide very useful input into the current review of the CFAA guidelines. It will also inform the FM community’s own monitoring and accountability mechanisms for CFAAs and its knowledge and learning activities.

3. The basic conclusions of the review are fully agreed, as discussed in more detail below. However some conclusions do not reflect the current practices with CFAAs, which have evolved further since the assessed CFAAs were undertaken, as also discussed below.

4. Including the two CFAAs assessed as part of the initial pilot exercise (as noted in footnote 2) the overall quality of CFAAs would be 66 percent (sixty percent if they are excluded). In either case this is a reasonable result given the recent and emerging nature of the CFAA, which might be better acknowledged in the report and the higher rating of the more recent CFAAs assessed. The Board and the QAG secretariat also agreed that the assessment would be regarded as having a significant learning element, as well as being an assessment of quality. Further, the discussion of the CFAA pilots is limited to footnote 2. It would be fairer if this were given more prominence in the body of the report. It would also be fairer to tone down the second sentence of paragraph 54 to reflect the impact that inclusion of pilots would have on the overall assessment.

5. Some of the issues raised in the overall QAG assessment of ESW are also relevant here. These include the importance of managerial engagement (RFMAs and senior FMS) to ensure quality, reinforcing the role of peer review and QERs, the improved quality obtained through a more participatory approach and the possible future QAG focus on countries or programs rather than solely on individual instruments. On the latter point the greater integration of CFAA/PER/CPAR activity is consistent with this increased country focus.

RESPONSE TO RECOMMENDATIONS

7. Revision to Guidelines. As recommended the new Guidelines will address the issues of content of the report and concept paper (this will also reflect clarification in the Guidelines on the objectives of a CFAA) the breadth and depth of the expected analysis defining more clearly how the CFAA (and CPAR) relate to other accountability assessments (such as PERs).

8. Business Processes. It is agreed that the business processes for CFAAs should be aligned with those for other ESW. Indeed it is now standard for there to be two decision points (concept paper review and draft report review), and for these to involve country team members and staff from related disciplines.
9. The review’s comment that CFAAs are weakly integrated into the country programs is now not generally correct. While in some instances there is some way to go in fully integrating CFAAs into country work programs, integration has been facilitated by the de facto requirement for a recent CFAA to be available before any adjustment operation is considered. In this way CFAAs are also now contributing significantly to the public sector reform agenda. The Guidelines on the treatment of fiduciary issues in CASs (issued jointly by the Financial Management and Procurement Sector Boards) are also facilitating this integration.

10. RFMAs are now clearly accountable for the quality of CFAAs undertaken in their region.

11. Skills Mix. It is agreed that future training for CFAA task teams should focus on understanding the desirable processes and improving the analytical content of CFAAs. Including staff from related disciplines will be appropriate in some circumstances, but it is not clear if this is what is meant by including their “perspectives”, mentioned in paragraph 6.

12. Partnerships. The assessment notes the significant amount of work undertaken jointly with external partners. This reflects the significant initiatives in harmonizing diagnostics products between MDBs and bilateral donors, in which the FM community is playing a leading role. Not discussed in the review is the significant and increasing collaboration with the Procurement and PREM networks on carrying out joint CFAAs/CPARs/PERs. The PEFA program will be important in furthering this collaboration through harmonizing our diagnostic approaches in common areas and promoting more integrated assessments.

13. Knowledge Management. The need for greater sharing of cross country experiences and good practice examples and improving analytical techniques and skills is fully agreed, and is being addressed in the FM community’s FY 02 knowledge management activities. Apart from regular courses on technical issues of public sector financial management provided by the FM Anchor and those provided by the PREM Network on public expenditure management, this includes a specific CFAA quality workshop in conjunction with the March 2002, Fiduciary Forum, which will be attended by all FM staff.

RESPONSE TO ISSUES/FINDINGS SPECIFIC TO CFAAS

14. It is agreed that the revised CFAA guidelines should provide better guidance on assessing “risk to Bank funds” the minimum scope of a CFAA for it to be a satisfactory fiduciary assessment the coverage of procurement, corruption and more “upstream” public expenditure management issues. It is intended that the coverage of private sector financial accounting and auditing practices will in future be dealt with largely through the program of ROSC assessments. However issues relating to the accounting profession may be covered in CFAAs in so far as they relate to the public sector’s need for accounting professionals and to the reporting and accountability of state enterprises.

RESPONSE TO GENERAL FINDINGS

14. The finding that CFAAs have pronounced weaknesses on developmental aspects, also reflected in the finding that CFAAs are seen as less likely to have an impact on the client, appears to reflect the lack of systematic follow up to CFAA recommendations through time bound and prioritized action plans, particularly in earlier CFAAs. Much greater emphasis will in future be
placed on follow up through such action plans. The draft is silent on the question of action plans, which featured significantly in the QAG assessment discussions.

15. It should be noted that a significant amount of capacity building has been undertaken by the FM community in some regions through IDF grants, and in one case through a public financial management reform loan. This will increase in future, given the additional emphasis to be placed on public financial accountability issues in IDF grants. Such follow up capacity development may also be undertaken by other Bank staff, particularly the PREM network.

OTHER COMMENTS

16. The draft report is silent on the issue of country participation in CFAAs and maintaining a dialogue with them throughout the CFAA process. This should be a normal part of ESW business processes (paragraph 56).

17. That limited budgets had some impact on CFAA quality is agreed and is being addressed by RFMAs in negotiations with country teams on forthcoming CFAAs.

18. The terminology in paragraph 3, where CFAAs and CPARs are discussed as “outperforming” each other in relation to certain dimensions seems inappropriate. The FM community is not in competition with our Procurement colleagues, but rather have common interests in improving our products.